

Submitted via Qualtrics

Company/Organisation view

Question 1

Do you agree that the subscription and trading of SPAC securities prior to a De-SPAC Transaction should be limited to Professional Investors only (see paragraph 149 of the Consultation Paper)?

No

Please give reasons for your views.

SPAC securities are positioned as higher-risk investment products whereby potential investors should expect higher risk of price volatility.

By way of comparison, current regulations on complex products (as defined in paragraph 6.1 of SFC's Guidelines on Online Distribution and Advisory Platforms and paragraph 5.5 of the SFC's Code of Conduct) do not entirely exclude participation by retail investors in Hong Kong. Certain complex products which are widely available to retail investors, such as future contracts traded on the HKFE and Equity derivatives traded on the SEHK (e.g CBBCs and listed share options), are, in our opinion, no more reasonably likely to be understood by a retail investor as compared to SPAC securities. In addition, SPAC shareholders have an additional redemption option under the proposed regime, which provides, in our view, a sufficient level of shareholder protection to retail investors.

Under 5.5(a) of the Code of Conduct, a licensed or registered person providing services to a client in complex products should ensure that (i) a transaction in a complex product is suitable for the client in all the circumstances; (ii) sufficient information on the key nature, features and risks of a complex product are provided so as to enable the client to understand the complex product before making an investment decision; and (iii) warning statements in relation to the distribution of a complex products are provided to the client in a clear and prominent manner.

It is our view that the existing "know your client" procedures which are expected to be performed by licensed or registered person serve as sufficient safeguards to protect retail investors in the subscription and trading of SPAC securities (including both SPAC Shares and SPAC Warrants) prior to a De-SPAC Transaction.

Further, Individual Professional Investors are largely treated like retail investors under the current Code of Conduct, although licensed intermediaries are entitled to apply the 15.5 Exemptions to Individual Professional Investors as well as non-exempt Corporate Professional

Investors, provided that (i) a Written Consent has been obtained; and (ii) an Annual Confirmation is conducted.

While we must bear in mind the major differences between US and Hong Kong markets, including but not limited to the proportionately higher retail market participation in Hong Kong than in the US, we are also of the view that safeguards such as the presence of a redemption option and the requirement on shareholder vote prior to De-SPAC Transactions are sufficient in mitigating the additional risks arising from different shareholder protection standards.

Therefore, we recommend that the trading of SPAC securities prior to a De-SPAC Transaction should not be limited to Professional Investors.

As we considered that the subscription and trading of SPAC securities prior to a De-SPAC Transaction should not be limited to Professional Investors, we are of the view that the board lot size requirement should be in line with the existing practices in relation to new listings.

Further, we are of the view that mandatory requirements for SPAC Shares to have a subscription size of at least HK\$1,000,000 will significantly hinder investors' ability to manage their portfolios based on the principal of diversification.

Question 2

Do you agree with the measures proposed in paragraphs 151 to 159 of the Consultation Paper to ensure SPAC's securities are not marketed to and traded by the public in Hong Kong (excluding Professional Investors)?

Please give reasons for your views.

Question 3a

Do you consider it appropriate for SPAC Shares and SPAC Warrants to be permitted to trade separately from the date of initial listing to a De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 3b

As your answer to question 3a is “No”, do you have any alternative suggestions?

Please set out any alternative suggestions below.

Question 4a

Would either Option 1 (as set out in paragraph 170 of the Consultation Paper) or Option 2 as set out in paragraph 171 to 174 of the Consultation Paper) be adequate to mitigate the risks of extraordinary volatility in SPAC Warrants and a disorderly market?

Option 1

Please give reasons for your views. Please provide further technical details if you suggest a different option.

Question 4b

Do you have any other suggestions to address the risks regarding trading arrangements we set out in the Consultation Paper?

No

Please give any suggestions below:

Question 5

Do you agree that, at its initial offering, a SPAC must distribute each of SPAC Shares and SPAC Warrants to a minimum of 75 Professional Investors in total (of either type) of which 30 must be Institutional Professional Investors?

No

Please give reasons for your views.

