

Applicant	Background and Decision
<p><b>Company A</b> (MB applicant) (2015)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> <li>Company A was a money lender. It systemically failed to comply with certain lending restrictions throughout the track record period and up to the LPD, which constituted a material non-compliance. Pursuant to the consent (the “<b>Consent</b>”) of the local government authority, Company A would be allowed to enjoy relaxed lending restrictions after listing. However, Company A appeared to be the only company given such preferential treatment and no compelling reason was provided therefor. Further, it was unclear as to whether the Consent would be challenged by a higher government authority.</li> <li>Company A could not meet the minimum profit requirement under MB Rule 8.05(1)(a) if the profits generated from the non-compliant business during the track record period were excluded.</li> <li>In light of the systemic non-compliant practices above, Company A had not demonstrated that its directors had the integrity, competence and required level of skill, care and diligence required under MB Rules 3.08 and 3.09.</li> </ol> <p><i>Decision</i></p> <ol style="list-style-type: none"> <li>The listing application was rejected due to inability to meet MB Rule 8.05(1)(a), material non-compliance and failure to demonstrate directors’ suitability. A demonstration period of 18 months (from the date of Company A’s latest audited accounts) was imposed on Company A to demonstrate its ability to operate satisfactorily in full compliance with the amended lending restrictions.</li> </ol>
<p><b>Company B</b> (GEM applicant) (2015)</p> <p>Rule reference: GEM Rule 2.09; GEM Chapter 11</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> <li>Company B manufactured and sold consumer products. Its plant in Mainland China was crucial to its business but had title defect. It therefore did not comply with GEM Rule 11.19 which required any applicant not being a property company or an infrastructure company, where its PRC property was otherwise significant to its activities, to have a long-term title certificate to its property.</li> <li>Company B could not meet the minimum cash flow requirement under GEM Rule 11.12A(1) after adjusting for, among other things, a one-off income, the waived directors’ emoluments and the waived rental of the plant (which was owned by the controlling shareholder), which were items that did not arise in the ordinary and usual course of business.</li> <li>There were also concerns over the sustainability of Company B’s business in light of (i) the unpredictable non-recurring nature of sales as there had been less than ten transactions during the track record period; (ii) the deteriorating financial performance – decreasing net profit and net profit margin during the track record period for which Company B failed to provide the relevant reasons; and (iii) insufficient disclosure of Company B’s future plans and prospects in light of the austerity measures by the local government which directly affected Company B’s targeted customers.</li> </ol>

Applicant	Background and Decision
	<p>4. In addition, four out of five executive directors only acquired relevant experience in the business after joining Company B.</p> <p><i>Decision</i></p> <p>5. The listing application was rejected due to Company B's inability to meet GEM Rule 11.12A, failure to comply with GEM Rule 11.19, unsustainable business model and failure to demonstrate directors' suitability.</p>
<p><b>Company C</b> (MB applicant) (2016)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <p>1. Company C provided services in the construction industry. During the track record period, Company C undertook projects that exceeded the permitted scope of its qualification ("<b>Permitted Scope</b>") and its main operating subsidiaries also did not comply with the work safety licence requirement until shortly before the date of listing application, which constituted material non-compliances.</p> <p>2. Company C could not meet the minimum profit requirement under MB Rule 8.05(1)(a) after excluding the profit generated from the non-compliant business during the track record period.</p> <p>3. Further, Company C's directors had been aware of the breaches of the Permitted Scope before the track record period, but Company C continued to enter into new contracts that exceeded the Permitted Scope during the track record period. The directors were also aware that Company C was in breach of the work safety licence requirement but allowed Company C to carry on its business without such licences during most of the track record period. As such, Company C had not demonstrated that its directors had the integrity, competence and required level of skill, care and diligence required under MB Rules 3.08 and 3.09.</p> <p><i>Decision</i></p> <p>4. The listing application was rejected due to Company C's inability to meet MB Rule 8.05(1)(a), material non-compliances and failure to demonstrate directors' suitability.</p>
<p><b>Company D</b> (MB applicant) (2017)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <p>1. Company D was a financial services provider in Mainland China. Under the relevant laws and regulations, operation of Company D's largest business segment (accounting for over 90% of Company D's total net profit) was subject to licensing. However, Company D did not obtain such licence and the relevant income was considered as generated from non-compliant sources.</p> <p>2. Company D could not meet the minimum profit requirement under MB Rule 8.05(1)(a) after excluding the income from non-compliant sources.</p> <p><i>Decision</i></p> <p>3. The listing application was rejected due to Company D's inability to meet MB Rule 8.05(1)(a).</p>

