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香港交易所

Mines and Money London 2009

New opportunities and new rules for resources companies using the Hong Kong platform

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1 December 2009 London

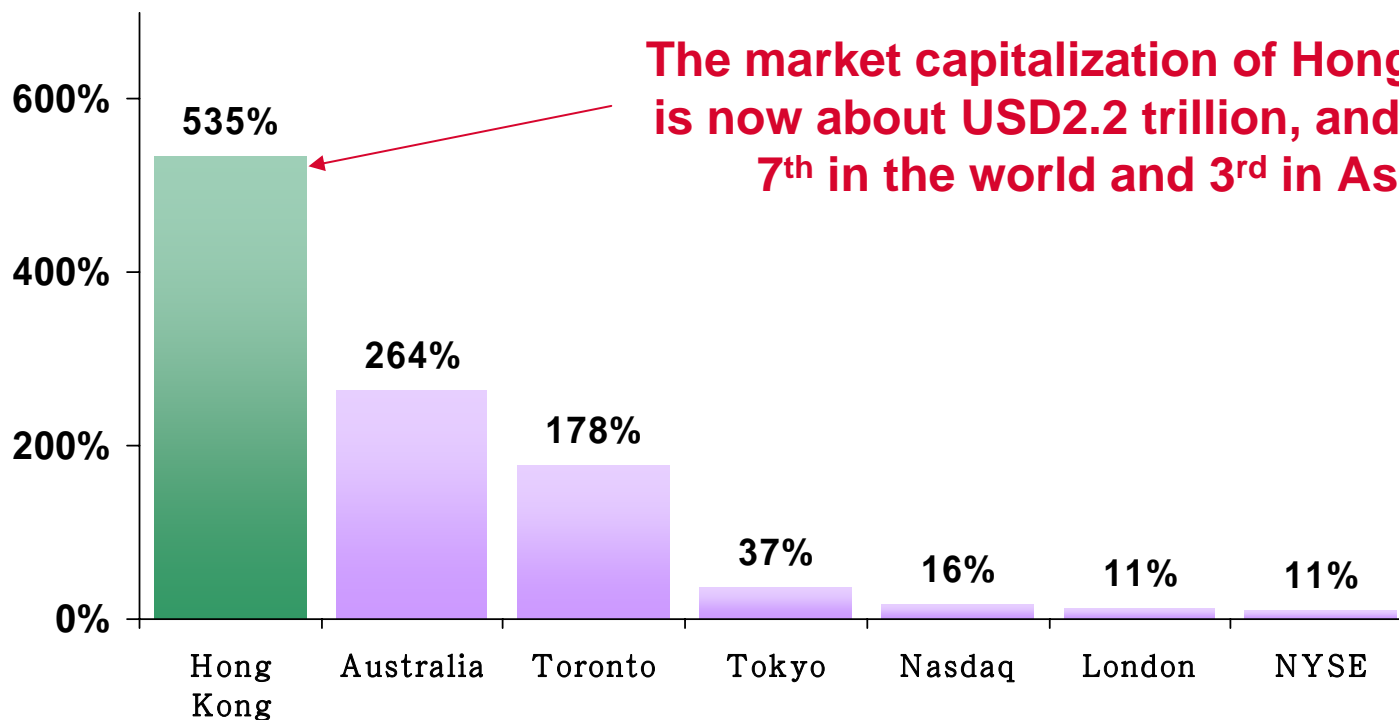
The Hong Kong attributes

- **English common law system** with independent judiciary
- **Strong regulatory infrastructure**
- **Regional headquarters** of many international investment banks, law firms, accounting firms, securities houses and fund management firms, etc.
- **Free flow of capital & information**
- **Simple and low tax base** (no capital gain tax, no inheritance tax, 16.5% flat corporate profit tax)
- **Exchange rate pegged** to the US Dollar under currency board system
- Strategic location in **Asian time zone**
- Two official **languages**: Chinese and English

