

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

11 November 2009

Dear Sir,

Consultation Paper on New Listing Rules for Mineral and Exploration Companies issued in September 2009

We refer to the subject consultation paper and support the proposal that the resource and reserve estimates and valuations must be prepared with reference to some benchmark standards and that they must be prepared by competent persons with the prescribed level of experience and qualification. However, we would like to take this opportunity to highlight our views regarding deemed profit forecasts below. Unless otherwise defined, terms used shall have the same meanings as those defined in the paper.

We recommend the Exchange to clarify in the consultation conclusion that valuation of natural resources properties based on discounted cash flows will not be regarded as a profit forecast under Listing Rule 14.61.

We understand discounted cash flows is an acceptable method for valuation of natural resources properties. However, we consider that such valuation should not be regarded as a profit forecast under Listing Rule 14.61

Our reasons for suggesting this change or clarification are three-fold:

- Reporting accountants or auditors are not specialists in valuating natural resources properties.
- The Hong Kong Institute of Certified Public Accountants ("HKICPA") has not issued any specific reporting standard that enables reporting accountants or auditors to report on discounted cash flows which forms a basis for the valuation of natural resources properties.
- If the valuation is prepared with reference to some benchmark standards by a Competent Person, we feel that having reporting accountants or auditors further report on the relevant discounted cash flows may not add any significant value.

Currently, the existing Listing Rule 14.61 regards as a profit forecast any valuation of assets (other than land and buildings) or businesses acquired by a listed issuer based on discounted cash flows or projection of profits, earnings or cash flows. The existing Listing Rules 11.17, Appendix 1A(34)(2) and Appendix 1B(29)(2) further require that the accounting policies and calculations for the forecast must be reviewed/examined and reported on by the reporting accountants and their report must be set out in the listing documents.

We also urge the Exchange to revisit the current Listing Rule 14.61 mentioned above in a general context, that is, not only with respect to mining and exploration companies.

The reasons set out above regarding valuation of natural resources properties based on discounted cash flows are relevant here. In addition, we consider it is not appropriate for reporting accountants or auditors to report on other such valuations due to the following reasons:

- The reporting accountant's or auditor's report on any valuation that is regarded as profit forecast must be published, according to the existing Listing Rules. However, the Rules do not require the underlying valuation report also be published in the relevant announcement or circular. We consider that it may be misleading to publish the accountant's or auditor's report on valuation without the underlying valuation report containing all the key assumptions and the basis of the valuation.
- Given the valuation is normally prepared by a professional valuer with relevant experience and qualification, we feel that having reporting accountants or auditors further report on the relevant discounted cash flows may not add any significant value.
- Usually the relevant discounted cash flows or projection of profits, earnings or cash flows will involve assumptions covering a prolonged period of time. The HKICPA has not issued any specific standard that provides guidance to preparers.

We hope the above are helpful. If you want to discuss any matters further, please do not hesitate to contact

Yours faithfully,