It is understood that SPAC is positioned as a higher-risk investment product and restricted to the participation of Professional Investors prior to the completion of a De-SPAC Transaction under the proposed Hong Kong regime. While jurisdictions such as the US, UK and Singapore all have relatively stringent requirements on the distribution of shareholders, none of those regimes limit investment in SPAC securities (prior to the completion of a De-SPAC Transaction) to Professional Investors. Therefore, we are of the view that the open market requirements in the Hong Kong regime should not take reference from other SPAC regimes as such a comparison is not holistic.

While Rule 8.08(2) is designed to establish a broad base of shareholders that will help ensure subsequent liquidity in the newly listed securities, we are of the view that the population of Professional Investors in Hong Kong to whom SPACs could be marketed is relatively small, and the proposed requirements on the distribution of SPAC securities are exceedingly burdensome for market practitioners, which will significantly reduce the competitiveness of the Hong Kong regime.

We would like to reiterate our view that certain safeguards, such as the presence of a redemption option, already provide sufficient shareholder protection to SPAC investors, including those in the retail market. As such, we believe that an open market can be better ensured with a desired level of retail investor participation.

Further, while there are three principal categories of professional investors (i.e. Institutional Professional Investors, Corporate Professional Investors and Individual Professional Investors) pursuant to the relevant rules and regulations, we are of the view that such classifications is mainly based on the nature of the respective entity/individual, and the extent or level of investment knowledge, risk assessment capability and risk appetite are not necessarily inherent to a particular type of Professional Investor and can vary widely. As such, we consider that the requirement for a minimum number of Institutional Professional Investors would not be an effective or necessary safeguard considering the level of burden.

In light of the above, we recommend the Exchange to consider relaxing the proposed minimum requirements on the number of Professional Investors and the number of Institutional Professional Investors, or reconsider the feasibility of allowing the participation of retail investors, which appears to be a more constructive approach to promote sufficient liquidity and ensure an open market in the securities of a SPAC prior to the completion of a De-SPAC Transaction.

Question 6

Do you agree that, at its initial offering, a SPAC must distribute at least 75% of each SPAC Shares and SPAC Warrants to Institutional Professional Investors?

No

Please give reasons for your views.

Please refer to our response to question 5.

Question 7

Do you agree that not more than 50% of the securities in public hands at the time of a

SPAC's listing should be beneficially owned by the three largest public shareholders?

No

Please give reasons for your views.

Please refer to our response to question 5.

Question 8

Do you agree that at least 25% of the SPAC's total number of issued shares and at least 25% of the SPAC's total number of issued warrants must be held by the public at listing and on an ongoing basis?

No

Please give reasons for your views.

Please refer to our response to question 5.

Question 9a

Do you agree that the shareholder distribution proposals set out in paragraphs 181 and 182 of the Consultation Paper will provide sufficient liquidity to ensure an open market in the securities of a SPAC prior to completion of a De-SPAC Transaction?

No

Please give reasons for your views.

We recommend that the Exchange should consider the feasibility of allowing the participation of retail investors, which will be a more constructive approach to promote sufficient liquidity and ensure an open market in the securities of a SPAC prior to the completion of a De-SPAC Transaction and particularly, taking into account our view that shareholder protection is sufficient with the presence of a redemption option and the requirement on shareholder vote prior to De-SPAC Transactions.

Question 9b

Are there other measures that the Exchange should use to help ensure an open and liquid market in SPAC securities?

Yes

Please set out any suggestions for other measures below.

Please refer to our response to question 9a

Question 10

Do you agree that, due to the imposition of restricted marketing, a SPAC should not have to meet the requirements set out in paragraph 184 of the Consultation Paper regarding public interest, transferability (save for transferability between Professional Investors) and allocation to the public?

No

Please give reasons for your views.

As we consider that the Exchange should allow the retail investors to participate in the trading of SPAC shares prior to the De-SPAC Transaction, we are of the view that a SPAC should meet the requirements regarding public interest, transferability and allocation to the public.

Question 11

Do you agree that SPACs should be required to issue their SPAC Shares at an issue price of HK\$10 or above?

Yes

Please give reasons for your views.

Question 12

Do you agree that the funds expected to be raised by a SPAC from its initial offering must be at least HK\$1 billion?