Hong Kong – Global leading exchange

In US Dollar terms

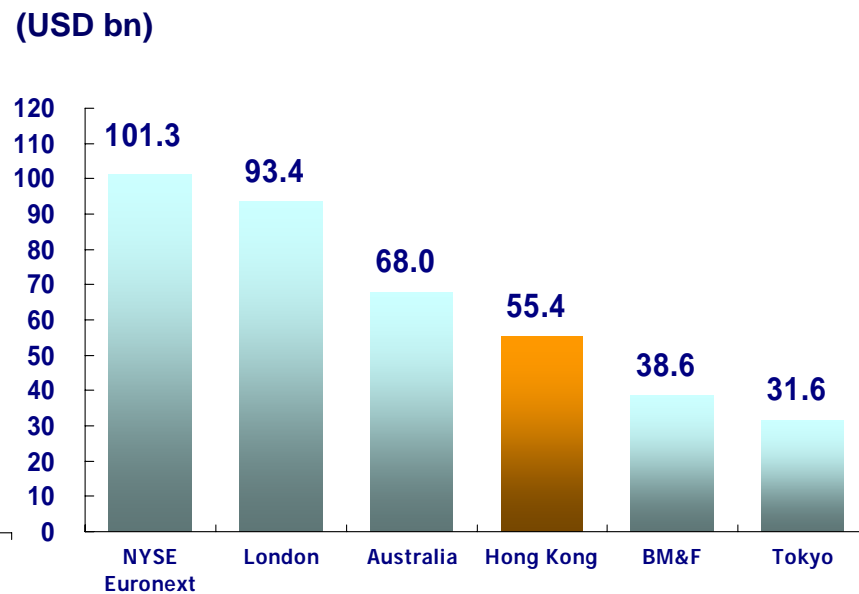
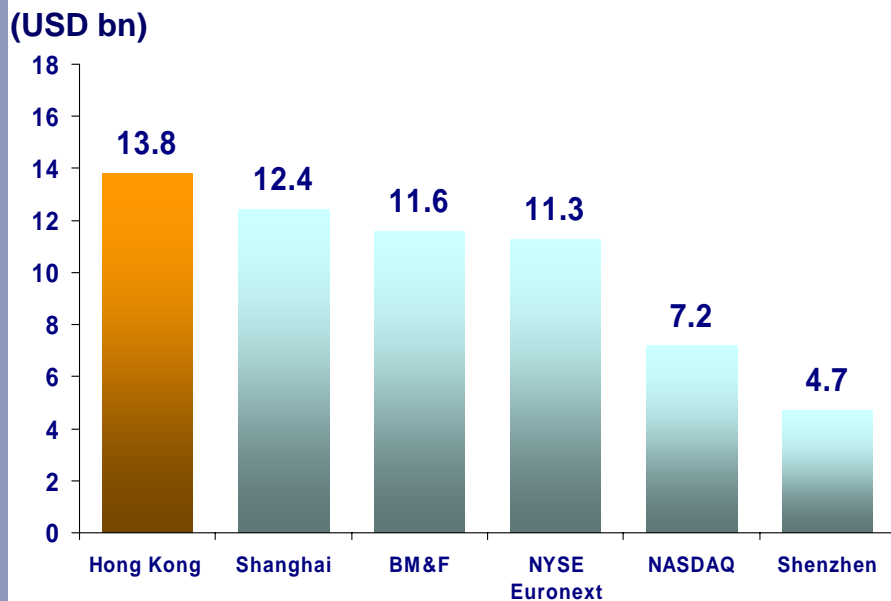
Growth of market capitalization in a decade
(Oct 2009 vs Dec 1998)



