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**Listing Mineral  
Companies  
in Hong Kong**





# Introduction to the Listing of Mineral Companies in Hong Kong

## Introduction

- Chapter 18 (Mineral Companies) of the Main Board Listing Rules & Chapter 18A (Mineral Companies) of the GEM Listing Rules:
  - Additional listing eligibility requirements, disclosure standards and continuing obligations for mineral and petroleum companies
- Possibility of obtaining a waiver from Listing Rule 8.05 financial eligibility tests for listing
- Popular listing venue for Chinese mining and energy companies, e.g. China Shenhua Energy Company Limited, China Coal Energy Company Limited and Zijin Mining Group Co., Ltd.

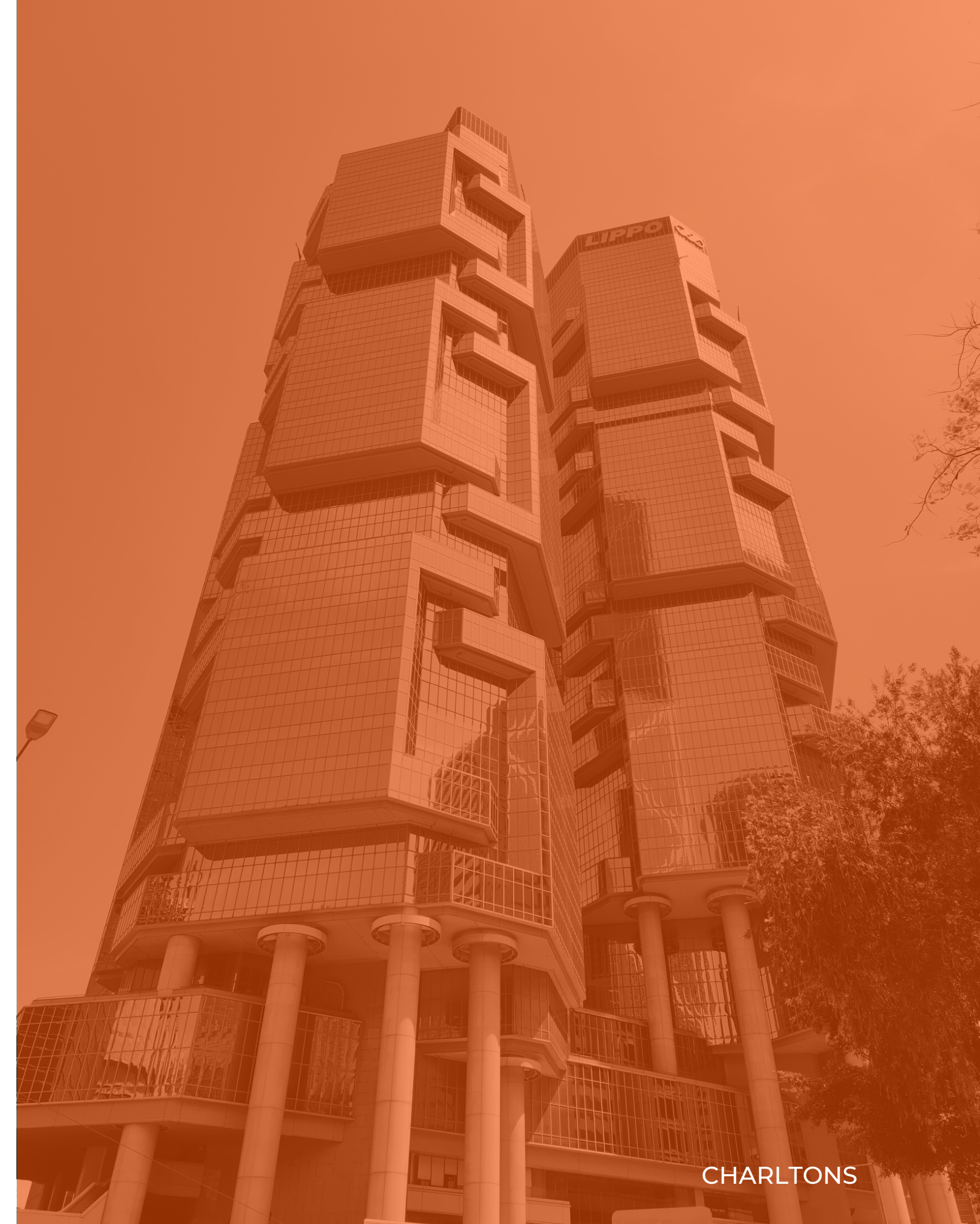




# Introduction to the Listing of Mineral Companies in Hong Kong (cont.)

## Definition of Mineral Companies

- New applicants whose Major Activity is the exploration for and/or extraction of natural resources (which include minerals or petroleum)
  - Major Activity: an activity representing 25% or more of the total assets, gross revenue or operating expenses of the applicant and its subsidiaries  
OR
- Existing listed issuers that complete a Relevant Notifiable Transaction involving the acquisition of mineral or petroleum assets
  - Relevant Notifiable Transaction: a transaction that constitutes a major transaction, a very substantial disposal, a very substantial acquisition, an extreme transaction or a reverse takeover





