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BMC Forum

Hong Kong as an International Metals and Mining Capital Formation Centre in Asia

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Brisbane, Australia

New listing and fund raising activities in Hong Kong in 2009 – M&M and resources sector is the focus

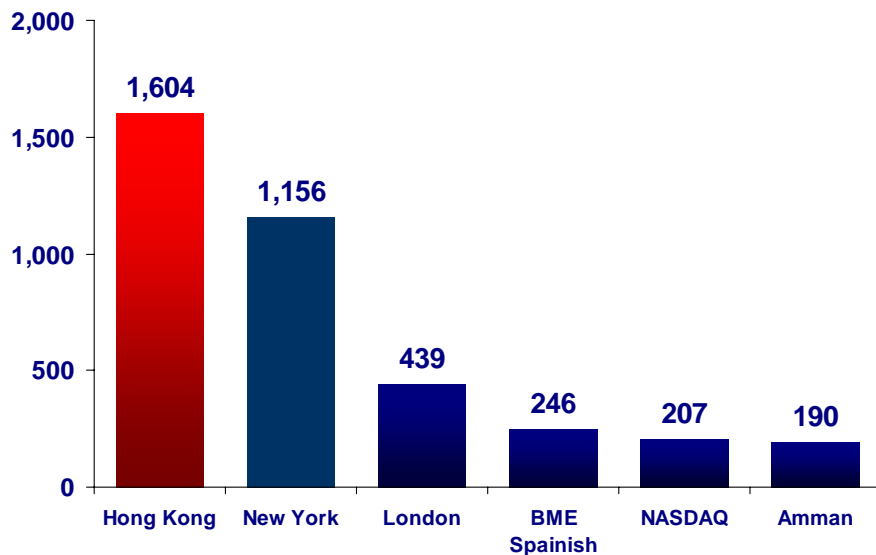
- 14 new listings in Hong Kong (as at 30 June) with total IPO fund raise of USD2 billion
- 5 of them were Metals and Mining and resources related companies including the 2nd largest global IPO in 2009 to date. Together M&M and resources companies raised USD1.77 billion through new listings, representing 88% of new listing fund raise in 2009 (as at 30 June)
- Secondary fund raise was very active - until the end of June, listed companies raised over USD25.5 billion through post-IPO fund raising activities

Hong Kong offers world-class fund raise capabilities

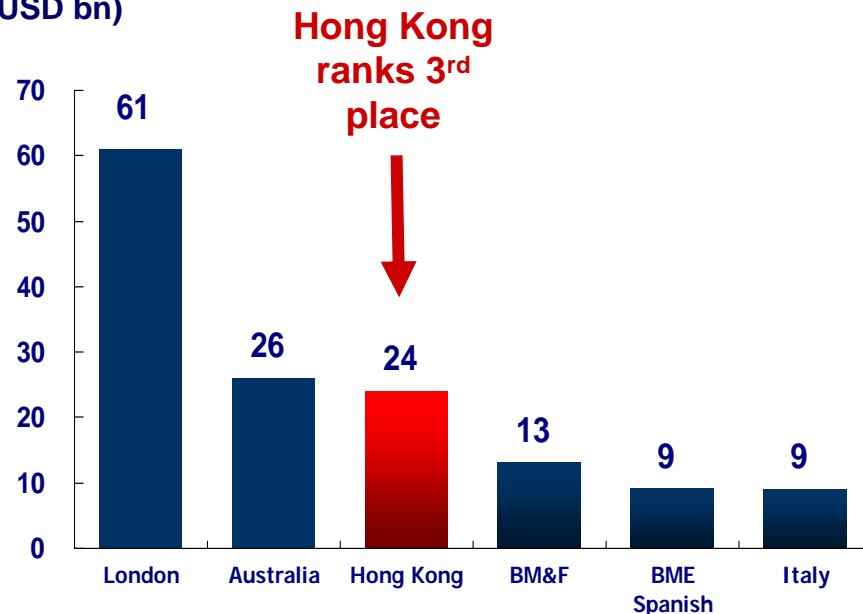
Hong Kong ranks 1st globally in IPO fund raise (YTD May 2009)

