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***Going Public in Hong Kong
– Resource Companies
May 30, 2011***

**PwC National & Global Accounting
Consulting Services**

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***Hong Kong
Capital Markets***



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Capital Market Services Group (China & Hong Kong)

Natural Resources Cluster – Comparative Analysis As at 30 June 2010

Company	Toronto (TMX)	Australia (ASX)	London (LSE)	Hong Kong (HKEX)
No. of companies	1,851	916	349	175
Market capitalisation (USD billion)	687	465	1,062	343
Average size (USD billion)	0.4	0.5	3.0	2.0
Turnover velocity	92%	94%	71%	91%

Source: Bloomberg and respective stock exchanges

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Analysis of Market Capitalisation in Hong Kong By Origin as at 31 December 2010

	Number	Market Capitalisation (USD billion)
China companies (H-share and Red chips)	265	2,747
Taiwan	43	53
Foreign companies #	34	167
Hong Kong ^	1,070	1,332
Total	1,412	4,299

* Cover all (100%) share capital, even though not all are listed in Hong Kong.

Foreign companies refer to those which are incorporated overseas AND have a majority of their business conducted outside Hong Kong and China.

^ A number of Hong Kong companies have substantial operations in China.

Source: HKEx/Bloomberg

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Cross-Border

- The trend started 2 to 3 years ago. Hong Kong emerging as a key international capital market, together with US and London
- Cross-Border listing of companies from emerging countries
- Dual (Multiple) listings in domestic stock exchange as well as Hong Kong as a major international capital market

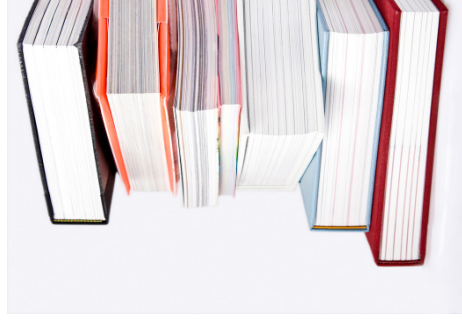
Recent listing of Foreign Companies in Hong Kong

	AIA USD20.4 bn PwC		L'Occitane USD0.7 bn		Vale Introduction		Mongolian Mining USD0.7 bn		Rusal USD2.2 bn		Prudential Introduction		Sateri USD0.5bn
	Winsway USD0.5 bn PwC		China Gold USD0.3 bn		SouthGobi USD0.4 bn Capital Market Services Group (China & Hong Kong)		Sands USD2.5 bn		Wynn USD1.9 bn		SBI USD0.2 bn		IPC USD0.2bn Slide 23

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**Hong Kong
Listing Requirements**

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Hong Kong Main Board Listing Requirements

Key requirements for new listings:

- > 3 financial years trading records
- > Under substantially same management over the past 3 financial years
- > Ownership continuity and control for at least the most recent financial year
- > Minimum public float of at least 25%, or 15 to 25% if market capitalisation is over HK\$ 10 billion (eq. US\$1.3 billion)
- > Minimum of 300 shareholders
- > Three independent non-executive directors, including one with accounting or related financial management expertise
- > Audit committee
- > Competing businesses of controlling shareholders or directors may be allowed - full disclosure is required

Financial requirements:

Profit	Market cap / Revenue / Cash flow	Market cap / Revenue
<ul style="list-style-type: none"> > Profit of at least HK\$20 million (eq. US\$2.6 million) for the most recent financial year; and > Profit of at least HK\$30 million (eq. US\$3.6 million) for the 2 preceding financial years; and > Market cap of at least HK\$200 million (eq. US\$26 million) 	<ul style="list-style-type: none"> > Market cap of at least HK\$2 billion (eq. US\$256 million); and > Revenue of at least HK\$500 million (eq. US\$64 million) for the most recent financial year; and > Positive operating cash flows of at least HK\$ 100 million (eq. US\$13 million) in aggregate for 3 financial years 	<ul style="list-style-type: none"> > Market cap of at least HK\$4 billion (eq. US\$513 million); and > Revenue of at least HK\$500 million (eq. US\$64 million) for the most recent financial year