# Listing Eligibility Requirements

## Introduction

- Must satisfy:
  - General listing eligibility requirements in Chapter 8 of the Listing Rules
  - Additional listing eligibility requirements in Chapter 18 of the Listing Rules





# Listing Eligibility Requirements (cont.)

## Eligibility of exploration companies

- Requirement to have at least a portfolio of indicated resources (in the case of minerals) or contingent resources (in the case of petroleum) that are identifiable under an accepted reporting standard and substantiated in a Competent Person's Report
- Portfolio of resources must be meaningful and of sufficient substance to justify a listing
  - Ineligibility of early stage or pure-play exploration companies
- Indicated resources: mineral resources for which the tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence
- Contingent resources: quantities of petroleum which are estimated to be potentially recoverable from known accumulations by applying development projects, but are not currently considered to be commercially recoverable because of one or more contingencies



# Listing Eligibility Requirements (cont.)

## Rights of active participation

- Requirement to have the right to actively participate in the exploration for and/or extraction of resources:
  - (i) through control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration/extraction of resources; or
  - (ii) through adequate rights arising under arrangements acceptable to the HKEx, which give it sufficient influence in decisions over the exploration/extraction of resources



# Listing Eligibility Requirements (cont.)

## Working capital requirements

- Requirement to demonstrate sufficient working capital for 125% of the group's requirements for the next 12 months. Must include:
  - (i) general, administrative and operating costs;
  - (ii) property holding costs; and
  - (iii) cost of any proposed exploration/development
- Listing document disclosure of a statement as to the sufficiency of working capital



# Waiver from Listing Rule 8.05 Financial Tests

## Introduction

- Exemption under Listing Rule 18.04 from complying with the financial tests of Listing Rule 8.05
- Applicant must establish that it fulfils conditions for the waiver



# Waiver from Listing Rule 8.05 Financial Tests (cont.)

Path to commercial production

- Waiver condition under HKEx Guidance Letter GL52-13: a clear path to commercial production:
  - Carried out exploration/development activities on some or all of its mining assets (“Pre-Production Mining Assets”) during part or all of the track record period
  - Pre-Production Mining Assets consist of a meaningful portfolio (in terms of both quality and quantity) of its resources and reserves
  - Presentation of a detailed plan, with reasonable assumptions, to achieve profitable commercial production in respect of the Pre-Production Mining Assets
    - Listing document disclosure of details of the plan



# Waiver from Listing Rule 8.05 Financial Tests (cont.)

Directors' and management experience

- Waiver condition under Listing Rule 18.04: directors and senior management, taken together, have sufficient experience relevant to the exploration/extraction activity that the applicant is undertaking
  - The individuals have at least five years of relevant industry experience
- GL52-13: if their experience in commodities/minerals is different from the applicant's operations, the HKEx will consider specified factors



# Waiver from Listing Rule 8.05 Financial Tests (cont.)

Primary activity

- Waiver condition under Listing Rule 18.04:  
primary activity is the exploration/extraction of resources



# Waiver from Listing Rule 8.05 Financial Tests (cont.)

## GEM

- Main difference between GEM and Main Board Listing Rules for Mineral Companies: waivers
- GEM Mineral Company applicants can obtain a waiver only from the two financial years' track record requirement
  - However, must satisfy the minimum HK\$30 million cash flow requirement for the shorter trading record period



## Introduction

- Must comply with:
  - General listing document requirements that apply to issuers generally
  - Additional listing document requirements that apply to Mineral Companies
- Inclusion of a Competent Person's Report

# Listing Document Requirements



## Listing Document Requirements (cont.)

Additional disclosure requirements for pre-production stage Mineral Companies

- Disclosure of plans to proceed to production with indicative dates and costs
  - Supported by at least a Scoping Study, which must be substantiated by the opinion of a Competent Person
- If the exploration/extraction rights have not yet been obtained, prominent disclosure of any risks relevant to obtaining these rights
- If involved in the exploration/extraction of resources, prominent disclosure that its resources may not ultimately be extracted at a profit