And 3rd globally in total fund raise, and 1st in Asia (YTD May 2009)

(USD m)



(USD bn)



New listings on HKEx in 2009 – the largest IPOs were M&M related

Name	Listing Date (dd/mm)	Business	Market Capitalization As at 30/06/09 (USD m)	PE 30/06/09 (times)	Fund Raised (USD m)	Av Daily Turnover (USD m)
Strong Petrochemical	12/01	Oil & Gas	209	13	32	0.2
China Singyes	13/01	Construction	221	13	8	3.2
RCG Holdings	10/02	IT	271	3	By Introduction	1.0
Real Gold Mining	23/02	Gold Mining	553	12	132	3.7
Come Sure Group	26/02	Paper	42	4	10	0.1
Asia Cassava Resources	23/03	New energy	52	3	10	0.4
CT Holdings	30/03	Publishing	34	6	8	0.1
Silver Base Group	8/04	F&B	468	7	133	3.1
China Zhongwang	8/05	Aluminium	7,375	20	1,256	20.1
Hutchison Telecom	8/05	Telecom	654	-	By Introduction	1.3
Lumena Resources	16/06	Thenardite	567	7	148	3.7
China Metal Recycling	22/06	Metal recycling	841	16	199	3.6
Hing Lee	22/06	Furniture	31	6	7	0.1
361 Degrees International	30/06	Sports wear	1,000	29	69	1.5

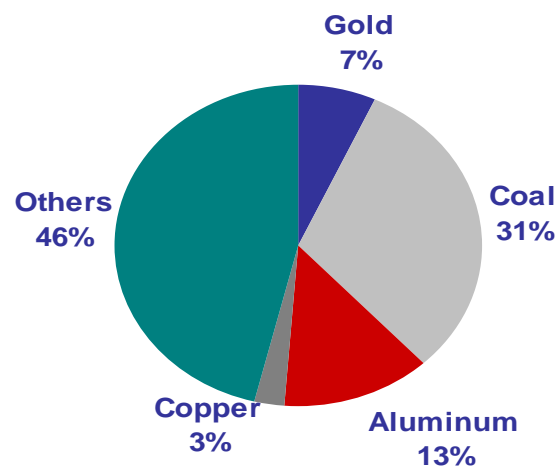
M&M and resources sector - one of the best performing sectors substantially outperforming overall market (HSI index ↑ 55%)

Name	Business/ Sector	Price as at 27/10/2008 (USD)	Current Price as at 30/06/2009 (USD)	% Change	P/E as at 30/06/2009
Oil & Gas					
CNOOC	Oil	0.55	1.23	↑ 124%	9
PetroChina	Oil	0.55	1.10	↑ 100%	12
Coal					
China Shenhua Energy	Coal	1.08	3.66	↑ 239%	19
China Coal Energy	Coal	0.38	1.18	↑ 211%	15
Metals					
Zijin Mining	Gold	0.18	0.89	↑ 394%	28
Chalco	Aluminium	0.28	0.94	↑ 236%	9,175
Jiangxi Copper	Copper	0.37	1.63	↑ 341%	15
China Molybdenum	Molybdenum	0.20	0.72	↑ 260%	15
Angang Steel	Iron/Steel	0.37	1.65	↑ 345%	27

Resources sector is growing in importance

<i>(as of 30 June 2009)</i>	Market Total (USD bn)	Resources Sector (USD bn)	%
Market Cap	1,814	274	15%
No. of companies	1,273	149	12%
Average Daily Turnover	7.5	1.3	17%

