

HKE_x LISTING DECISION
HKE_x-LD42-2013 (Published in January 2013)

Party	Company A – a Main Board issuer
Issue	Whether the Exchange would waive the requirement to produce a competent person’s report (CPR) on the mineral resources to be disposed of by Company A
Listing Rules	Main Board Rule 18.09(2)
Decision	The Exchange did not grant the waiver

FACTS

1. Company A proposed to sell its interest in one of its mining projects (**Mine Y**) to a third party, which would be a very substantial disposal. The consideration was determined with reference to the value of the reserves and resources of the mine. The Rules required Company A to include a CPR on Mine Y in the circular for the disposal.

Background

2. Mine Y was acquired by Company A some years ago (before the current Chapter 18 came into effect). At that time, a technical report for Mine Y (the **Technical Report**) was included in the transaction circular. The report was prepared by an expert (the **Expert**) using the Chinese Standard. The Expert provided a comparison between the Chinese Standard and the JORC Code, and quoted the resources and reserves using categorization under the JORC Code. However, the resources and reserves were not reported as JORC Code compliant resources and reserves because certain information required for such conversion was not available to the Expert.
3. After the completion of the acquisition, Company A updated Mine Y’s resources and reserves in accordance with the Chinese Standard in its subsequent annual reports.

Waiver application

4. For the proposed disposal, Company A sought a waiver from producing a CPR on Mine Y in the circular. It was of the view that its shareholders would have sufficient information to assess the proposed disposal based on the Technical Report previously provided, and a “no material change statement” by Company A and the Expert to be included in the circular for the disposal. It would be unduly burdensome to engage a competent person to prepare a new CPR on Mine Y given the substantial time and costs required.

APPLICABLE LISTING RULES

5. Rule 2.13 provides that “... *any announcement or corporate communication required pursuant to the Exchange Listing Rules must be prepared having regard to the following general principles:*

...

- (2) *the information contained in the document must be accurate and complete in all material respects and not be misleading or deceptive. ...”*

6. Chapter 18 defines that:

“Mineral Company”

... a listed issuer that completes a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets.

7. Rule 18.09 requires that “*A mineral company proposing to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must:-*

...

- (2) *produce a Competent Person’s Report, which must form part of the relevant circular, on the Resources and/or Reserves being acquired or dispose of as part of the Relevant Notifiable Transaction;*

Note: The Exchange may dispense with the requirement for a Competent Person’s Report on disposals where shareholders have sufficient information on the assets being disposed of.

...”

8. Rule 18.29 states that “*A Mineral Company must disclose information on mineral Resources, Reserves and/or exploration results either:—*

- (1) *under:*

(a) *the JORC Code;*

(b) *NI 43-101; or*

(c) *the SAMREC Code,*

...”

ANALYSIS

9. In this case, the Exchange noted the Technical Report was issued some years ago and was out-dated. It was prepared under the Chinese standard which however is not a recognised reporting standard acceptable by the Exchange under the current Chapter 18. The Exchange did not agree that Company A's proposed disclosure would provide accurate and complete information on the resources of Mine Y for the shareholders to make an informed voting decision on the disposal.

CONCLUSION

10. The Exchange refused the waiver.