

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please make your comments by replying to questions below against proposed changes discussed in the Consultation Paper at the hyperlink: http://www.hkex.com.hk/consul/paper/cp200909m_e.pdf

Where there is insufficient space provided for your comments, please attach additional pages.

For ease of cross-referencing, please note the question numbers in this questionnaire correspond to the question numbers as they appear in the Consultation Paper.

Consultation Questions on Additional Eligibility Requirements for New Applicant Mineral and Exploration Companies

- 3.1 Do you agree with the Exchange's proposal that new applicant Mineral and Exploration Companies must demonstrate that they have adequate rights to participate actively in the exploration or exploration and extraction of resources, either by having controlling interests in a majority (by value) of the assets in which they have invested or through other rights, which give them significant influence in decisions over the extraction of those resources?

☒ Yes

☐ No

Please provide specific reasons for your views.

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- 3.2 Do you agree with our proposal that new applicant Mineral and Exploration Companies that have not yet obtained rights to extract relevant reserves must disclose details of how they plan to proceed to extraction and must state risks relevant to obtaining relevant rights?

☒ Yes

☐ No

Please provide specific reasons for your views.

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- 3.3 Do you agree that new applicant Mineral and Exploration Companies must demonstrate that they have sufficient working capital for 125% of their budgeted working capital needs for the next twelve months? Do you consider that the requirement for a working capital statement should be extended beyond a period of twelve months?

☐ Yes
☒ No

Please provide specific reasons for your views.

First of all, 125% itself is an arbitrary number. Secondly, the statement does not specify whether working capital include potential IPO proceeds. Thirdly, in conducting a 12-month working capital needs makes the company an obligation of nearly making a 12-month profit forecast, which is not the intention of the amendment. In my opinion, a fair balance of the cost and effectiveness would be a mandatory disclosure of a statement of how the company is going to fulfil its working capital requirement in the next twelve months.

- 3.4 Do you agree that estimates of cash operating costs must include those of: (a) workforce employment; (b) consumables; (c) power, water and other services; (d) on and off-site administration; (e) environmental protection and monitoring; (f) transport of workforce; (g) product marketing and transport; (h) non-income taxes, royalties and other governmental charges; and (i) contingency allowances?

☐ Yes
☒ No

Please provide specific reasons for your views.

There is no need to be that specific. Any kind of classification from the regulator may be commercially not viable and may easily obsolete by the pass of time. I suggest that the company, maybe endorsed by the sponsor, issue a statement that the estimates are true and fair, without significant omission.

- 3.5 Do you agree that producing new applicant Mineral and Exploration Companies must disclose their operating cash cost per appropriate unit for the mineral(s) and/or oil and gas produced?

☐ Yes
☒ No

Please provide specific reasons for your views.

It does not help much to the potential investors. In most cases, potential investors have to rely on the commercial judgement of the management of the company. Besides, such disclosure may easily disclose commercial secrets harmful to the profitability of the company and the investors.

- 3.6 Do you agree that a new applicant Mineral and Exploration Company must demonstrate that its board and senior management, taken together, have adequate experience relevant to the mining and/or exploration activity that the applicant is pursuing, unless it can meet the financial track record requirements under Listing Rule 8.05? Do you agree that individuals relied on must have a minimum of five years relevant experience?

☐ Yes

☐ No

Please provide specific reasons for your views.

Yes to the first question and no to the second question. The number of years of relevant experience is just one of the criteria to measure the "adequate experience". I think it is far more important for the senior management to disclose in full details their "relevant experience" both for the Exchange and the investors to accept. Changing from 3 years to 5 years may turn out to be a formality only without much help to the substance of ensuring "adequate experience" is in place.

Consultation Questions on Disclosure (General) Obligations

- 4.1 Do you agree with our proposal that technical reports and valuations required by the Listing Rules must be prepared by independent Competent Persons?

√ Yes

☐ No

Please provide specific reasons for your views.

- 4.2 Do you agree with our proposal that a Competent Person must be a member of a Recognised Professional Organisation?

√ Yes

☐ No

Please provide specific reasons for your views.

Furthermore, I think the Exchange should maintain a list of RPO for such purpose similar to that in Australia and Canada.