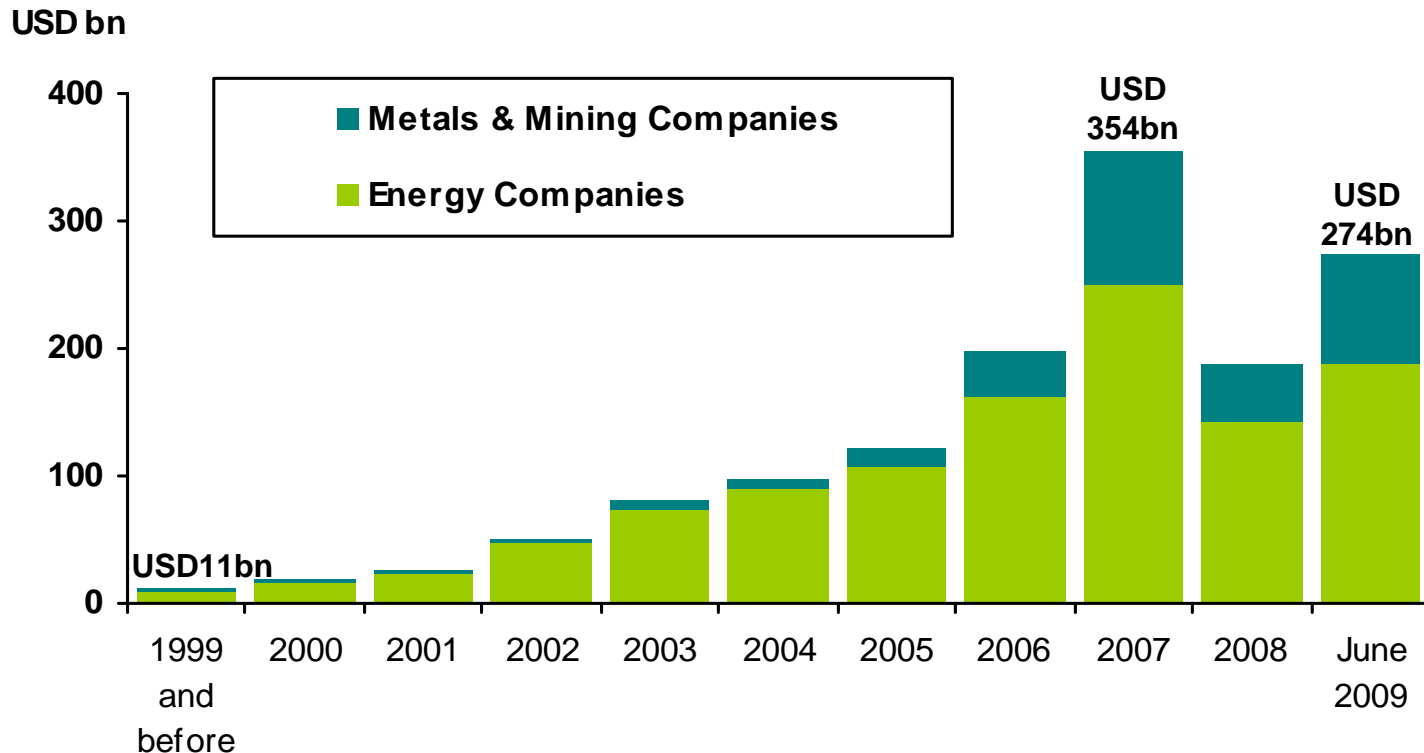
M&M Companies
Market Cap by Commodity Type
 (excluding oil & gas/energy companies)



Resources companies' market capitalization increased substantially in Hong Kong over the past 10 years:

- market cap grew more than 24 times since 1999

Market cap of resources companies listed on HKEx (as of June 2009)



Gateway to Mainland China

- An international market for Mainland related companies

	Unit	Total	Mainland Enterprises	% of total
As at 30 June 2009				
No. of listed companies	Number	1,273	473	37%
<i>Main Board</i>	<i>Number</i>	<i>1,103</i>	<i>402</i>	<i>36%</i>
<i>GEM</i>	<i>Number</i>	<i>170</i>	<i>71</i>	<i>42%</i>
Market capitalisation	USD bn	1,814	1,077	59%
YTD June 2009				
Total equity funds raised	USD m	27,721	6,098	23%
Funds raised through IPOs	USD m	2,232	2,051	92%
Funds raised in secondary market	USD m	25,489	4,047	16%
Average daily turnover - equity	USD m	5,588	3,999	72%

At Present: Basic listing rules of Main Board and GEM: Quantitative admission requirements

