



Board leadership: looking ahead

The Hong Kong Institute of Directors Speaker Luncheon Meeting

**Mr Tim Lui
Chairman**

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Good afternoon. First, I want to thank you for inviting me to speak to you today. The Hong Kong Institute of Directors has long played an important role in promoting good corporate governance in Hong Kong, and I am sure you will keep up this tradition.



significantly in the previous year due to its marketing efforts and sales to a wholesaler which on-sold its products to an e-commerce platform.

When we looked into this, we found that the marketing efforts only began near the very end of the track record period, and sales of its products on the e-commerce platform were minimal. This made us sceptical, and we were concerned about whether the applicant's financial information gave a true and fair view of its business performance.

We wrote to ask the applicant to explain and substantiate its significant revenue growth, but it was not able to provide satisfactory explanations. In the end it withdrew its listing application.

So you can see how intervening directly and early on can help identify substandard companies and keep them out of the market. This helps prevent the harm to investors that may occur if they achieve a listing.

Now I would not want to be one of the directors whose name appeared on that listing application. Even though it was withdrawn, the directors can still be liable for any false or misleading information provided in a listing application.

The important lesson here is that as a director, you should have a solid understanding of the business, and raise questions if something does not seem right. This is part of your fiduciary duties to the company, which you should always keep foremost in mind.

Let me tell you about one more case. We noted from the applicant's share allotment information that while the total number of shareholders exceeded the minimum of 100 required by the GEM Listing Rules, the vast majority of the total issued share capital would be held by a small number of shareholders. This meant that upon listing, the public float would be very small, making it easier to manipulate the share price. We have been talking about this kind of thing a lot, and the applicant's directors should have been



withdrawn, even though he knew about red flags. The matter is now subject to pending court proceedings.

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