



# CHINA MINING INTERNATIONAL LIMITED

中矿国际有限公司

(Incorporated in the Cayman Islands)

(Company Registration No. CT-140095)

## REPLY TO THE QUERIES RAISED BY THE SINGAPORE EXCHANGE IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of China Mining International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in connection with the annual report of the Company for the financial year ended 31 December 2020 (“**FY2020**”) (“**Annual Report 2020**”), and appends its corresponding replies as follows:

### SGX-ST's Query (i):

*With reference to the audited consolidated statement of cash flows on pages 55 - 56 of the Company's Annual Report 2020, please provide an explanation for the material difference in the following:*

- (a) *Net cash from/(used in) operating activities of approximately RMB10,381,000, as compared to the unaudited financial results announcement of the Company of RMB(3,787,000); and*
- (b) *Net cash (used in)/from investing activities of approximately RMB(7,054,000), as compared to the unaudited financial results announcement of the Company of RMB6,634,000.*

*Please also explain whether and how the Company has complied with Listing Rule 704(6).*

### The Company's Response to Query (i):

Reference is made to the unaudited financial results for the Group for FY2020 as announced by the Company on 26 Feb 2021 (the “**Unaudited FY2020 Announced Results**”) and the audited financial statements of the Company for FY2020 as tabled and approved by the shareholders of the Company (the “**Shareholders**”) on 16 April 2021 (the “**Audited FY2020 Results**”). Certain of the Audited FY2020 Results differed from the FY2020 Announced Results as these took in the audit adjustments proposed by the external auditors of the Company (the “**External Auditors**”) and concurred by the Board for adoption (the “**Audit Adjustments**”).

The various variances between the Group's Unaudited FY2020 Announced Results and the Audited FY2020 Results as a result of the Audit Adjustments (the “**Variances**”) are set out in the table below:

	As per the Unaudited FY2020 Announced Results	As per the Audited FY2020 Results	Variance
CONSOLIDATED STATEMENT OF CASHFLOWS	RMB'000	RMB'000	RMB'000
<u>Operating activities</u>			
Exchange difference	288	768	480 <sup>(1)</sup>
Reversal of impairment loss on amounts due from other debtors	(2,031)	(2,038)	(6*) <sup>(2)</sup>
Other receivables, deposits and prepayment	12,404	1,410	(10,994) <sup>(2)</sup>
Financial assets, at FVPL - quoted securities	-	24,688	24,688 <sup>(3)</sup>
<b>Net cash from/(used in) operating activities</b>	<b>(3,787)</b>	<b>10,381</b>	<b>14,168</b>
<u>Investing activities</u>			
Investment in financial assets, at FVPL - quoted securities	(27,417)	-	27,417 <sup>(3)</sup>
Proceeds from disposal of financial assets, at FVPL - quoted securities	52,105	-	(52,105) <sup>(3)</sup>
Refunds from and proceeds for transfer of option to purchase office premises	-	11,000	11,000 <sup>(2)</sup>
<b>Net cash (used in)/from investing activities</b>	<b>6,634</b>	<b>(7,054)</b>	<b>(13,688)</b>

\*Variance of RMB6,000 instead of RMB7,000 (derived from 2,038,000 minus 2,031,000) due to rounding difference.

**Notes:**

1. Being reclassification of amounts to reflect the exchange difference relating to changes in the ending balance of cash and cash equivalents for FY2020 as more appropriately reflected in the Audited FY2020 Results from that as initially reflected in the Unaudited FY2020 Announced Results.
2. Being reclassification of amounts, relating mainly to the refunds from and proceeds for transfer of option to purchase of office premises of RMB11.0 million, from operating activities in the Unaudited FY2020 Announced Results to investing activities in the Audited FY2020 Results to better reflect the nature of the underlying transactions.
3. Being reclassification of amounts (on a net basis), relating to cashflow arising from investment in quoted securities of approximately RMB24.7 million, from investing activities in the Unaudited FY2020 Announced Results to operating activities in the Audited FY2020 Results in accordance with paragraph 15 of International Accounting Standard (IAS) 7 – Statement of Cash Flows.

Being reclassification in nature, the Variances, as a result of the Audit Adjustments, do not constitute material differences pursuant to Rule 704(6) of the Listing Manual of the SGX-ST.

**SGX-ST's Query (ii):**

*Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. Please clarify whether and how Listing Rule 1207(10C) has been complied with. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications.*

**The Company's Response to Query (ii):**

As disclosed on page 28 of the Annual Report 2020 under Provision 10.4 (Internal Audit Function) in the Company's Corporate Governance Report ("CGR"), the Group did not engage any internal auditors for FY2020. Instead, the Group's Accounts Department in China handles the internal audit function, which includes but are not limited to the review of the internal controls, risk management and compliance systems of the Group as well as the report of findings and the making of recommendations directly to the Chairman of the Audit Committee ("AC") on all internal audit matters and to the CEO on all administrative matters. Mr Li Weihua, one of the Key Executives (as defined hereinafter) who is a Certified Public Accountant, a Certified Tax Agent and a Certified International Internal Auditor in China with more than 20 years of experience in accounting, audit and risk management, is tasked to in-charge of the internal audit function.

The Company will outsource its internal audit function to an external consultancy firm as and when it is needed. With the Group's pending acquisition for a new business still in progress and having regard to the scope and nature of the Group's current operations, the AC and the Board are of the opinion that the current system of internal controls in place is adequate to mitigate normal operational risks.