No

Please give reasons for your views.

We are of the view that an initial offering of at least HK\$1 billion is too high given that (i) only four of the Companies among the 12 Greater China and South East Asian companies that listed in the US via a De-SPAC Transaction over the last three years raised HK\$1 billion or more from its IPO; (ii) in addition to attracting large overseas issuers, in designing the SPAC Listing Regime in Hong Kong, the Exchange should also have in mind small and medium-sized companies in the local economy that can benefit from alternative listing regimes; and (iii) the minimum market capitalization requirement for listing on the Main Board is only HK\$ 500 million, and therefore, the proposed requirement is disproportionately high for the purpose of ensuring that De-SPAC Transactions will be of a sufficiently large size to result in Successor Companies that meet the minimum market capitalization requirements for listing

Question 13

Do you agree with the application of existing requirements relating to warrants with the proposed modifications set out in paragraph 202 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 14

Do you agree that Promoter Warrants and SPAC Warrants should be exercisable only after the completion of a De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 15a

Do you agree that a SPAC must not issue Promoter Warrants at less than fair value?

Yes

Please give reasons for your views.

Question 15b

Do you agree that a SPAC must not issue Promoter Warrants that contain more favourable terms than that of SPAC Warrants?

Yes

Please give reasons for your views.

Question 16

Do you agree that the Exchange must be satisfied as to the character, experience and integrity of a SPAC Promoter and that each SPAC Promoter should be capable of meeting a standard of competence commensurate with their position?

Yes

Please give reasons for your views.

Question 17a

Do you agree that the Exchange should publish guidance setting out the information that a SPAC should provide to the Exchange on each of its SPAC Promoter's character, experience and integrity (and disclose this information in the Listing Document it publishes for its initial offering), including the information set out in Box 1 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 17b

Is there additional information that should be provided or information that should not be required regarding each SPAC Promoter's character, experience and integrity?

No

Please provide the details of any such information below.

Question 18

Do you agree that the Exchange, for the purpose of determining the suitability of a SPAC Promoter, should view favourably those that meet the criteria set out in paragraph 216 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 19a

Do you agree that at least one SPAC Promoter must be a firm that holds a Type 6 (advising on corporate finance) and/or a Type 9 (asset management) license issued by the SFC?

Yes

Please give reasons for your views.

Question 19b

Do you agree that the SFC licensed SPAC Promoter must hold at least 10% of the Promoter Shares?

Yes

Please give reasons for your views.

Question 20a

Do you agree that, in the event of a material change in the SPAC Promoter or the suitability and/or eligibility of a SPAC Promoter, such a material change must be approved by a special resolution of shareholders at a general meeting (on which the SPAC Promoters and their respective close associates must abstain from voting)?

Yes

Please give reasons for your views.

Question 20b

Should the trading of a SPAC's securities be suspended and the SPAC return the funds it raised from its initial offering to its shareholders, liquidate and de-list (in accordance with the process set out in paragraphs 435 and 436 of the Consultation Paper) if it fails to obtain the requisite shareholder approval within one month of the material change?

Yes

Please give reasons for your views.

Question 21

Do you agree that the majority of directors on the board of a SPAC must be officers (as defined under the SFO) of the SPAC Promoters (both licensed and non-licensed) representing the respective SPAC Promoters who nominate them?

Yes

Please give reasons for your views.

Question 22

Do you agree that 100% of the gross proceeds of a SPAC's initial offering must be held in a ring-fenced trust account located in Hong Kong?

Yes

Please give reasons for your views.

Question 23

Do you agree that the trust account must be operated by a trustee/custodian whose qualifications and obligations should be consistent with the requirements set out in Chapter 4 of the Code on Unit Trusts and Mutual Funds?

Yes

Please give reasons for your views.

Question 24

Do you agree that the gross proceeds of the SPAC's initial offering must be held in the form of cash or cash equivalents such as bank deposits or short-term securities issued by governments with a minimum credit rating of (a) A-1 by S&P; (b) P-1 by Moody's Investors Service; (c) F1 by Fitch Ratings; or (d) an equivalent rating by a credit rating agency acceptable to the Exchange?