# Listing Document Requirements (cont.)

Additional disclosure requirements for production stage Mineral Companies

- Disclosure of an estimate of the operating cash cost per appropriate unit for the minerals/petroleum produced
- Disclosure of the components of specified cash operating costs separately by category
- Discussion of any material cost items that should be highlighted to investors



# Listing Document Requirements (cont.)

Other additional disclosure requirements for all Mineral Companies under Listing Rule 18.05

- Disclosure of the nature and extent of its prospecting, exploration, exploitation, land use and mining rights, a description of the properties to which those rights attach, and details of material rights to be obtained
- A statement of any legal claims/proceedings that may influence its rights to explore/mine
- Disclosure of specific and general risks
- Requirement to disclose specified matters if relevant and material to its business operations

# Listing Document Requirements (cont.)

## HKEx Guidance Letter GL52-13

- Additional disclosure expectations for “Summary”, “Business” and “Financial Information” sections, the Competent Person’s Report and related disclosures, and general drafting guidelines
- Disclosure of a sensitivity analysis in the “Financial Information” section
- Disclosure of exploration expenses
- Disclosure of the expected time when a project under development will become self-sufficient
- Disclosures if the Competent Person has a different view on certain assumptions made by the applicant
- Disclosures if the Competent Person did not carry out a site visit
  - Submission by the sponsor to the HKEx
- Do not use “mine” to describe a project which is at an early stage of development/exploration



## Reporting standards and requirements

- Observance of the reporting standards and requirements specific to Mineral Companies
- Descriptions of reserves and resources must correspond to the specific categories in the accepted reporting standards
- Directors: ensure no mismatch between statements in the listing document and in the Competent Person's Report

## **Listing Document** **Requirements (cont.)**

# Competent Persons' Reports and Valuation Reports

## Competent Person's Report

- Competent Person's Report: a public report prepared by a Competent Person on resources and/or reserves under Chapter 18
- When required?
  - A new applicant Mineral Company
  - A Mineral Company proposing to acquire/dispose of assets which are solely or mainly mineral/petroleum assets as part of a Relevant Notifiable Transaction
  - A non-Mineral Company listed issuer that is proposing to acquire assets which are solely or mainly mineral/petroleum assets as part of a Relevant Notifiable Transaction
- Must be prepared in accordance with recognised reporting standards that are acceptable to the HKEx



# Competent Persons' Reports and Valuation Reports (cont.)

Competent Person's Report – disclosure requirements for listing documents

- GL52-13: HKEx has granted waivers allowing applicants to exclude part of their mining assets from the Competent Person's Report ("Excluded Projects"):
  - Excluded Projects were not material to the mineral/petroleum resource portfolio
  - Necessary information for preparing a Competent Person's Report was unavailable
- Additional disclosure requirements for applicants granted waivers:
  - Listing document disclosure: relevant material information to enable investors to assess the Excluded Projects' potential and the acquisitions' likely benefit
  - Annual report updates: stage of development of the Excluded Projects and management's intentions
  - When the relevant information becomes available, publish a Competent Person's Report

# Competent Persons' Reports and Valuation Reports (cont.)

## Petroleum Competent Persons' Reports

- Appendix 25 to the Listing Rules: content of a Competent Person's Report for petroleum resources and reserves





## Competent Person requirements

- Minimum five years' relevant experience
- Professionally qualified and a member of a relevant recognised professional organisation in a jurisdiction whose statutory securities regulator has satisfactory arrangements with the SFC for mutual assistance and exchange of information (either by way of IOSCO MMoU or other acceptable bilateral agreement)
- Overall responsibility for the Competent Person's Report

## Competent Persons' Reports and Valuation Reports (cont.)

# Competent Persons' Reports and Valuation Reports (cont.)

## Competent Person requirements (cont.)

- Independent of the listing applicant, its directors, senior management and advisers
- No economic or beneficial interest in the assets being reported on
- Remuneration is not dependent on the report's findings
- Individual – not an officer/employee/proposed officer of the issuer (or any group/holding/associated company of the issuer)
- Firm – not a group/holding/associated company of the issuer, and none of its partners/officers are officers/proposed officers of any group/holding/associated company of the issuer