> Alternative rules for infrastructure/mining and investment companies

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Hong Kong Growth Enterprise Market Listing Requirements

Key requirements for new listings:

- > 2 financial years trading records
- > Under substantially same management over past 2 financial years
- > Ownership continuity and control for at least the most recent financial year and up until the date of listing
- > Market capitalisation of at least HK\$100 million (eq. US\$13 million) at the time of listing
- > Minimum public float of at least 25%, or 15 to 25% if market capitalisation is over HK\$ 10 billion (eq. US\$1.3 billion)
- > Three independent non-executive directors, including one with accounting or related financial management expertise
- > Audit committee
- > Competing businesses of controlling shareholders or directors may be allowed - full disclosure is required
- > May list by way of placing only
- > Generally accepted accounting principles in the United States of America (US GAAP) are acceptable if the company is listed, or will be simultaneously listed, on either the New York Stock Exchange or the NASDAQ National Market

Financial requirements:

- > No profit requirement
- > Positive cash flow generated from operating activities of at least HK\$20 million (eq. US\$2.6 million) in aggregate for the two preceding financial years

> Alternative rules for infrastructure/mineral companies

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Hong Kong Main Board/GEM Listing Requirements for Mineral Companies (cont'd)

Key requirements of new listing of mineral companies:

- A Mineral Company is one whose principal activity involves exploration for or extraction of natural resources, including minerals, oil and gas or solid fuels. Principal activity refers to the activity which is more than 25% of the company's assets, gross revenue or operating expenses
- Qualifications for listing is the same as other companies, except that the financial requirements (i.e. profit test, "Big Cap" tests) may be waived for Main Board applicants or the 2 financial years trading records may be waived for GEM applicants if HKEX is satisfied that the board and senior management, taken together, have sufficient experience relevant to the exploration and/or extraction activity that the company is pursuing. Individuals must have a minimum of 5 years relevant industry experience
- Must have indicated resources or contingent resources of meaningful and sufficient substance identifiable under one of the acceptable internationally recognised reporting standards supported by a Competent Person Report
- Sufficient working capital for 125% of its present requirements for the next 12 months
- A Mineral Company that has not yet begun production must disclose plans to proceed to production with indicative dates and costs supported by at least a Scoping Study and substantiated by the opinion of a Competent Person
- Disclose social and environment matters in prospectus, if material
- Can use Canadian mineral & resource standards for estimation and valuation of resources & reserves

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Listing Modes for Overseas Companies

- Primary Listing
 - Full compliance with Listing Rules
- Secondary Listing
 - Similar requirements like primary listings, but reasonable waivers may be granted
 - Presently, there are only a few secondary listings; there is an increasing trend, especially for foreign companies
 - Financial statements may be audited by international and reputable CPA, subject to HKEX's waiver

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Reporting Requirements and Timetable of a Hong Kong Listing

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Key Financial Deliverables by Reporting Accountant

- Accountant's report
 - 3 years plus stub period (financial period ended not more than 6 months before the date of the prospectus)
 - Prepared under IFRS or HKFRS
- Pro Forma Financial Information to illustrate effect of IPO
- Profit Forecast (optional)
- Working Capital Forecast
- Statement of Indebtedness
- Internal Control Report (PN 21)
- Private Comfort Letter on Extraction of Financial Information in the Prospectus and Comfort on Subsequent Changes

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Other Key Deliverables

- Valuation Report: Land and Buildings
- Valuation Report: Mining
- Legal Opinion(s) in relevant legal jurisdictions in respect of compliance of laws and regulations

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How PwC can Help



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PwC Experience in HK Markets

- PwC HK has been the reporting accountant on about 40% of IPOs by market share since 2005
- PwC Canada has a very good relationship with the HK Capital Markets team
- PwC HK has extensive experience with foreign listings

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Thank you.



Feel free to contact us for more details on HK listings and/or introductions to our HK Capital Markets team.

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