

**HKE<sub>x</sub> LISTING DECISION**  
**HKE<sub>x</sub>-LD40-2013 (published in January 2013)**

<b>Parties</b>	Company A – a Main Board issuer  The Target – a company which Company A proposed to acquire from a third party vendor
<b>Issue</b>	Whether the Exchange would waive the requirements to produce competent person’s reports ( <b>CPR</b> ) and valuation reports on some of the mining interests held by the Target
<b>Listing Rules</b>	Main Board Rules 18.09(2) and (3)
<b>Decision</b>	The Exchange waived the requirements

**FACTS**

1. Company A proposed to acquire the Target.
2. The Target was in the business of exploration and mining of minerals. Its primary asset was the interest in a mining project (**Mine X**) and it held the mining licence for the mine. The Target also held the exploration licences for two other mines (the **Other Mines**).
3. Under the Rules, Company A was required to include CPRs and valuation reports covering all the mines held by the Target in its circular for the acquisition. It sought a waiver from producing the CPRs and valuation reports on the Other Mines for the following reasons:
  - The Target had not undertaken any exploration or mining activities at the Other Mines. There was not much geological information or resources data for these mines. To prepare CPRs, the competent person would need to conduct substantial work and spend a long time to complete the process.
  - Based on the due diligence work performed by Company A, resources in the Other Mines appeared to be mainly inferred resources. Their economic values were expected to be immaterial and no valuation on these resources would be allowed under the Rules.
  - The reason for Company A to acquire the Target was to obtain a controlling interest in Mine X which had a substantial amount of reserves and resources. Company A had no intention to explore or exploit the Other Mines after completion of the acquisition. When determining the consideration for the acquisition, it did not take into account the value of the Other Mines. Based

on the preliminary valuation, the value of Mine X represented over 90% of the consideration.

4. In light of the above, Company A considered the Other Mines were insignificant to the portfolio of mineral resources to be acquired under the acquisition. It would be unduly burdensome to require Company A to produce CPRs and valuation reports on the Other Mines in the circular.

#### **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. 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;*

...

- (3) *in the case of a major (or above) acquisition, produce a Valuation Report, which must form part of the relevant circular, on the Mineral or Petroleum Assets being acquired as part of the Relevant Notifiable Transaction; and... ”*

7. Rule 18.10 states that “*a listed issuer proposing to acquire assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must comply with rule 18.09”.*

## **ANALYSIS**

8. In this case, the Exchange was satisfied with Company A's explanation that the Other Mines were only a minor part of the Target's portfolio of mineral resources under the acquisition, and the waiver would not result in an omission of material information in the circular. The Exchange agreed that it would be unduly burdensome for Company A to produce the CPRs and valuation reports on the Other Mines.

## **CONCLUSION**

9. The Exchange agreed to waive the requirements for producing CPRs and valuation reports on the Other Mines.