Main Board listing applicants must fulfill <u>any one</u> of the three tests below	GEM admission requirement
Profits Test <ul style="list-style-type: none"> ▪ Profits of 3 years \geq USD6.4m, and ▪ Market cap \geq USD26m 	<ul style="list-style-type: none"> ▪ Operating cashflow \geq USD2.6m in aggregate for latest 2 full financial years ▪ Market cap \geq USD13m
Market Cap / Revenue Test <ul style="list-style-type: none"> ▪ Market Cap \geq USD513m, and ▪ Revenue of the most recent audited year \geq USD64m 	
Market Cap / Revenue / Cashflow Test <ul style="list-style-type: none"> ▪ Market Cap \geq USD256m, ▪ Revenue of most recent audited financial year \geq USD64m ▪ Aggregate positive cash flow for 3 preceding financial years \geq USD13m 	

At Present: Ch. 18 - Rules for mineral companies

- **The Exchange may accept a shorter trading record period and/or waive the financial standards requirement if the directors and management of the issuer have sufficient and satisfactory experience of at least three years in mining and/or exploration activities.**
- **Additional technical, geological and financial information regarding the natural resources to be included in the Prospectus.**

Looking Forward: Review of Ch. 18

- **Extensive review of Ch. 18 with a view to bring it up-to-date with international standards**
- **Enhance the Exchange's position as an international market for mining companies to list and raise funds**
- **Seek to clarify the standards and requirements for mining companies' listings**
- **Consider whether exploration stage mining companies would be accepted**
- **Consultation paper to be published later in the year**

Forthcoming Consultation on reforms of Listing Rules governing mineral companies

- Existing Rules introduced in 1989
- Proposal on disclosure obligations of general and technical information:
 - Who can prepare Competent Person's Report?
 - Working capital requirements
 - Presentation format for ease of understanding by non-technical persons
 - Acceptance of reporting standards such as JORC, NI43-101 and SAMREC for mineral and exploration companies and comparable standards for oil and gas companies
- Consider whether exploration companies can be listed
- In short, disclosure requirements will be similar to other developed markets