Hong Kong offers world-class fund raise capabilities

Hong Kong ranks 1st globally in
 IPO fund raise

And 4th globally in total fund raise,
 and 1st in Asia

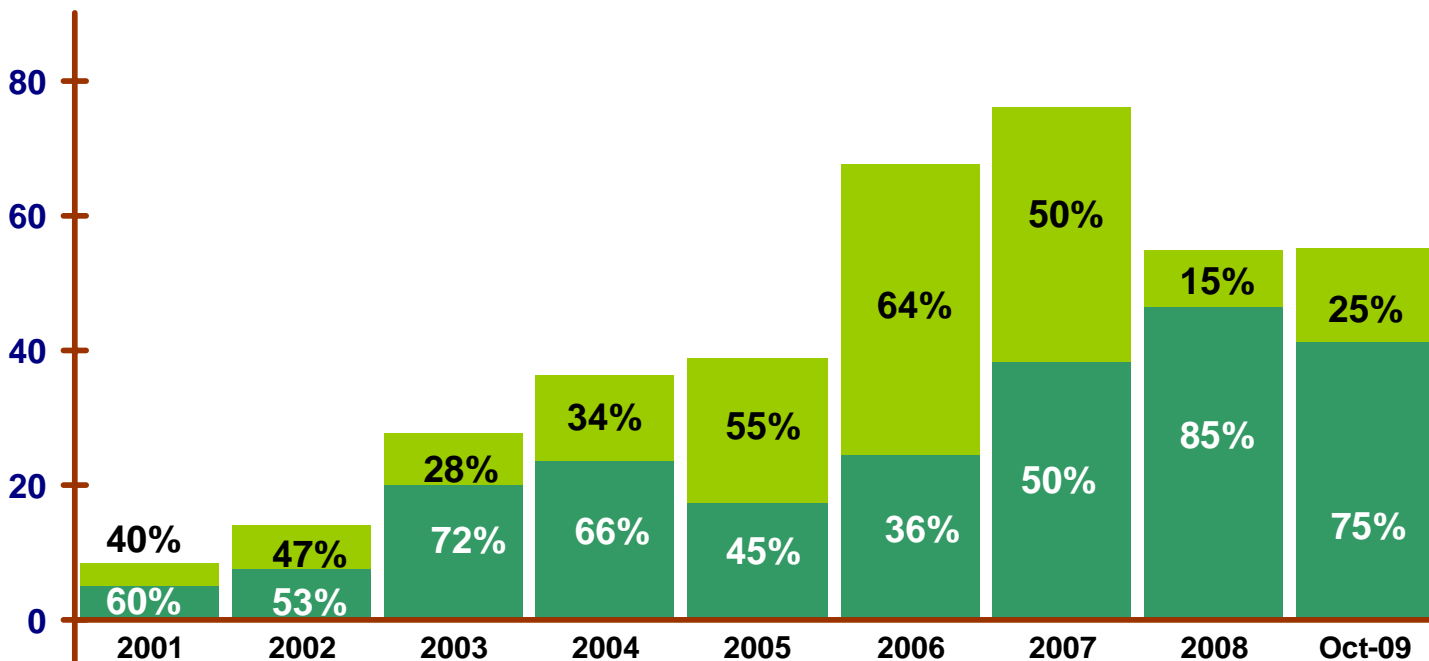


Strong fund raise capability up to the end of October 2009

Amount of Fund Raise on HKEx

USD bn

- In 2009, post-IPO fund raise is about 3 times of the IPO fund raise



	2001	2002	2003	2004	2005	2006	2007	2008	Oct-09
Total fund raised	8.3	14.2	27.5	36.2	38.8	67.4	75.9	54.8	55.0
IPO	3.3	6.7	7.6	12.5	21.3	42.9	37.6	8.5	13.7
Post IPO	5.0	7.5	19.9	23.7	17.5	24.5	38.3	46.3	41.3

Fund raising activities in recent months

November 2009

No. of new listings: **About 14**

Industries:

Banking, winery, packaging, leisure, industrial equipment, apparel manufacturing, property development

Expected total fund raise: **over USD9.5 bn**

	Expected fund raise
China Minsheng Banking Corp.	~ USD3.8 bn
Sands China	~ USD2.5 bn