Applicant	Background and Decision
<p><b>Company E</b> (MB applicant) (2017)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> <li>Company E was a logistics company in Mainland China. During the track record period, Company E's operating expenses were partly financed by an interest-free loan from its controlling shareholder ("<b>Shareholder's Loan</b>"). As the Shareholder's Loan was interest-free, it was not on normal commercial terms.</li> <li>Company E could not meet the minimum profit requirement under MB Rule 8.05(1)(a) after imputing notional interest expenses on the Shareholder's Loan.</li> </ol> <p><i>Decision</i></p> <ol style="list-style-type: none"> <li>The listing application was rejected due to Company E's inability to meet MB Rule 8.05(1)(a).</li> </ol>
<p><b>Company F</b> (MB applicant) (2017)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> <li>Company F was a microcredit company in Mainland China. During the track record period, certain loans and guarantees provided by Company F to its customers did not follow local policies applicable to microcredit companies. Although such policies were not mandatory, Company F's business licence would be subject to revocation if such policies were not followed. In light of such potential consequences, the Exchange considered that these policies should have been followed as a matter of best practice.</li> <li>In addition, the amount of such non-compliant loans was material (constituting 62% to 99% of the gross amount of total loans granted during each year of the track record period) and Company F could not meet the minimum profit requirement under MB Rule 8.05(1)(a) after excluding income from such non-compliant loans.</li> </ol> <p><i>Decision</i></p> <ol style="list-style-type: none"> <li>The listing application was rejected as Company F was not able to meet MB Rule 8.05(1)(a) had it followed the local policies, thus with most interest income during the track record period excluded.</li> </ol>
<p><b>Company G</b> (GEM applicant) (2017)</p> <p>Rule reference: GEM Rule 2.09; GEM Chapter 11</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> <li>Company G was a restaurant operator in Mainland China. During the track record period, a significant portion of Company G's income was derived from unconditional grants from local government which were not directly related to its restaurant business. As such, the grants were not derived from Company G's ordinary and usual course of business, and it could not meet the minimum cash flow requirement under GEM Rule 11.12A(1) after excluding such grants.</li> <li>Company G's financial performance was also deteriorating during the track record period as it failed to manage the impact of the increase in operating costs. Despite the implementation of cost-saving measures (such as a centralised kitchen) in the last year of the track record period, the deteriorating trend continued and management failed to demonstrate that it had the ability to turn around the business after the track record period.</li> </ol>

Applicant	Background and Decision
	<p><i>Decision</i></p> <p>3. The listing application was rejected due to Company G’s inability to meet GEM Rule 11.12A(1) and unsustainable business model.</p>
<p><b>Company H</b> (MB applicant) (2019)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <p>1. Company H had previously been suspended trading and sought to resume trading through the acquisition of another company, which was involved in the development and sale of residential and commercial properties in Mainland China (the “<b>Target Group</b>”).</p> <p>2. Prior to the track record period, the Target Group had received a one-off government subsidy for use in the development and operation of a training institute. However, demand for the training institute fell short of expectations and the Target Group sold some of the buildings that form part of the training institute to a third party and recognised a gain on this disposal (“<b>Disposal Gain</b>”). The government subsidy and the Disposal Gain were recorded as “Other Income”/“Other Gains and Losses” and did not arise from the Target Group’s ordinary and usual course of business.</p> <p>3. Company H could not meet the minimum profit requirement under MB Rule 8.05(1)(a) after excluding the Disposal Gain.</p> <p><i>Decision</i></p> <p>4. The listing application was rejected due to Company H’s inability to meet MB Rule 8.05(1)(a).</p>
<p><b>Company I</b> (MB applicant) (2020)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8</p>	<p><i>Background</i></p> <p>1. Company I was a specialty chain store retailer selling apparel and houseware products in Malaysia. In addition to its retail sales income, Company I also generated rental income not in its ordinary and usual course of business.</p> <p>2. Company I could not meet the minimum profit requirement under MB Rule 8.05(1)(a) after excluding the rental income and relevant costs for its investment properties.</p> <p><i>Decision</i></p> <p>3. The listing application was rejected due to Company I’s inability to meet MB Rule 8.05(1)(a).</p>