

## 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.

Fewer eligible IPO candidates should enhance the new listing processing efficiency of the Listing Department of the HKEX.

Based on Hong Kong inflation rates from 1994 to 2019, the cumulative inflation was approximately 78%, i.e. \$20 million in 1994 would be \$36 million in 2019. So, an increase in profit requirement reflects the change in price index.

Option 1 is preferred as the increase is nearly 2 times the inflationary effect over the 25 years. Also, the increased values will be among the highest profit requirements when compared to other exchanges, which may reduce the competitiveness of the HKEX.

Option 2 is referenced to the change in Hang Seng Index which is a survival-biased index, which means the rate of increase is achieved by the strongest players. This may be overly stringent for young companies.

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.

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.

The adverse effect of the pandemic last over 1 year.  
Most of the released results of listed companies showed the same impact.

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.

New listing applicants should have certain level of business robustness and sustainability under the pandemic outbreak. The affected period should be extended to cover the year 2021 if the new coronavirus disease is still spreading.

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