December 2009

Expected no. of new listings: **About 9**

Industries: **Property development, IT, wind energy, natural resources, etc.**

Expected total fund raise: **about USD5 bn**

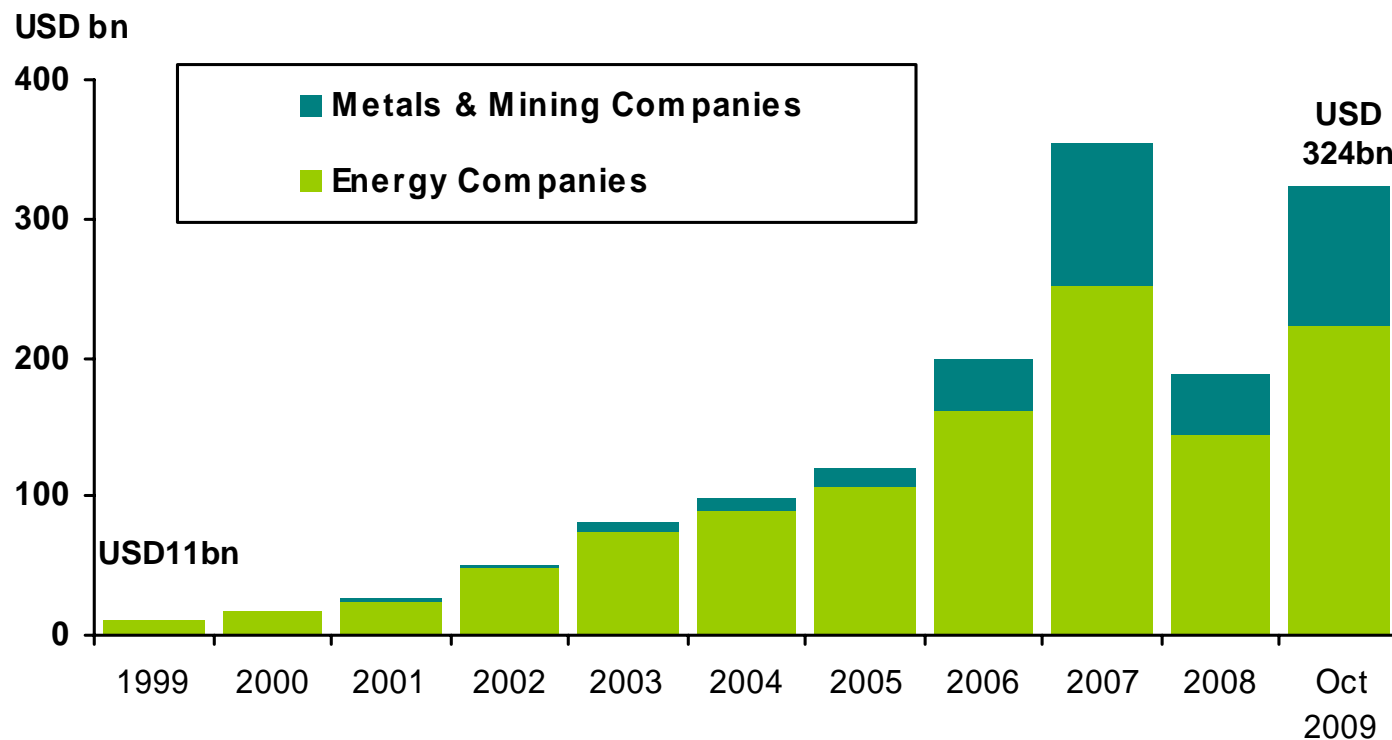
Performance of some of the leading natural resources companies on HKEx

Name	Sector	Price as at 27/10/08 (USD)	Price as at 20/11/09 (USD)	% Change	Historical P/E as at 20/11/09
Jiangxi Copper	Copper	0.4	2.5	↑ 588%	66.3x
Zijin Mining	Gold	0.2	1.1	↑ 492%	32.2x
Angang Steel	Iron/Steel	0.4	2.0	↑ 443%	33.4x
China Coal Energy	Coal	0.4	1.7	↑ 356%	47.6x
Shenhua Energy	Coal	1.1	4.9	↑ 355%	23.3x
China Molybdenum	Molybdenum	0.2	0.8	↑ 330%	22.0x
CNOOC	Oil	0.6	1.6	↑ 196%	16.8x
PetroChina	Oil	0.6	1.3	↑ 134%	15.8x

➤ **Natural resources companies out-performed the market**

Growth of natural resources companies in Hong Kong

Market cap of resources companies listed on HKEx



- **Market capitalization of natural resources companies grew more than 29 times for the past decade**

Natural resources companies have formed an important industry cluster in Hong Kong

Natural Resources companies	No. of companies	Market Cap as at end of Oct 09 (USD bn)	Total Fund Raise since listing (USD bn)	Average Daily Turnover in 09 (USD m)
Metal & Mining	114	101	40.4	632
Oil, Gas & Energy	61	223	38.7	734
Total	175	324	79.1	1,366
<i>% of total market</i>	13%	15%		17%

Asset distribution of natural resources companies listed on HKEx

- 89% of these companies have operations in China



Natural resources companies listed on TMX, ASX, LSE and HKEx

Resources companies (M&M and Energy)	TMX	ASX	LSE	HKEx
<u>As at 30 Sep 2009</u>				
Total no. of companies	1,772	815	295	175
Market capitalization (USD bn)	633	517	1,026	304
Average daily turnover (USD bn) (YTD 30 Sep 2009)	2.3	1.5	1.9	1.4

