

Applicant	Background and Decision
<p><b>Company A</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 A (a commodities trading company) had a short business relationship with its single largest customer, which contributed to more than 20%, 60% and 75% of Company A's total revenue during the track record period.</li> <li>Company A's relationship with its single largest customer was not mutual and complementary as there were other suppliers like Company A located in the same area where the customer was based.</li> <li>The credit period granted to its single largest customer was substantially longer than other customers, and therefore not on normal commercial terms. This had an adverse impact on Company A's working capital sufficiency.</li> <li>Company A had no proven record of finding new customers to reduce reliance on its single largest customer.</li> </ol> <p><i>Decision</i></p> <ol style="list-style-type: none"> <li>Company A failed to demonstrate that it would be able to reduce material reliance on its single largest customer and that its business would be sustainable. Accordingly, it was not suitable for listing.</li> </ol>
<p><b>Companies B, C and D</b> (Companies B and C were MB applicants, Company D was a GEM applicant) (2017)</p> <p>Rule reference: MB Rule 2.06; MB Chapter 8 (GEM Rule 2.09; GEM Chapter 11)</p>	<p><i>Background</i></p> <ol style="list-style-type: none"> <li>Company B was a property management company providing property management services to one single housing estate in Mainland China.</li> <li>Company C was a printing company in Mainland China.</li> <li>Company D was a licensed software developer in Hong Kong.</li> <li>During the track record period, over 90% of each of the above applicants' revenue was generated from their largest customer and/or key product (as the case may be).</li> <li>The applicants' reliance on their respective customers was not mutual and complementary (i.e. their respective customers were not reliant on them).</li> <li>Company B relied on its one single housing estate and did not bid for any other estate during the track record period.</li> <li>Companies C and D operated in an evolving technological and/or regulatory environment. However, they lacked experience in selling new/upgraded products and failed to attract new customers during the track record period.</li> </ol> <p><i>Decision</i></p> <ol style="list-style-type: none"> <li>Companies B, C and D failed to demonstrate that they would be able to reduce material reliance on a single estate, customer or product after the track record period and that their businesses would be sustainable. Accordingly, they were not suitable</li> </ol>

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	for listing.
<p data-bbox="164 331 323 465"><b>Company E</b> (GEM applicant) (2019)</p> <p data-bbox="164 506 300 674">Rule reference: GEM Rule 2.09; GEM Chapter 11</p>	<p data-bbox="363 331 515 360"><i>Background</i></p> <ol data-bbox="363 400 1457 1016" style="list-style-type: none"> <li>1. Company E (i) leased vehicles to car-hailing service providers in Mainland China; and (ii) assisted car purchasers in their applications for licence plates and mortgage loans (the “<b>Agency Services</b>”). Over 90% of Company E’s profits during the track record period was derived from the Agency Services.</li> <li>2. The Agency Services were primarily provided to customers of a dealership owned by Company E’s controlling shareholder (the “<b>Connected Stores</b>”). During the track record period, the Agency Services relied on staff of the Connected Stores to solicit customers. Without the Agency Services, Company E would have recorded net losses in the track record period.</li> <li>3. The Agency Services were commonly ancillary services provided by dealerships, rather than by a separate entity. Hence, the delineation of the Agency Services did not conform with industry norms.</li> <li>4. The terms of the arrangement with the Connected Stores were not on normal commercial terms as evidenced by the cooperation agreements entered into between Company E and independent dealerships.</li> </ol> <p data-bbox="363 1057 472 1086"><i>Decision</i></p> <ol data-bbox="363 1126 1457 1193" style="list-style-type: none"> <li>5. Company E was not suitable for listing due to concerns regarding Company E’s material reliance on its controlling shareholder and hence its business sustainability.</li> </ol>
<p data-bbox="164 1243 323 1377"><b>Company F</b> (MB applicant) (2022)</p> <p data-bbox="164 1417 300 1552">Rule reference: MB Rule 8.04</p>	<p data-bbox="363 1243 515 1272"><i>Background</i></p> <ol data-bbox="363 1312 1457 1827" style="list-style-type: none"> <li>1. Dr. F and his wife founded a medical specialist practice (under Company F) with two specialist clinics, where they were the respective sole resident medical specialists.</li> <li>2. Throughout Company F’s operating history, Dr. F and his wife generated over 90% of Company F’s revenue. Particularly, Dr. F contributed around 70% to 80% of Company F’s total revenue during the track record period.</li> <li>3. To address the reliance concern, Company F hired an additional medical specialist (the “<b>New Hire</b>”) in the last year of the track record period. However, revenue contributed by the New Hire was insignificant and Dr. F continued to contribute over 70% of revenue.</li> <li>4. Company F had proposed plans to reduce reliance on Dr. F, such as recruiting eight new medical specialists and opening four new clinics within six months to three years after listing.</li> </ol> <p data-bbox="363 1868 472 1897"><i>Decision</i></p> <ol data-bbox="363 1937 1457 2063" style="list-style-type: none"> <li>5. The level of reliance on Dr. F and his wife (to a large extent, on Dr. F) was extreme given that the majority of the revenue generated during the track record period was attributable to Dr. F and his wife. Any material changes in the relationship with Dr. F (e.g. Dr. F ceasing to hold controlling interest in, or departing from, Company F) will</li> </ol>

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	<p>have material adverse impact on Company F's business and financial conditions.</p> <p>6. Company F failed to demonstrate that it had been and would be able to effectively mitigate its exposure to any material adverse changes to or termination of its relationship with Dr. F, given that:</p> <ul style="list-style-type: none"> <li>(i) Company F's operations were essentially a medical practice operated by two doctors who were husband and wife. In such context, a doctor's experience, skills and expertise were unique and critical to the past and future success of the medical practice, and the personal reputation and trust with patients that were built up by Dr. F and his wife over the years might not be transferrable to other doctors or replicated in other clinics. The fact that the New Hire (who had over 10 years of experience) only contributed minimal revenue might suggest that Company F was not able to reduce its reliance on Dr. F.</li> <li>(ii) Company F's plans to reduce reliance were preliminary and none would be materialised before listing, and the feasibility was also questionable. Since its establishment, Company F had only operated two clinics and it took four to six years for them to become successful. The proposed opening of additional clinics with new hires had not been executed and was not proven. It was questionable whether Company F could identify qualified specialists fit for their practice, or its management had adequate experience in developing and operating a chain of clinics, or given the distinct specialist area, whether there would be sufficient market demand to support its expansion plan.</li> </ul> <p>7. Accordingly, Company F failed to demonstrate that its material reliance on Dr. F would not result in material adverse impact on its business sustainability. The extreme reliance on Dr. F could not be dealt with by disclosure and Company F was not suitable for listing.</p>

See also Company A under **Annex A.9** for a listing decision on non-compliances.