

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.

While we consider given the increase in market cap requirement, which was a mistake to raise that high in the first place causing so many problems in the capital market (i.e. high underwriting fee and substantial drop in share prices first few days of trading), the only way to rectify is to decrease the market cap requirement or increase the Profit Requirement in a reasonable proportion, which will discuss below, but certainly not as dramatic as 150% to 200%.

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.

While we don't see any reason to set our profit requirements to be the highest among the world, if it must be done, we would suggest to reduce the profit requirement for the last year prior to listing to HK\$40m, that is PE of 12.5x. We believe this PE is already a very conservative high end range and won't deter too many promising companies with lower profit from listing in Hong Kong. As discussed in the consultation paper, if the profit requirement is raised, many potential applicants will need to seek IPO in other platforms. To ensure promising companies won't prioritize to list in other competitor's exchanges, we believe it is necessary to make GEM board more attractive. If we need to raise the Profit Requirement, we will need to re-establish the streamline transfer process from GEM to Mainboard. Given the streamline route, more companies will be willing to list on GEM first. However, given the higher profit and market cap requirement, more companies with healthy profitability and good fundamentals will continue to list on GEM before meeting the requirements to contemplate moving to Mainboard. As a result, a quality pool of GEM listed company will build up which will bring along improvement in investor base, fund raising size and liquidity.

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.

From previous experiences, it will be very difficult to obtain such relief if some of the conditions are highly subjective ie point (c) that need to demonstrate that the conditions and circumstances leading to inability to meet profit spread in the Profit Requirement are temporary. We believe the conditions should be solely quantitative base.

- End -