Case Study: CVM – Primary listing on HKEx in December 2008

<i>(USD m)</i>	2005	2006	2007	2008	1H2009
Sales	0	0	0	0	0
Net Loss	(0.08)	(0.2)	(0.3)	(1.3)	(0.6)

- **Background**

- Business: Mining rights for extracting dolomite limestone from two dolomite hills in **Malaysia**
- At the time of IPO, market cap was USD61m and raised IPO fund of USD15.2 m
- Proceed used to repay bank loans and fund development projects
- As a mineral company, the profit track record requirement was waived (*under Ch. 18 of Listing Rules*)

- **Recent development**

- Currently constructing a magnesium smelting plant in Malaysia and commercial production is expected to commence by end of 2009
- As of 31 Oct 2009, share price increased by 83% compared with IPO price, with market cap increased to about USD111 m

Case Study: Sino Gold - Secondary listing in March 2007

<i>(USD m)</i>	2004	2005	2006	2008	1H2009
Sales	16.2	8.9	7.0	159.8	112.8
Net Profit / (Loss)	(15.6)	(21.2)	(16.2)	(83.7)	10.2

- **Background**

- Business: Exploration, development and operation of gold mines in the PRC
- Primary listing on ASX in December 2002
- At the time of IPO, market cap was USD983m and raised IPO fund of USD119 m
- Proceed used to fund gold mine development projects in China (mainly located in Guizhou & Jilin)
- As a mineral company, the profit track record requirement was waived (*under Ch. 18 of Listing Rules*)

- **Recent development**

- Raised post-IPO funds of USD430 m over the past 2 years
- Projects are commercialized and more sales are generated with business turned around
- It was announced that Sino Gold will be merged with Eldorado Gold
- As of 31 October 2009, market cap was about USD1,778 m

Basic listing rules of Main Board and GEM: Quantitative admission requirements

Main Board listing applicants must fulfill <u>any one</u> of the three tests below	GEM admission requirement
Profits Test <ul style="list-style-type: none"> ▪ Profits of 3 years \geq USD6.4m, and ▪ Market cap \geq USD26m 	<ul style="list-style-type: none"> ▪ Operating cashflow \geq USD2.6m in aggregate for latest 2 full financial years ▪ Market cap \geq USD13m
Market Cap / Revenue Test <ul style="list-style-type: none"> ▪ Market Cap \geq USD513m, and ▪ Revenue of the most recent audited year \geq USD64m 	
Market Cap / Revenue / Cashflow Test <ul style="list-style-type: none"> ▪ Market Cap \geq USD256m, ▪ Revenue of most recent audited financial year \geq USD64m ▪ Aggregate positive cash flow for 3 preceding financial years \geq USD13m 	

Marketing consultation: Proposed new rules

- Mineral and Exploration Company will be defined as one whose “principal activity (whether directly or through its subsidiaries) involves the exploration for or extraction of natural resources (including minerals, oil and gas or solid fuels).”
- Principal activity should be determined by whether the activity represents 25% or more of assets, gross revenue or operating expenses.
- New listing applicant must:
 - ✓ Have at least discovered resources under the proposed mineral or oil and gas reporting standards
 - ✓ Include technical reports or Competent Person’s reports (at least 5 years experience and professionally qualified) on reserves and resources portfolios, maximum 6 months aging
 - ✓ If not yet commenced production, outline implementation plans to production with indicative dates and costs

Proposed listing rules for Mineral and Exploration Companies

Listing Requirements:

- **Either meet the Main Board track record requirement or minimum of 5 years' relevant experience of senior management and directors taken together.**
- **Identified resources under one of the three proposed reporting standards: Mineral reporting codes (the JORC Code, NI 43-101 or the SAMREC Code) or PRMS for oil and gas reporting.**
- **Sufficient working capital for 125% of budgeted needs for the next 12 months.**

Proposed listing rules for Mineral and Exploration Companies

Disclosure Requirements:

- Social and environmental matter disclosures.
- Not to combine mineral resources and mineral reserves. Similarly for oil and gas, the Proved and Proved plus Portable Reserves to be disclosed separately.
- Value to be presented on post-tax “unrisked” NPV basis with sensitivity analysis.
- For valuation of natural resources properties, accept VALMIN, SAMVAL and CIMVAL Codes.

Continuing Obligations

- Annual update of reserves and resources, need NOT be done by Competent Persons.
- Transactions requiring shareholder approval must include Competent Person’s Reports.

