

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/November-2020-MB-Profit-Requirement/Consultation-Paper/cp202011.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

Capitalised terms have the same meaning as defined in the Consultation Paper unless otherwise stated.

1. Do you agree that the Profit Requirement should be increased by either Option 1 (150%) or Option 2 (200%)? Please give reasons for your views.

Yes

No

You may provide reasons for your views.

Our members believe that the minimum thresholds under the Main Board Profit Requirement should be increased by 150% (Option 1).

We note that the companies which marginally satisfy the minimum thresholds of the Profit Requirement are generally smaller companies, which tend not to be our members' clients, nor the focus of institutional investors, and liquidity in such companies after-listing tends to be low. As noted in the Consultation Paper, our members have observed that such companies are typically from traditional industries. Our members have observed that such types of Issuers may be more prone to becoming shell companies, as well as manipulation.

While we believe that such issues will likely remain for companies which are only able to meet the minimum requirements even after the proposed increase to the Profit Requirement, our members agree that a higher profit test would still generally be helpful and we welcome the Exchange's proposals.

Our members do not feel strongly about either option, but agree with the logic behind Option 1, which is in line with the 2018 percentage increase in the Market Capitalisation Requirement in 2018.

2. Besides the proposed increase in the Profit Requirement, is there any other alternative requirement that should be considered? Please give reasons for your views.

Yes

No

You may provide reasons for your views.

Our members recognize that smaller companies still need access to equity capital markets but for the reasons outlined above, believe that that such needs should be accommodated via alternate avenues and not the Main Board – for example, the currently underutilized GEM Board. Our members therefore encourage HKEX to consider enhancing the GEM Board to help make such a more attractive venue to help smaller sized companies access the equity capital markets. The Exchange could also explore creating a platform similar to the Shenzhen Stock Exchange’s V-Next Platform to help small and innovative companies raise capital from venture capital and private equity investors.

3. Do you agree that the Exchange should consider granting temporary relief from the increased Profit Requirement due to the challenging economic environment? Please give reasons for your views.

Yes

No

You may provide reasons for your views.

Our members agree that the Exchange’s proposal to consider granting temporary relief from the increased Profit Requirement would be fair, given the economic challenges presented by COVID-19. However, it is important consider whether such challenges are temporary, as COVID-19 may have a lasting or structural impact on some industries which may make their listing on the Main Board inappropriate.

4. If your answer to Question 3 is yes, do you agree with the conditions to the temporary relief as set out in paragraph 55? Please give reasons for your views.

Yes

No

You may provide reasons for your views.

Our members believe that the proposed conditions for the temporary relief from the increased Profit Requirement are sensible. In particular, ASIFMA welcomes the requirement for Issuers to disclose their detailed profit forecast covering the period up to the forthcoming financial year end date after the date of listing, which we believe will help to incentivize realistic forecasts and help investors better understand the Issuer’s expected financial position post the effects of COVID-19.