



金利豐金融集團有限公司
KINGSTON FINANCIAL GROUP LIMITED

Corporate and Investor Communications
Department
Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

By fax (2524 0149) and by hand

Re: Emerging and Innovative Companies CP

Dear Sirs,

We refer to the consultation paper on a listing regime for companies from emerging and innovative sectors (the "Consultation Paper") published by the Stock Exchange of Hong Kong Limited (the "Exchange").

We welcome and appreciate the Exchange' efforts in keeping the Hong Kong's regulatory regime under review in order to ensure that the quality and efficiency of the Hong Kong market is maintained and enhanced. There will be different views as to how those objectives are best achieved, but whatever the outcome, the market will undoubtedly benefit from the debate. We appreciate this chance to provide comments to the Exchange with regard to the Consultation Paper.

We set out below some general comments and observations in response to the Consultation Paper in respect of the listing regime for companies from emerging and innovative sectors.

1. Biotech Companies

As mentioned in paragraph 67 to the Consultation Paper, many early stage companies will not succeed and may cause shareholders to lose part or possibly all of their investment. Survival rates of Silicon Valley high-tech firms between 1991 and 2009 shows that about 50% of these firms survived five years after starting, 25% survived 10 years after starting and 13% survived 15 years after starting. In light of the high risk of such early stage companies, and to strengthen investor protection, we invite the Exchange to consider the following:

a. Suitability to List

i. Reasonable timeframe towards commercialization stage

We ask the Exchange to consider whether Biotech applicants should be required to demonstrate a reasonable timeframe for commercialization of their Core Product(s), particularly given that the proposed working capital requirement is for 125% of the group's costs for the next 12

months (see 1.b.i. below). Is it more justifiable to set a timeframe where the commercialization plan shall not be more than say 2 or 3 years from the initial listing date?

- ii. Paragraph 74(f) of the Consultation Paper states that if the Biotech applicant is engaged in the R&D of pharmaceutical or biologic products, it must demonstrate it has a pipeline of those potential products

Please further clarify the requirements for the pipeline of potential products for pharmaceutical or biologic products in terms of number of products, time to commercialization, expected revenue or profit contribution.

- iii. Paragraph 74(g) of the Consultation Paper states that the Biotech applicant must have previously received meaningful third party investment from at least one Sophisticated Investor which is intended to demonstrate a reasonable degree of market acceptance for the applicant's R&D and Biotech Product.

Please (i) clarify what constitutes a meaningful third party investment and consider whether the investment be quantified say in percentage of its working capital; (ii) provide further guidance on how the Exchange will determine a Sophisticated Investor; and (iii) consider whether there is over-reliance on using investments from Sophisticated Investor(s) as a gauge of market acceptance of the Biotech applicant's R&D and Biotech Product(s).

b. Restriction on Cornerstones

- i. Paragraph 86 of the Consultation Paper states existing shareholders of the applicant may subscribe for shares in the IPO; such shares would not count towards the initial public float requirement but any shares held by existing shareholders prior to the IPO will be counted towards the public float provided that the existing shareholder is not a core connected person.

Given that the Shares held by the existing shareholders prior to the IPO will be counted towards the public float if they are not the core connected persons, we ask the Exchange to consider that the existing shareholders may comprise a substantial portion of the public float at the time of listing which could lead to less shares in the hands of other public investors, resulting in high shareholding concentration.

c. Lockup of founding management members' shares after initial listing

- i. Given the high risks nature of the Biotech Companies, we suggest that the shares of the founding management members' be subject to a lockup period marked to the financial performance of the issuer. We urge the Exchange to consider those shares be subject to a lockup period up to the EBITDA becoming positive.

2. Issuers with WVR Structures

a. Suitability to List with a WVR Structure

- i. Paragraph 105(a) of the Consultation Paper states that the WVR applicant must be an innovative company and sets forth certain characteristics of such companies

We ask the Exchange to provide further guidance on what constitutes an innovative company and whether such determination will only be made on a case-by-case basis. We urge the Exchange to issue guidance letters from time to time regarding this.

- ii. Paragraph 105(b) of the Consultation Paper states that the WVR applicant must demonstrate a track record of high business growth, objectively measured by operation metrics such as business operations, users, customers, unit sales, revenue, profits and/or market value and its high growth trajectory is expected to continue

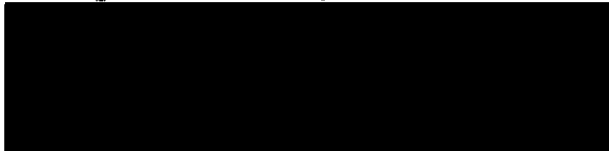
We ask the Exchange to provide further guidance on what would quantify the definition of high business growth.

- iii. Paragraph 105(e) of the Consultation Paper states that the applicant must have previously received meaningful third party investment from at least one Sophisticated Investor

Would the Exchange please (i) clarify what constitutes a meaningful third party investment; and (ii) provide further guidance on how the Exchange will determine a Sophisticated Investor.

We are supportive of the principles of the proposed amendments as set out in the Consultation Paper in general. We would be happy to discuss any part of this response with the Exchange or to answer any questions that the Exchange may have.

Yours faithfully,
For and on behalf of
Kingston Financial Group Limited



Kingston Chu
Executive Director