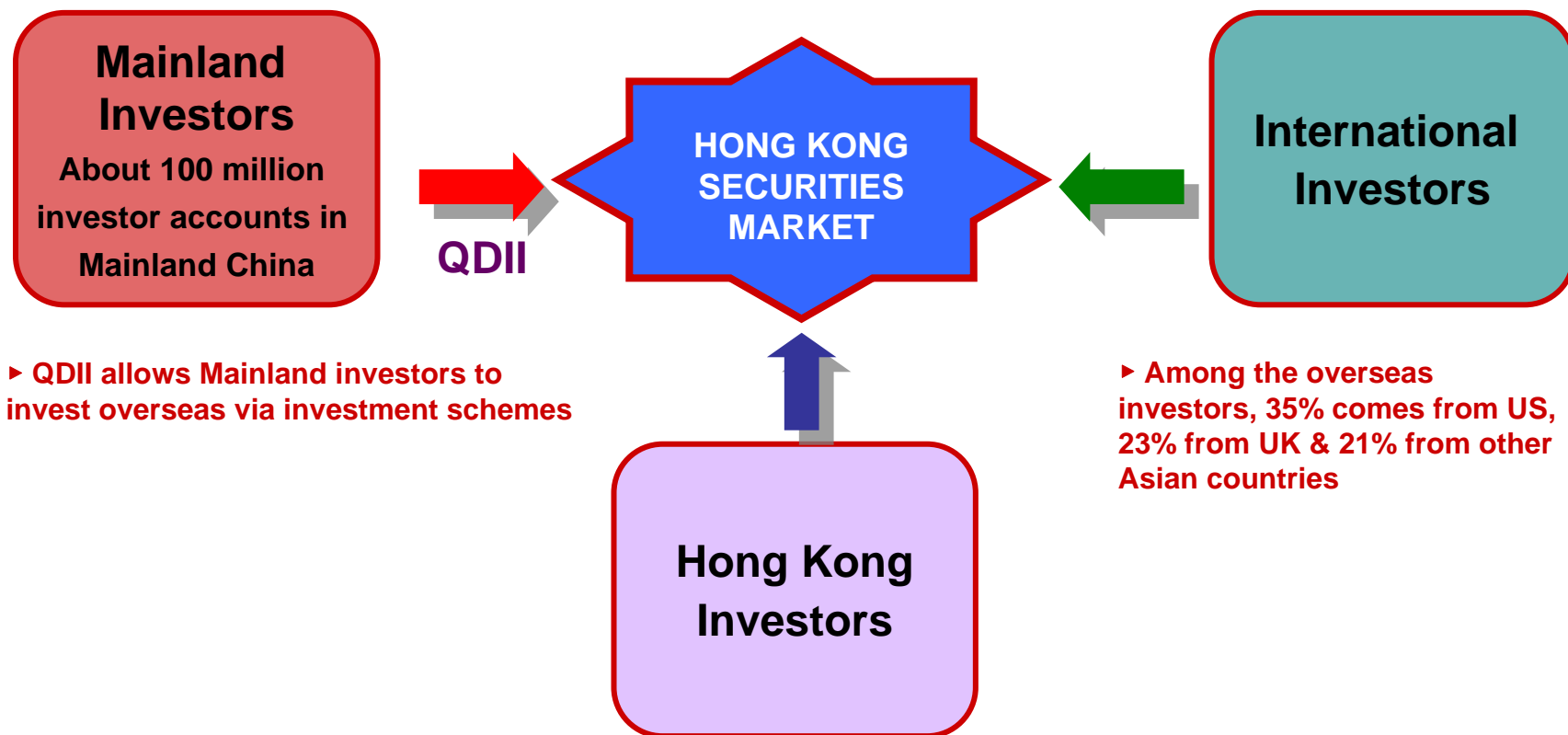
Listing of resources companies on HKEx - Trends to watch

- **Driven by internal market demand for energy and natural resources, more Mainland China related M&M and energy companies to take advantage of opening of fund raise window and listing on HKEx**
- **Overseas resources companies with China nexus to list in Hong Kong**
- **Dual listing on HKEx of overseas-listed resources companies will be more common**

International market backed up by Mainland China's strong potential

Diversified investor base

- 41% from investors all over the world
- 65% from institutional investors



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