

Hong Kong Exchanges and Clearing Limited  
8/F., Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

1 February 2021

Dear Sirs,

### Consultation Paper – The Main Board Profit Requirement

We have studied the Consultation Paper on The Main Board Profit Requirement and provide our response as follows.

The proposed increment of profit requirements for the three-year track record period of listing applications is of significantly high magnitude that could impose substantial impact on the Hong Kong capital market. Either Option 1 or Option 2 in the proposal constitutes the most stringent aggregate profit requirement for Main Board listings amongst international exchanges in all major jurisdictions as stipulated in the consultation paper. Adoption of either Options will have a far reaching consequence on the attractiveness and the future development of Hong Kong capital market.

To determine the appropriate level of increment of profit requirement, it is of paramount importance that the aggregate profit requirement shall be revisited, inter alia, the need for any changes in the proportion of minimum aggregate profit requirement between the first two financial years and the last financial year in the track record period currently being 60% and 40% respectively. In addition, whether greater flexibility in the spread of the Aggregate Profit Threshold for the track record period to be allowed is also an important subject matter for review and public consultation in conjunction. Companies nowadays in the New Economy Industries or otherwise which require raising capital also suitable for listing on the Main Board might have a different profit growth pattern as compared to those companies in the popular industries in 1994 when the current profit requirement was introduced. The consultation on proposal of greater flexibility in the spread of profit was conducted 19 years ago in 2002 with consultation conclusion released in 2004 which can be studied again.

We recognized that there were incidents of Issuers failed to meet the profit forecasts after listing and cases of Small Cap Issuers intended to manufacture shell companies for sale being reasons for the proposed change in the consultation paper. We are supportive on measures to protect the interest of the investing public and uphold the quality of the Main Board listings. However, we believe robust listing application vetting and approval functions as gatekeeping measures and stringent post-listing enforcement could be targeted solution to prevent and deter applicants with inappropriate intention of reverse engineering of valuation for the purpose of manufacturing of shell companies for sale.

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It is recommended HKEX to develop strategy and plans to revitalize the GEM board so that it becomes an active capital raising platform for Hong Kong market. Under new profit requirement no matter how much the increment is, those becoming ineligible to Main Board listing as a result of the change will then be given a viable alternative capital raising platform.

Should you have any question on the above, please contact [REDACTED] by email at [REDACTED] or by phone at [REDACTED]. Thank you very much.

Yours faithfully,

[REDACTED]

[REDACTED]