Yes

Please give reasons for your views.

Question 25

Do you agree that the gross proceeds of the SPAC's initial offering held in trust (including interest accrued on those funds) must not be released other than in the circumstances described in paragraph 231 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 26

Do you agree that only the SPAC Promoter should be able to beneficially hold Promoter Shares and Promoter Warrants at listing and thereafter?

Yes

Please give reasons for your views.

Question 27

Do you agree with the restrictions on the listing and transfer of Promoter Shares and Promoter Warrants set out in paragraphs 241 to 242 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 28

Do you agree with our proposal to prohibit a SPAC Promoter (including its directors and employees), SPAC directors and SPAC employees, and their respective close associates, from dealing in the SPAC's securities prior to the completion of a De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 29

Do you agree that the Exchange should apply its existing trading halt and suspension policy to SPACs (see paragraphs 249 to 251 of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 30

Do you agree that the Exchange should apply new listing requirements to a De-SPAC Transaction as set out in paragraphs 259 to 281 of the Consultation Paper?

No

Please give reasons for your views.

We are of the view that it is unreasonably stringent to require Successor Companies to meet all new listing requirements under the proposed Hong Kong regime.

A. Eligibility requirements

The eligibility requirements, and in particular the financial eligibility tests, on the Successor Company under the proposed Hong Kong regime should be more relaxed as compared to new listings given that (i) a SPAC Promoter generally has sufficient in-house expertise to exercise a certain level of scrutiny to ensure a De-SPAC Target has the intention to raise funds for the development of their underlying business; (ii) unlike the US regime, UK regime and Singapore Regime, the shareholder vote for De-SPAC Transactions under the proposed Hong Kong regime will include participation from Professional Investors only, which should already safeguard against unreasonable valuation of the De-SPAC Targets; and (iii) a SPAC will be required to obtain funds from outside independent PIPE investors for the purpose of completing a De-SPAC Transaction under the proposed Hong Kong regime to further support the valuation.

Further, US exchanges, while applying stringent listing eligibility requirements to Successor Companies, also provide applicants for new listing with a wide choice of financial eligibility tests and market segments. As such, the proposed Hong Kong regime will be significantly less flexible, or competitive, vis-à-vis global competitors if De-SPAC Transactions are deemed new listing.

B. Management continuity and ownership continuity requirements

With reference to HKEX-GL-89-16, the ownership continuity and control requirement is intended to ensure that the listing applicant's financial performance did, in fact, result from the actual dynamics between the controlling shareholder(s) and the management. However, we are of the view that such requirement, if strictly applied, would fail to take into account the unique circumstances of De-SPAC Transactions, whereby SPAC Promoters potentially have the in-house expertise to take over full management of the De-SPAC Target.

We are of the view that the management continuity and ownership continuity requirements should be relaxed for De-SPAC targets given that (i) the major attractions of a SPAC include, among others, enabling SPAC Investors' to capitalize on a SPAC Promoters' ability to identify a suitable target and negotiate terms for the De-SPAC Transaction which are beneficial to them, and it would be counter-productive to ignore the management or industry expertise of the SPAC Promoters, who may unlock additional value from targets by replacing existing owner managers; and (ii) the possibility of a full cash exit for the target's existing owner managers may result in severe discounts on its valuation in a traditional IPO (as noted by the Exchange in paragraph 102 of the Consultation Paper), and correspondingly, owner managers may also accept certain discounts when exiting their business through a De-SPAC Transaction, thereby potentially benefiting SPAC Investors but will inherently violate the existing requirements on management continuity and ownership continuity under Rule 8.05.

C. Due diligence Requirements, Documentary Requirements and Listing approval

Based on the reasons provided in A. and B. above, we are of the view that the due diligence requirements, documentary requirements and listing approval process should be simplified to a certain extent as compared to the existing new listing regime.

Question 31

Do you agree that investment companies (as defined by Chapter 21 of the Listing Rules) should not be eligible De-SPAC Targets?

Yes

Please give reasons for your views.

Question 32

Do you agree that the fair market value of a De-SPAC Target should represent at least 80% of all the funds raised by the SPAC from its initial offering (prior to any redemptions)?