# Competent Persons' Reports and Valuation Reports (cont.)

## Valuation Reports

- Included in the circular where a Relevant Notifiable Transaction involves the acquisition of assets which are solely or mainly mineral/petroleum assets
- Prepared by a Competent Evaluator, who must:
  - (i) satisfy the requirements for a Competent Person;
  - (ii) have at least ten years' relevant and recent mining/petroleum experience;
  - (iii) have at least five years' relevant and recent experience in the assessment/valuation of mineral/petroleum assets or securities; and
  - (iv) hold all necessary licences
- Prepared in accordance with Canadian CIMVAL Code, South African SAMVAL Code or Australasian VALMIN Code

# Competent Persons' Reports and Valuation Reports (cont.)

## Timing of reports and material changes

- Competent Person's or Valuation Report must be addressed to the Mineral Company or the listed issuer
- Competent Person's or Valuation Report's effective date – less than six months prior to the listing document or circular date
- Listing document disclosure of no material changes since the date of the Competent Person's Report (or prominent disclosure if material changes)



# Competent Persons' Reports and Valuation Reports (cont.)

## Disclaimers and indemnities

- Report may include disclaimers of sections/topics outside the Competent Person or Evaluator's scope of expertise in which they relied upon other experts' opinions
  - Prohibition: disclaimers applying to the report in its entirety
- Prominent disclosure in reports of all indemnities provided by the issuer
  - Generally acceptable: indemnities for reliance placed on information provided by the issuer and third party experts
  - Generally unacceptable: indemnities for fraud and gross negligence

## Competent Person and Evaluator consent

- Prior written consent from the Competent Person or Evaluator before including their report in the listing document or circular

## **Competent Persons'** **Reports and Valuation** **Reports (cont.)**



# Competent Persons' Reports and Valuation Reports (cont.)

Sponsors' obligations

- Sponsor must ensure that the Competent Person or Evaluator satisfies the Chapter 18 requirements



# Competent Persons' Reports and Valuation Reports (cont.)

## HKEx dispensations

- HKEx dispensation with new Competent Person's or Valuation Report requirement if the issuer has a Competent Person's or Valuation Report (or equivalent): (i) not more than six months old; and (ii) complies with Listing Rules 18.18 to 18.34
- HKEx dispensation with Competent Person's Report requirement for Relevant Notifiable Transactions if: (i) resources/reserves are being disposed of (not acquired); and (ii) shareholders have sufficient information on the assets being disposed of



# Disclosure Standards

## Reporting standards and codes

- Information disclosed on mineral resources/reserves/exploration results – prepared in accordance with Australasian JORC Code, Canadian National Instrument 43-101 or South African SAMREC Code
- Information disclosed on petroleum resources/reserves – prepared in accordance with Petroleum Resources Management System OR another code which the HKEx considers to give a comparable standard of disclosure and sufficient assessment of the underlying assets

## Requirements for statements of resources/reserves

- Data on resources/reserves presented in a listing document/Competent Person's Report/Valuation Report/annual report:
  - Presented in tables in a manner readily understandable to a non-technical person
  - Clear disclosure of all assumptions
  - Statements include an estimate of volume, tonnage and grades
- Competent Person's or Valuation Report must comply with an accepted reporting standard, disclose what standard has been used and explain any departure from the standard

## Disclosure Standards (cont.)



# Disclosure Standards (cont.)

Requirements for statements of resources/reserves (cont.)

- All statements referring to resources/reserves must be substantiated:
  - Statement in a listing document or circular relating to a Relevant Notifiable Transaction – in the Competent Person's Report
  - Otherwise – by the company's internal experts
- Listing Rule 18.30: various requirements relating to the disclosure of mineral resources/reserves, e.g. mineral reserve estimates must be supported at least by a pre-feasibility study
- Listing Rule 18.33: various requirements relating to the disclosure of petroleum resources/reserves, e.g. if disclose estimates of reserves, must disclose the method and reason for choice of estimation

## Disclosure requirements

- Must comply with:
  - General disclosure and other continuing obligations that apply to listed companies generally
  - Additional disclosure requirements that apply to listed Mineral Companies

A background image of a candlestick chart with a dark blue color scheme. The chart shows price movement over time with various candlesticks and a solid red trend line. The text 'Continuing Obligations' is overlaid on the right side of the chart.