- 4.3 Do you agree that the Exchange should only accept Competent Persons' Reports (CPRs) prepared by Competent Persons who are registered in jurisdictions where the statutory securities regulator has adequate arrangements with the Securities and Futures Commission for mutual assistance and exchange of information for enforcing and securing compliance with relevant laws of each jurisdiction?

☐ Yes

☒ No

Please provide specific reasons for your views.

Such requirement may be difficult and time-consuming to enforce. The onus of proof for CPR in compliance with laws in other jurisdiction should rests with the company. The Exchange should be empowered to enquiry such matters directly to the company in case of doubt.

- 4.4 Do you agree that the CPR must have an effective date less than six months prior to the date of the publication of the prospectus or circular required under the Listing Rules?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 4.5 Do you agree that CPRs must include an up to date no material change statement?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 4.6 Do you agree that all Mineral and Exploration Companies must disclose in the CPR, where one is required, risk factors and provide a risk analysis in the format outlined in Appendix I to the Consultation Paper?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 4.7 Do you agree with the Exchange's proposal that disclosure on risks must be provided as part of a Competent Person's Report?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 4.8 Do you agree that data on reserves and resources must be presented in tables in a manner readily understandable to a non-technical person?

☒ Yes

☐ No

Please provide specific reasons for your views.

The Exchange shall further set sample tables to illustrate the standard required for "readily understandable to a non-technical person".

Consultation Questions on Disclosure (Technical Reporting) Standards

- 5.1 Do you agree with the Exchange's proposal to accept the three main JORC-type codes for the presentation of information on resources and reserves, namely the JORC Code, NI 43-101 and the SAMREC Code?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.2 Do you agree with the Exchange's proposal to request reconciliation to one of the above codes where information is presented in accordance with Russian or Chinese standards, until such time as they achieve widespread recognition or efforts at convergence between these standards and JORC-type codes are sufficiently advanced?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.3 Do you agree with the Exchange's proposal to require that estimates of mineral reserves be supported at a minimum by a pre-feasibility study as defined in the SAMREC Code and NI 43-101?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.4 Do you agree with the Exchange's proposal that information on mineral resources and mineral reserves must not be combined?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.5 Do you agree with the Exchange's proposal that mineral resources must only be included in economic analyses if they are appropriately discounted for the probabilities of their conversion to reserves and the basis on which they are considered to be economically extractable is stated?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.6 Do you agree with our proposal that Mineral and Exploration Companies must explain the methodology used to determine commodity prices used in pre-feasibility and feasibility-level studies and valuations of reserves and resources, and state the basis on which such prices represent reasonable views of future prices?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.7 Do you agree with our proposal that Mineral and Exploration Companies must present sensitivity analyses on price in their valuations of reserves and profit forecasts?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.8 Do you consider that the requirement to state the methods used to determine prices and state the basis on which they are reasonable should extend to forecast prices of oil and gas?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.9 Do you agree with our proposal to adopt the PRMS as the accepted reporting code for CPRs related to oil and gas resources?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.10 Do you agree with the proposal that Proved and Proved plus Probable Reserves be presented as Net Present Values ("NPVs") on a post-tax 'unrisked' basis at varying discount rates, including a reflection of the weighted average cost of capital or minimum acceptable rate of return applicable to the entity at the time of evaluation?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.11 Do you agree with the proposal that Proved Reserves and Proved plus Probable Reserves must be analysed separately and the principal assumptions must be stated in all cases?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.12 Do you agree with the proposal that companies must present estimates of NPVs of reserves using a forecast price as a base case but must also provide a sensitivity analysis including a constant price, to be represented by the unweighted arithmetic average of the closing price on the first day of each month in that 12 month period? Please note the possible variation in this proposed rule applicable for companies that may be subject to the SEC's Oil and Gas Disclosure Standards in paragraph 5.59 of the Consultation Paper.

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.13 Do you agree with the Exchange's proposal that disclosures about estimated volumes of oil and gas resources should be allowed, provided relevant risk factors are clearly stated?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.14 Do you agree with our proposal that Mineral and Exploration Companies should not be permitted to attach economic values to Contingent or Prospective Resources?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.15 Do you agree with the Exchange's proposed definition of 'Competent Person' for oil and gas reporting?

☐ Yes

☒ No

Please provide specific reasons for your views.