The Hong Kong Advantage: Hong Kong – Global leading exchange

7th largest exchange in the world

3rd largest exchange in Asia

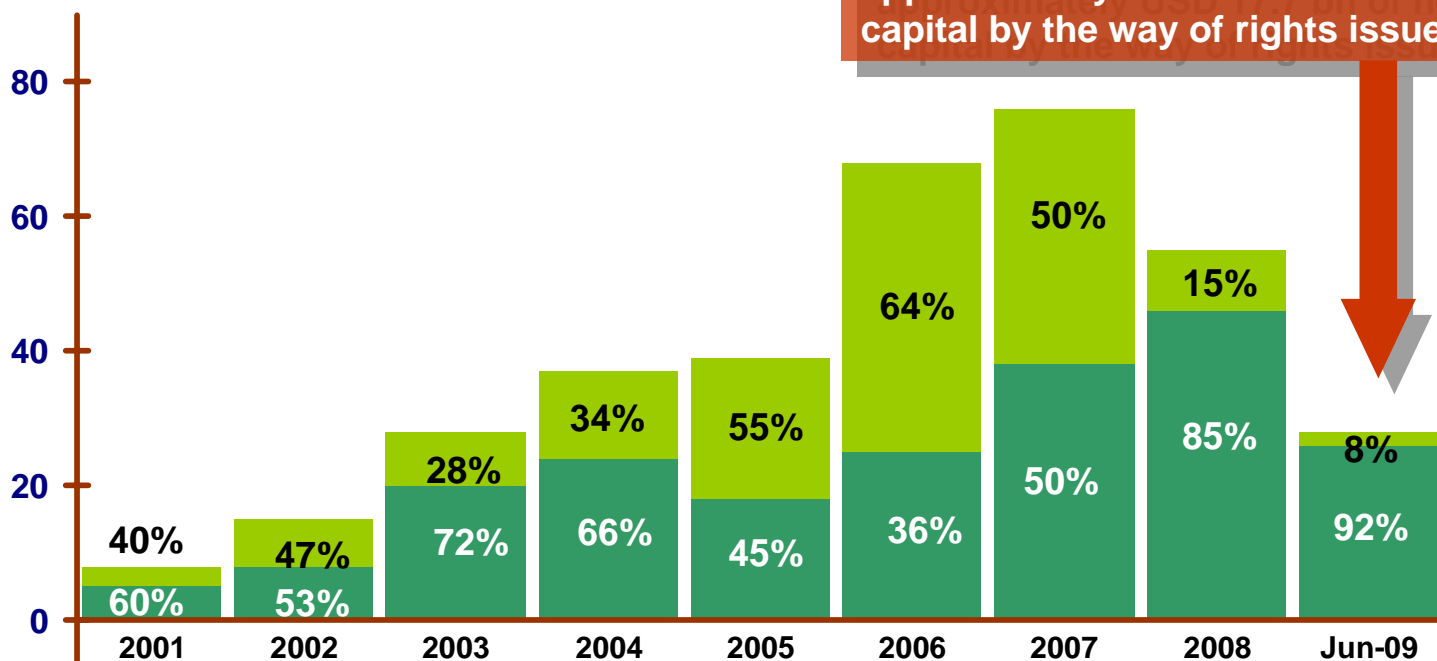
In terms of market capitalization



Exchange	Market Cap As of 1998 (USD bn)	Market Cap As of May 2009 (USD bn)	Change over the last decade	World Ranking May 2009
NYSE	10,272	9,574	0.9x	1
Tokyo	2,440	3,102	1.3x	2
Nasdaq	2,524	2,774	1.1x	3
London	2,298	2,204	0.9x	5
Hong Kong	344	1,773	↑5.2x	7
Toronto	548	1,348	2.5x	8
Taiwan	260	533	2.1x	20
Singapore	95	363	3.8x	21

The Hong Kong Advantage: strong IPO and post IPO fund raising capability

USD bn



HSBC Holdings has raised approximately USD 17.7 bn of new capital by the way of rights issue

	2001	2002	2003	2004	2005	2006	2007	2008	Jun-09
Total fund raised	8	15	28	37	39	68	76	55	28
IPO	3	7	8	13	21	43	38	9	2
Post IPO	5	8	20	24	18	25	38	46	26

The Hong Kong Advantage:

Mainland China – the source of new investors for investing in Hong Kong securities market as RMB gradually becomes exchangeable

1.3 billion population in Mainland China with an estimated household financial wealth of USD4.05trillion



