

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.

Market Cap is what the investors would like to price an IPO for value or growth but it does not necessarily be linked with a historical net profit. Therefore a P/E bar would affect the freedom of the market, make more than half of the current listed companies being unqualified, get rid of many quality SME which are planning for IPO, and disallow fund managers to set up SME portfolio for their clients.

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.

Stability of profit making or sustainability of generating turnover/cashflow would be more relevant quantitative factors for investors to consider a IPO investment. HKEX may also review to revise downward the market cap of HK\$500 million in order to reflect the market adjustment after pandemic.

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.

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.

Under the current rules, the aggregate profit for the recent 2 years is HK\$30 million. Therefore the aggregate profit for track record period of 3 years would be roughly around HK\$40 million to H\$50 million. The suggested condition of HK\$125 million for the track record of 3 years is a sharp increase. It is suggested that any transition should be smooth. Therefore, the suggestion of temporary relief is good but the aggregate profit for the track record period should be in the range of HK\$50 million to HK\$70 million.

-
End -