As stated above, I recommend the Exchange to compose a list of RPO for this purpose on its own.

- 5.16 Do you agree with the Exchange's proposal that CPRs must be prepared by independent Competent Persons and deal with the list of items in Appendix II to the Consultation Paper?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.17 Do you agree with the Exchange's proposal to accept the VALMIN, CIMVAL and SAMVAL valuation codes for the valuation of natural resources properties?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 5.18 Do you agree with the Exchange's proposed definition of 'Competent Person' for valuation purposes?

☐ Yes

☒ No

Please provide specific reasons for your views.

As stated above, I recommend the Exchange to compose a list of RPO for this purpose on its own.

- 5.19 Do you agree with the Exchange's proposal that company management and the relevant independent expert must determine whether a valuation report is required?

☒ Yes

☐ No

Please provide specific reasons for your views.

Consultation Questions on Continuing Obligations (for companies treated as Mineral and Exploration Companies and existing listed issuers engaging in mineral and/or exploration activity)

- 6.1 Do you agree with our proposal that Mineral and Exploration Companies must produce CPRs on transactions for the acquisition or disposal of resources and/or reserves, which require shareholder approval (i.e. transactions which are classed as 'major' or above)?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 6.2 Do you agree with our proposal that listed issuers which enter into acquisitions for resources and/or reserves classed as major or above must also comply with the requirement to produce CPRs? Do you consider that such companies should be granted a short grace period for relevant transactions that have already been entered into and announced on implementation of the new rules?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 6.3 Do you agree with our proposal that, we may dispense with the requirement for CPRs on relevant transactions if detailed information on reserves and resources, in accordance with our approved mineral and/or oil and gas codes, is already in the public domain?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 6.4 Do you agree listed issuers that have previously published details of reserves and resources must update such statements once a year in their annual reports?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 6.5 Do you agree with our proposal that Mineral and Exploration Companies must provide details of exploration, mining production and development activities and details of expenditure incurred on these three activities in their interim (half-yearly) and annual reports?

☒ Yes

☐ No

Please provide specific reasons for your views.

6.6 Do you agree with the Exchange's proposal to prohibit blanket disclaimers in technical reports?

☒ Yes

☐ No

Please provide specific reasons for your views.

6.7 Do you agree with the Exchange's proposal to disallow material indemnities in favour of the Competent Person or entity that prepared the report?

☒ Yes

☐ No

Please provide specific reasons for your views.

Consultation Question on Social and Environmental Standards

7.1 Do you agree with the Exchange's proposal to encourage Mineral and Exploration Companies to consider and provide disclosure on the social and environmental matters described in paragraph 7.1 of the Consultation Paper, where material to their business operations?

☒ Yes

☐ No

Please provide specific reasons for your views.

Consultation Questions on Eligibility of exploration companies

- 8.1 Do you agree that Chapter 18 should be amended to allow Mineral and Exploration Companies that have mineral or oil and gas resources to apply for listing?

☐ Yes

☒ No

Please provide specific reasons for your views.

The Exchange shall maintain the requirement of "adequate economically exploitable reserves". Similar to London, where early stage exploration companies is listed in AIM, Hong Kong shall promote early stage exploration companies to list in the GEM board instead of the Main Board.

- 8.2 Do you agree that it is not appropriate to list early stage exploration companies in the interests of investor protection, i.e. those that have not yet determined the existence of resources?

☒ Yes

☐ No

Please provide specific reasons for your views.

Although investor protection is crucial, the allowance of free market is essential as well. Thus, the Exchange shall follow London's suit by allowing those early stage exploration companies to list in GEM board.

- 8.3 Do you agree that new applicant Mineral and Exploration Companies that have not yet commenced production must disclose their plans to proceed to production with indicative dates and costs?

☒ Yes

☐ No

Please provide specific reasons for your views.

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- 8.4 Do you consider that new applicant Mineral and Exploration Companies which have not yet commenced production should be subject to any additional eligibility requirements, such as a requirement to have a minimum market capitalisation?

☒ Yes

☐ No

Please provide specific reasons for your views.

- 8.5 Do you agree with the Exchange's proposed definition for 'Mineral and Exploration Companies'?

☒ Yes

☐ No

Please provide specific reasons for your views.

- End -