No

Please give reasons for your views.

Reasonable flexibility should be available for De-SPAC transactions in order to increase the attractiveness of the Hong Kong regime vis-à-vis global competition.

We are of the view that reasonable leeway in relation to the relevant requirement comes at minimal sacrifice but with significant benefits considering that (i) factors affecting the expected value of potential De-SPAC Targets, such as government policies and macroeconomic environment, can change drastically within the lifespan of a SPAC (i.e. prior to the deadline for completing the De-SPAC Transaction); (ii) certain companies, particularly those in the new economy, have valuation which may be difficult to be accurately estimate during the SPAC listing stage due to faster growth and higher uncertainties; and (iii) a larger universe of potential De-SPAC Targets will improve a SPAC Promotor's chance of identifying a high quality target to pursue.

Based on the foregoing, we suggest to reduce the requirement on the fair market value of the De-SPAC Target to be at least 60% (from at least 80%) of the proceeds held in trust, or to consider a similar approach as the US regime, which permits the satisfaction of this requirement from the aggregate value of multiple transactions.

Question 33

Should the Exchange impose a requirement on the amount of funds raised by a SPAC (funds raised from the SPAC's initial offering plus PIPE investments, less redemptions) that the SPAC must use for the purposes of a De-SPAC Transaction?

No

Please give reasons for your views.

As noted by the Exchange, it is market practice for the consideration for a De-SPAC Transaction to be settled mostly through payment in shares and for the cash raised by a SPAC to be used by the Successor Company for its future development. Further, the Successor Company should not be unsuitable for listing for being considered a "cash company" by virtue of satisfying Rule 8.05C(1) to the extent applicable to new listings via traditional IPO, and therefore, there are no grounds for imposing a redundant requirement.

Alternatively, we propose that whenever it becomes apparent that a large portion of the funds raised from a SPAC will not be utilised in the De-SPAC Transaction, the SPAC Promoter, together with the senior management of the Successor Company, should formulate a business development proposal, with details, on the utilization plan of the remaining funds which, in addition, would be subject to the reporting requirements similar to that of other newly listed companies in Hong Kong.

Question 34

Should a SPAC be required to use at least 80% of the net proceeds it raises (i.e. funds raised from the SPAC's initial offering plus PIPE investments, less redemptions) to fund a De-SPAC Transaction?

Please give reasons for your views.

Question 35

Do you agree that the Exchange should mandate that a SPAC obtain funds from outside independent PIPE investors for the purpose of completing a De-SPAC Transaction?

No

Please give reasons for your views.

The completion of a De-SPAC Transaction would already be subject to a shareholder vote, which, based on the proposed requirements, would consist entirely of participation from Professional Investors who should, in theory, have sufficient knowledge and experience in assessing, among others, the reasonableness of the valuation of a De-SPAC Transaction Target.

In light of the above, we are of the view that funds from outside independent PIPE investors should not be mandatory, or be restricted by a minimum percentage ownership, and instead, should follow a similar approach the existing cornerstone investor regime for new listings.

Question 36

Do you agree that the Exchange should mandate that this outside independent PIPE investment must constitute at least 25% of the expected market capitalisation of the Successor Company with a lower percentage of between 15% and 25% being acceptable if the Successor Company is expected to have a market capitalisation at listing of over HK\$1.5 billion?

Please give reasons for your views.

Question 37

Do you agree that at least one independent PIPE investor in a De-SPAC Transaction must be an asset management firm with assets under management of at least HK\$1 billion or a fund of a fund size of at least HK\$1 billion and that its investment must result in it beneficially owning at least 5% of the issued shares of the Successor Company as at the date of the Successor Company's listing?

Please give reasons for your views.

Question 38

Do you agree with the application of IFA requirements to determine the independence of outside PIPE investors?

Please give reasons for your views.

Question 39

Do you prefer that the Exchange impose a cap on the maximum dilution possible from the conversion of Promoter Shares or exercise of warrants issued by a SPAC?

No

Please give reasons for your views.

We are of the view that the market would dictate the level of dilution SPAC shareholders were willing to accept, based on the track record and reputation of a SPAC Promoter, which is in line with free market principals adopted by Hong Kong.

