

## 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.

We agree that the Profit Requirement should be increased by Option 1 (150%).

As noted in the Consultation Paper, the misalignment of the Profit Requirement with the revised Market Capitalisation Requirement has caused various regulatory concerns such as the listing of issuers with a valuation that is not genuinely supported by the market, listing for the purpose of manufacturing potential shell companies for sale, market manipulation and inside dealing post listing. We believe that a higher Profit Requirement would help address those issues and ensure the overall quality of the Main Board listings.

We agree with the Exchange that the Profit Requirement is only one of the eligibility tests for a Main Board listing and there are other eligibility tests available to sizeable and/or new economy that may not meet the increased Profit Requirement. Moreover, small or mid-sized companies may still access the capital market by listing on GEM Board. Therefore, we welcome the Exchange's proposal even though the increased Profit Requirement will result in it being one of the most stringent financial eligibility requirements of major exchanges in the world.

We do not feel strongly about either option, but believe that Option 1, which is based on the percentage increase in the Market Capitalisation Requirement in 2018, is a sensible approach.

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.

Given that the proposed increase in Profit Requirement may render some small or mid-sized companies not eligible for a Main Board listing, the Exchange may consider enhancing the underutilized GEM Board to facilitate the small or mid-sized companies' access to equity capital markets.

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.

We agree that the Exchange may consider granting temporary relief from the increased Profit Requirement due to the challenging economic condition in 2020.

However, in order to maintain the overall quality of a Main Board listing, it is important to consider the temporary relief applications under close scrutiny and ensure that the challenges are indeed temporary and do not bring the long-term sustainability of the listing applicants' businesses into question.

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.

We agree that the proposed conditions are reasonable safeguards to ensure that only companies of an acceptable quality may list on the Main Board. In particular, we believe that adequate disclosure in an a listing applicant's listing document is required to enable potential investors to make an informed assessment of the applicant's future profitability.

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