The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

**SGX-ST's Query (iii):**

*Provision 2.2 of the Code of corporate governance 2018 (the "Code") states that, "Independent directors make up a majority of the Board where the Chairman is not independent".*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.2 of the Code as independent directors do not make up a majority of the Board where the Chairman is not independent. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.*

**SGX-ST's Query (iv):**

*Provision 2.3 of the Code states that, "Non-executive directors make up a majority of the Board."*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.3 of the Code as non-executive directors do not make up a*

majority of the Board. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

**SGX-ST's Query (v):**

*Provision 2.4 of the Code states that, "The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please state if the Company has a formal board diversity policy and clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.*

**The Company's Response to Query (iii), Query (iv) and Query (v):**

The Board of the Company presently comprised six members, of whom three are Executive Directors and three are Independent Directors, with one (out of the six) being a female member.

With the Non-Executive making up 50% of the Board, the Board is of the view that a good balance of authority and power within the Board is provided by the Independent Directors. In addition, with the Nominating Committee ("NC"), Remuneration Committee ("RC") and AC each chaired by an Independent Director in assisting the Board in its functions, the Board further deems that there is a strong independence element within it to justify the departure of the Board composition from the Code.

The Company does not have a formal board diversity policy. However, the composition of the Board is reviewed on an annual basis by the NC, taking into account the scope and nature of the operations of the Group and the requirements of the business, to ensure that the Board is of the appropriate size and to ensure that the Board has the appropriate mix of gender, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The current Board is equipped with core competencies concerning accounting, finance, legal, business and management matters as well as industry knowledge.

Based on the factors above, the Board is of the view that there is an appropriate level of independence and diversity of thought and background in its composition so as to be consistent with the intent of Principle 2 of the Code.

**SGX-ST's Query (vi):**

*Provision 8.1 of the Code states that "The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:*

- (a) each individual director and the CEO; and*
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel."*  
*(emphasis added)*

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of the amounts of remuneration of (a) each individual director and the CEO and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel. No explanations were provided for in the*

*Company's FY2020 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

**The Company's Response to Query (vi):**

The Executive Directors, who sit on the Board, hold executive positions in the Group's key subsidiaries in China. There is no requirement for corporations in China to disclose the detailed remuneration of individual directors and executives. As such detailed disclosures in Singapore would affect the confidentiality of the Executive Directors' remuneration in China, the Chinese subsidiaries concerned would then be put in a position of unequal treatment concerning the confidentiality of their employees' remuneration and their executives who are on the Board would then be disadvantaged unfairly. In addition, given the highly competitive conditions in the market place where poaching of executives is not uncommon, it is not in the interest of the Company to disclose the remuneration of individual Directors. The Board is of the view that it would disadvantage the Group to detail the remuneration of its Directors, and has instead chosen to disclose the remuneration within the bands no wider than S\$250,000.

As disclosed on page 7 of the Annual Report 2020 under Provision 8.1 (Key Management) in the CGR, the key management personnel of the Company presently consist of three executives (the "**Key Executives**"). The remunerations of these Key Executives were disclosed in bands no wider than S\$250,000 with their aggregate remuneration amounted to RMB1,456,279 in FY2020.

While the exact remuneration of the Executive Directors is not given, the level and mix of the Executive Directors' remuneration packages and the remuneration of the Key Executives in percentage terms are provided within band of S\$250,000. The Company believes that such disclosure will balance the interest of the Company and be of sufficient transparency to provide Shareholders with an adequate appreciation of the Executive Directors' remuneration packages and is consistent with the intent of Principle 8 of the Code.

In setting remuneration packages, the Company will take into consideration the prevailing economic situation, the remuneration and employment conditions within the similar industry and with comparable companies. The Executive Directors have service contracts and do not receive any Director's fee. They are paid a basic salary pursuant to their respective service agreements. The Executive Directors and the Key Executives are paid a variable bonus which is determined annually based firstly on the Group's performance and secondly on the contribution of the personnel in question to the performance of the Group.

The remuneration of the Executive Directors and Key Executives is structured so as to link rewards to corporate and individual performance and is aligned with the risk policies of the Group and interests of the Shareholders in promoting the long-term success of the Group. The performance of each of the Executive Directors and the Key Executives is reviewed periodically by the RC and the Board.

The Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account of factors such as effort and time spent, as well as the responsibilities and obligations of the Directors concerned. The Company recognizes the need to pay competitive fees to attract, motivate and retain Independent Directors without being excessive and thereby maximizing Shareholders' value. The Directors' fees are recommended by the Board for approval by the Shareholders at the AGM.

The foregoing sets out the considerations in setting remuneration packages and the link between remuneration and performance and is consistent with the intent of Principle 8 of the Code.

**SGX-ST's Query (vii):**

*Listing Rule 1207(19b) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least a statement whether and how the issuer has complied with the following best practices on dealings in securities: an officer should not deal in his company's securities on short-term considerations.*

*Please clarify whether and how Listing Rule 1207(19b) has been complied with.*

**The Company's Response to Query (vii):**

It is the Company's policy to prohibit share dealings by Directors and employees of the Group one month before the announcement of its half year and full year unaudited financial statements.

In addition, in compliance with Listing Rule 1207(19)(b), Directors and employees of the Group who are in possession of unpublished material price-sensitive and trade sensitive information of the Group are not to deal in the Company's securities on short term consideration and are expected to observe the insider trading laws at all times even when dealing in securities outside the restricted trading period.

**BY ORDER OF THE BOARD**

**Mr Zhai Kebin**  
**CEO & Executive Director**

4 May 2021