Question 40

Do you agree with the anti-dilution mechanisms proposed in paragraph 311 of the Consultation Paper?

Please give reasons for your views.

Question 41

Do you agree that the Exchange should be willing to accept requests from a SPAC to issue additional Promoter Shares if the conditions set out in paragraph 312 of the Consultation Paper are met?

Please give reasons for your views.

Question 42

Do you agree that any anti-dilution rights granted to a SPAC Promoter should not result in them holding more than the number of Promoter Shares that they held at the time of the SPAC's initial offering?

No

Please give reasons for your views.

Question 43

Do you agree that a De-SPAC Transaction must be made conditional on approval by the SPAC's shareholders at a general meeting as set out in paragraph 320 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 44

Do you agree that a shareholder and its close associates must abstain from voting at the relevant general meeting on the relevant resolution(s) to approve a De-SPAC Transaction if such a shareholder has a material interest in the transaction as set out in paragraph 321 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 45

Do you agree that the terms of any outside investment obtained for the purpose of completing a De-SPAC Transaction must be included in the relevant resolution(s) that are the subject of the shareholders vote at the general meeting?

Yes

Please give reasons for your views.

Question 46

Do you agree that the Exchange should apply its connected transaction Rules (including the additional requirements set out in paragraph 334) to De-SPAC Transactions involving targets connected to the SPAC; the SPAC Promoter; the SPAC's trustee/custodian; any of the SPAC directors; or an associate of any of these parties as set out in paragraphs 327 to 334 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 47

Do you agree that SPAC shareholders should only be able to redeem SPAC Shares they vote against one of the matters set out in paragraph 352 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 48

Do you agree a SPAC should be required to provide holders of its shares with the opportunity to elect to redeem all or part of the shares they hold (for full compensation of the price at which such shares were issued at the SPAC's initial offering plus accrued interest) in the three scenarios set out in paragraph 352 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 49

Do you agree a SPAC should be prohibited from limiting the amount of shares a SPAC shareholder (alone or together with their close associates) may redeem?

Yes

Please give reasons for your views.

Question 50

Do you agree with the proposed redemption procedure described in paragraphs 355 to 362 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 51

Do you agree that SPACs should be required to comply with existing requirements with regards to forward looking statements (see paragraphs 371 and 372 of the Consultation Paper) included in a Listing Document produced for a De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 52

Do you agree that a Successor Company must ensure that its shares are held by at least 100 shareholders (rather than the 300 shareholders normally required) to ensure an adequate spread of holders in its shares?

Yes

Please give reasons for your views.

Question 53

Do you agree that the Successor Company must meet the current requirements that (a) at least 25% of its total number of issued shares are at all times held by the public and (b) not more than 50% of its securities in public hands are beneficially owned by the three largest public shareholders, as at the date of the Successor Company's listing?

No

Please give reasons for your views.

We are of the view that the proposed open market requirements are unduly burdensome for the Successor Company to comply given that SPAC shares will already be trading on the Exchange prior to the De-SPAC Transaction.

The current requirements in relation to Rule 8.08(1) and 8.08(3) should be loosen to a certain extent for SPACs, which would be in line with lowering the required minimum number of shareholders to 100 (as compared to the minimum of 300 shareholders normally required under Rule 8.08(2)), considering the smaller investor base at the time of De-SPAC Transaction.

Nevertheless, we agree that there are needs to further mitigate the risks of price volatility and liquidity associated with a smaller shareholder base, which would ideally be addressed by allowing the participation of retail investors in SPACs prior to the De-SPAC Transaction.

Question 54

Are the shareholder distribution proposals set out in paragraphs 380 and 382 of the Consultation Paper sufficient to ensure an open market in the securities of a Successor

Company or are there other measures that the Exchange should use to help ensure an open market?

Yes

Please give reasons for your views.

after taking into account our response to Question 53.

Question 55

Do you agree that SPAC Promoters should be subject to a restriction on the disposal of their holdings in the Successor Company after the completion of a De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 56a

Do you agree that the Exchange should impose a lock-up on disposals, by the SPAC Promoter, of its holdings in the Successor Company during the period ending 12 months from the date of the completion of a De-SPAC Transaction?