## Continuing Obligations



# Continuing Obligations (cont.)

## Financial report disclosure

- Interim and annual report disclosure:
  - Details of exploration, development and mining production activities
  - Summary of expenditure incurred on exploration, development and mining production activities

# Continuing Obligations (cont.)

Publication of resources and reserves in annual reports

- Mineral Companies: annual report update of resources/reserves
  - Prepared in accordance with the accepted reporting standard under which they were previously disclosed
  - No requirement for a Competent Person's Report
  - May be by way of a no material change statement
- Non-Mineral Company listed issuers that publicly disclose details of their resources/reserves: annual report update of these resources/reserves
  - Prepared in accordance with an accepted reporting standard or the reporting standard under which they were previously disclosed



# Continuing Obligations (cont.)

## HKEx guidance

- HKEx Guidance Letter GL47-13: additional guidance on financial report disclosures

# Continuing Obligations (cont.)

## Acquisitions and disposals of mineral or petroleum assets

- Mineral Company proposes to acquire or dispose of assets which are solely or mainly mineral/petroleum assets as part of a Relevant Notifiable Transaction:
  - Comply with Chapters 14 (Notifiable Transactions) and 14A (Connected Transactions) of the Listing Rules, as applicable
  - Competent Person's Report on the resources/reserves being acquired/disposed of
  - If Relevant Notifiable Transaction is an acquisition of assets, Valuation Report
  - Certain disclosure requirements in relation to the assets being acquired
- Non-Mineral Company listed issuer proposes to acquire assets which are solely or mainly mineral/petroleum assets as part of a Relevant Notifiable Transaction:
  - Comply with the requirements that apply to Mineral Companies
  - On completion of Relevant Notifiable Transaction, treated as a Mineral Company (unless the HKEx decides otherwise)



An aerial photograph of a large-scale mining or processing operation. The scene is dominated by a complex network of conveyor belts and large, dark, irregular piles of material, likely coal or ore. The ground is a mix of dirt, gravel, and some sparse vegetation. In the upper left corner, there are several buildings with corrugated metal roofs. The overall color palette is a mix of earthy browns, greys, and muted greens, with a warm, slightly orange tint across the entire image.

# MCQs



# Question 1

Which of the following is NOT an eligibility requirement to list as a new applicant Mineral Company under Chapter 18 of the Listing Rules?

(A) The Mineral Company must establish that it has the right to actively participate in the exploration for and/or extraction of resources

(B) The Mineral Company must have at least a portfolio of indicated resources or contingent resources

✓ (C) The Mineral Company's primary activity must be the exploration for and/or extraction of resources

(D) The Mineral Company must demonstrate that it has sufficient working capital for 125% of the group's requirements for the next 12 months





# Question 2

A new applicant Mineral Company may be exempted from complying with Listing Rule 8.05. Which of the following is NOT a condition for the waiver?

- (A) The Mineral Company must demonstrate a clear path to commercial production
- ✓ (B) All of the Mineral Company's mining assets must be under production throughout the track record period
- (C) The Mineral Company's directors and senior management, taken together, must have sufficient experience relevant to the exploration and/or extraction activity that the Mineral Company is undertaking
- (D) The Mineral Company's primary activity must be the exploration for and/or extraction of resources



# Question 3

Which of the following is NOT a requirement to be a Competent Person?

- ✓ (A) Have a minimum of ten years' relevant and recent experience
- (B) Be a member of a relevant professional organisation in a jurisdiction whose statutory securities regulator has satisfactory arrangements with the SFC for mutual assistance and exchange of information
- (C) Be independent of the listing applicant, its directors, senior management and advisers
- (D) Have no economic or beneficial interest in any of the assets being reported on





# Question 4

When is a Valuation Report required?

- (A) As part of the IPO
- ✓ (B) Where a Relevant Notifiable Transaction involves the acquisition of assets which are solely or mainly mineral or petroleum assets
- (C) Where a Relevant Notifiable Transaction involves the disposal of assets which are solely or mainly mineral or petroleum assets
- (D) All of the above




# Question 5

Which of the following is NOT a Chapter 18 Listing Rule requirement for a listed Mineral Company?

- ✓ (A) A Mineral Company must disclose an annual update of its resources and/or reserves supported by a Competent Person's Report
- (B) A Mineral Company must disclose in its annual reports details of its exploration, development and mining production activities during the relevant period
- (C) A Mineral Company must disclose in its interim reports a summary of expenditure incurred on its exploration, development and mining production activities during the relevant period
- (D) Data on resources and/or reserves presented in a Mineral Company's annual reports must be presented in tables in a manner readily understandable to a non-technical person





An aerial photograph of a large-scale mining or processing operation. The scene is dominated by a massive, dark, circular pit or processing area in the center-right. To the left, there is a complex network of conveyor belts, metal structures, and machinery. The ground is a mix of dark earth and lighter-colored material, possibly ore or waste. The overall color palette is a warm, brownish-orange. The text 'Q&A' is prominently displayed in the center of the image.

# Q&A



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