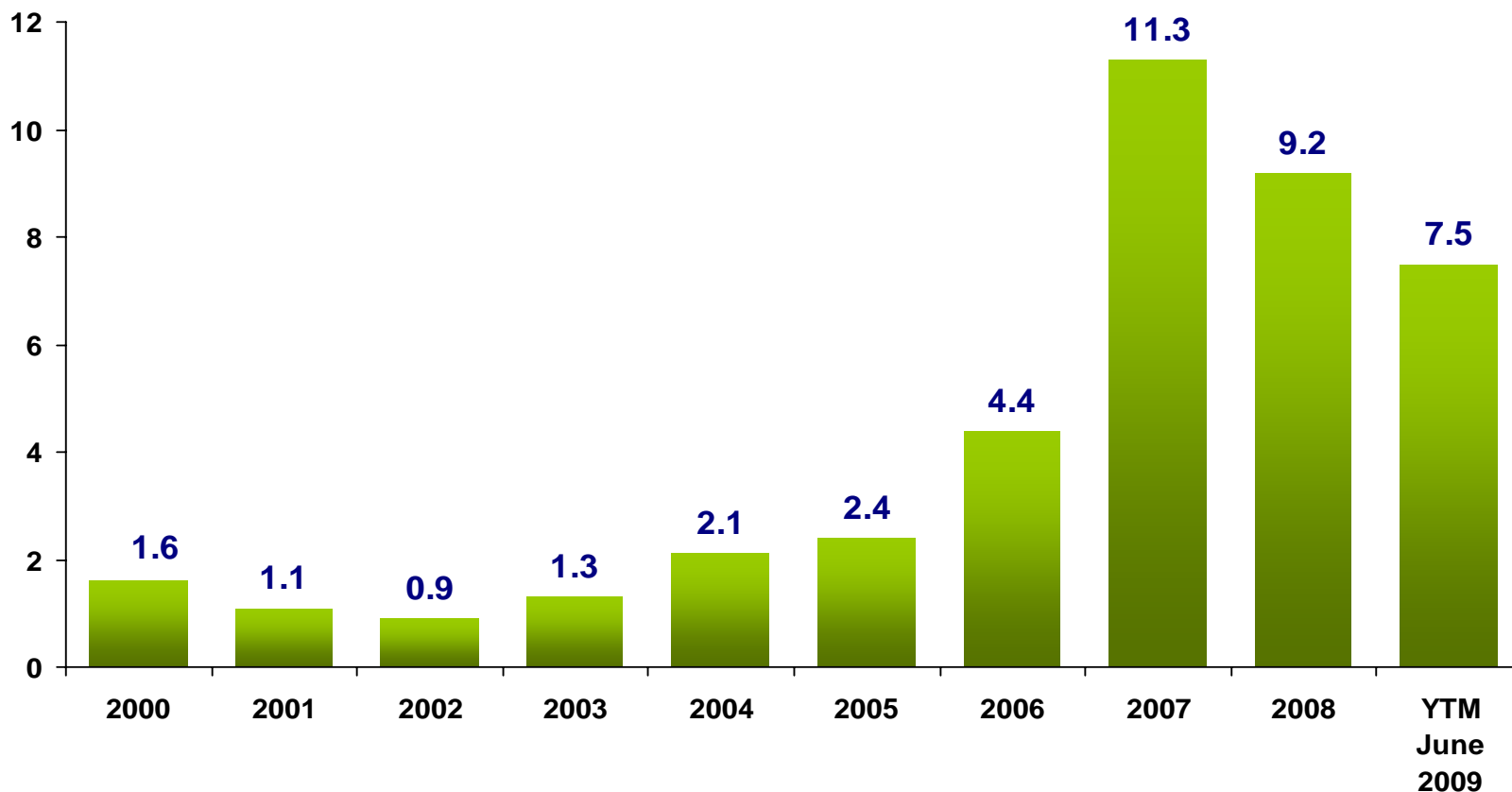
In 2007, QDII was launched and allowed Mainland investors to invest overseas via investment schemes

In 2009, a supplementary memorandum of cooperation on a pilot program of cross-boarder RMB trade between Mainland China and HK was signed, enabling HK enterprises to trade with Shanghai, Guangzhou, Shenzhen, Dongguan and Zhuhai using RMB as settlement currency.

The Hong Kong Advantage: Strong market liquidity

The average daily market turnover

USD bn



Companies with Greater China nexus move to list on HKEx from other exchanges

From SGX- Want Want China Holdings Ltd.

- Listed on SGX in May 1996, and delisted in Sep 2007
- Listed in Hong Kong in Mar 2008 and raised USD1,045m
- As of 30 June 2009, price increased by 46% compared with issue price and traded at P/E of 28x

From SGX- China Kangda Food Co. Ltd.

- Listed on SGX in Oct 2006 and raised USD29m
- Listed on HKEx by introduction in Dec 2008