No

Please give reasons for your views.

We are of the view that the lock-up period should be divided into two stages, whereby certain extend of disposal of holdings in the Successor Company, or the exercising of Promotor Warrants, by the SPAC Promoter should be allowed after the first six months of the lock-up period under certain conditions.

The above would be sufficient to validate the information presented to investors in the Listing Document regarding the valuation of the De-SPAC Target and the Successor Company and show that both the SPAC Promoter and the controlling shareholder of the Successor Company negotiated the terms of the transaction between themselves in good faith and are

committed to the validity of the terms of that transaction. In addition, our recommendation would be in line with (i) Rule 10.07(1) and HKEX-GL89-16, where controlling shareholders of the issuer shall be subject to a lockup period totally 12 months, which consists of the First Lock-up Period and the Second Lock-up Period; and (ii) the Singapore SPAC regime (lock-up of at least 50% of the original shareholdings for the next six months).

Question 56b

Do you agree that Promoter Warrants should not be exercisable during the period ending 12 months from the date of the completion of a De-SPAC Transaction?

No

Please give reasons for your views.

Please refer to our response to question 56a.

Question 57

Do you agree that the controlling shareholders of a Successor Company should be subject to a restriction on the disposal of their shareholdings in the Successor Company after the De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 58

Do you agree that these restrictions should follow the current requirements of the Listing Rules on the disposal of shares by controlling shareholders following a new listing (see paragraph 394 of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 59

Do you agree that the Takeovers Code should apply to a SPAC prior to the completion of a De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 60

Do you agree that the Takeovers Executive should normally waive the application of Rule 26.1 of the Takeovers Code in relation to a De-SPAC Transaction, the completion of

which would result in the owner of the De-SPAC Target obtaining 30% or more of the voting rights in a Successor Company, subject to the exceptions and conditions set out in paragraphs 411 to 415 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 61

Do you agree that the Exchange should set a time limit of 24 months for the publication of a De-SPAC Announcement and 36 months for the completion of a De-SPAC Transaction (see paragraph 423 of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 62

Do you agree that the Exchange should suspend a SPAC's listing if it fails to meet either the De-SPAC Announcement Deadline or the De-SPAC Transaction Deadline (see paragraphs 424 and 425 of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 63

Do you agree that a SPAC should be able to make a request to the Exchange for an extension of either a De-SPAC Announcement Deadline or a De-SPAC Transaction Deadline if it has obtained the approval of its shareholders for the extension at a general meeting (on which the SPAC Promoters and their respective close associates must abstain from voting) (see paragraphs 426 and 427 of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 64

Do you agree that, if a SPAC fails to (a) announce / complete a De-SPAC Transaction

within the applicable deadlines (including any extensions granted to those deadlines) (see paragraphs 423 to 428 of the Consultation Paper); or (b) obtain the requisite shareholder approval for a material change in SPAC Promoters (see paragraphs 218 and 219 of the Consultation Paper) within one month of the material change, the Exchange will suspend the trading of a SPAC's shares and the SPAC must, within one month of such suspension return to its shareholders (excluding holders of the Promoter Shares) 100% of the funds it raised from its initial offering, on a pro rata basis, plus accrued interest?

Yes

Please give reasons for your views.

Question 65

Do you agree that (a) a SPAC must liquidate after returning its funds to its shareholders and (b) the Exchange should automatically cancel the listing of a SPAC upon completion of its liquidation?

Yes

Please give reasons for your views.

Question 66

Do you agree that SPACs, due to their nature, should be exempt from the requirements set out in paragraph 437 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 67

Do you agree with our proposal to require that a listing application for or on behalf of a SPAC be submitted no earlier than one month (rather than two months ordinarily required) after the date of the IPO Sponsor's formal appointment?

Yes

Please give reasons for your views.

Question 68

Should the Exchange exempt SPACs from any Listing Rule disclosure requirement prior to a De-SPAC Transaction, or modify those requirements for SPACs, on the basis that the SPAC does not have any business operations during that period?

Yes

Please give reasons for your views.