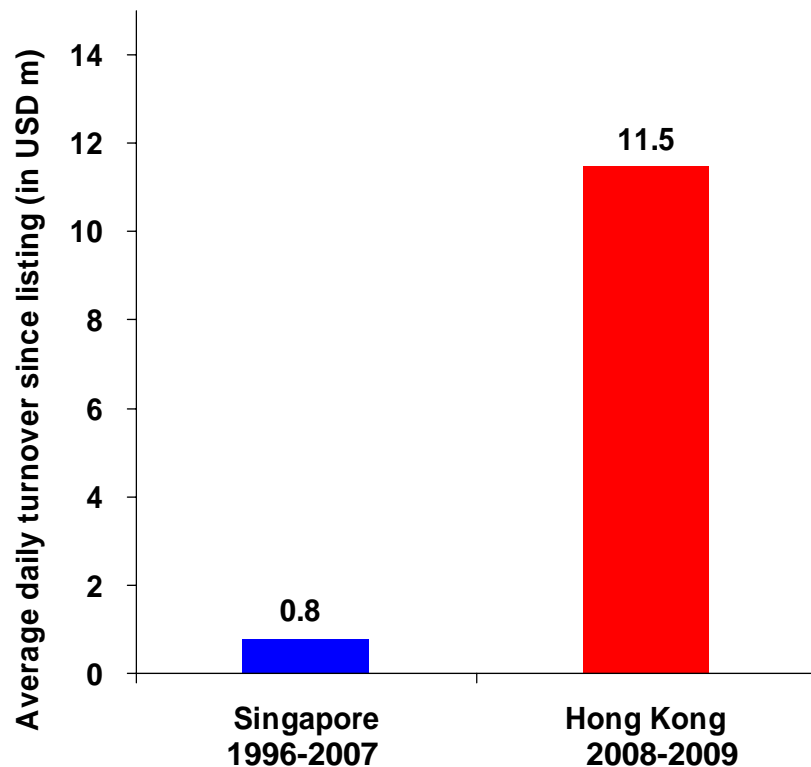
From AIM - RCG Holdings Ltd.

- Listed on AIM in Apr 2004 and including secondary fund raising, raised USD154m
- Listed in Hong Kong by introduction in Feb 2009
- Price traded at 4% premium on HKEx over AIM as of 30 June 2009
- When market started to pick up, raised funds of USD18.5m in Apr 2009

Turnover Before and After Hong Kong Listing

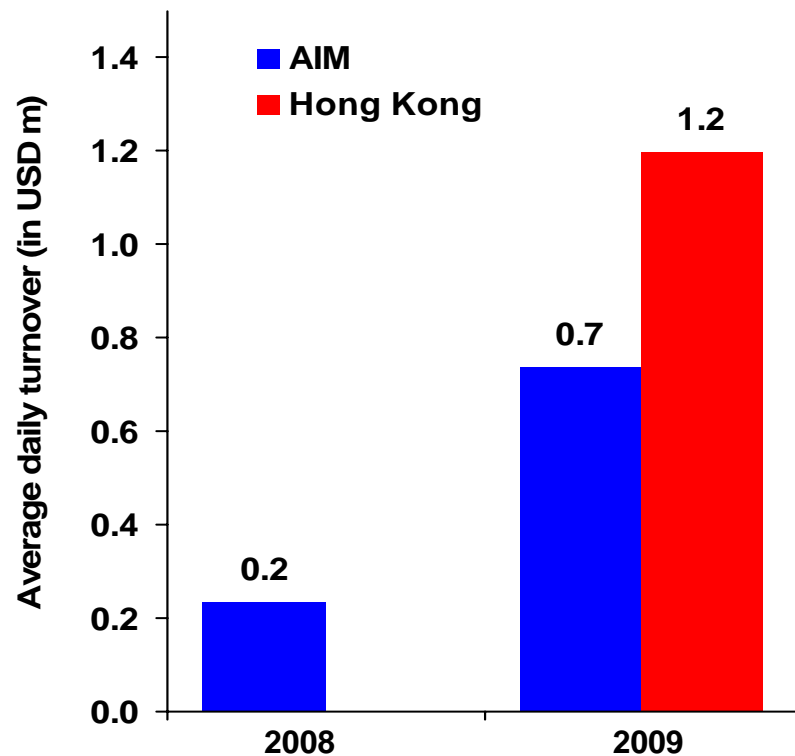
**Want Want –
In Singapore and HK**

Turnover on HKEx was about 14 times higher



**RCG –
Before and after HK listing in Feb 2009**

Turnover on HKEx was about 60% higher



Listing of resources companies on HKEx - Trends to watch

- **Driven by internal market demand for natural resources, more Mainland China related M&M and energy companies to take advantage of opening of fund raise window and list on HKEx**
- **Overseas resources companies with Asia related business to list in Hong Kong capitalizing on valuations premium and rich capital pool**
- **Dual listing on HKEx of overseas listed resources companies will be more common**
- **Rule changes are expected to enhance Hong Kong's international competitiveness**

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