

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.

At the outset, the Group wishes to state that it fully supports the introduction of listings through the mechanism of a listed SPAC in Hong Kong. It believes that this mechanism, along with the other methods of listing set out in the Listing Rules, should be available to all potential issuers and be in full conformity with the general requirements for listing. It does not support arrangements which would make a SPAC listing available for only a select number of potential issuers or for a select group of promoters and sponsors.

In responding to the particular questions posed by the Consultation Paper, the Group's answers were guided by the general principles set out below.

A SPAC is not a revolutionary concept. Cash box companies have a long history. A SPAC is purely a mechanism to achieve a listing. The end result and the purpose for which a SPAC is formed is the listing of a company, the undertaking of which meets the listing requirements of the HKEX. The principal attraction of a SPAC is the larger potential returns it offers its promoters, when compared to the traditional methods of initial public offering or offer for sale, which is the reason why SPAC listings have in many instances under-performed initial public offerings. However, it must be evident that the promoters of a SPAC and the completion of a De-SPAC Transaction employ the same skills and require the same transactional experience as the negotiation and structuring of a sizeable acquisition by a publicly listed company and the sponsoring of an initial public offering through the structuring, marketing, documenting and conducting a detailed due diligence of a company to be listed by an existing listing mechanism. These skills and experience are widely available in Hong Kong and, in view of this, it should be unnecessary to restrict the promotion and sponsoring of a SPAC listing and De-SPAC Transactions to a small select group of financial advisers and fund managers. Indeed, one of the objections the Group has to the proposals as they are presently formulated is that they favour without justification a small group of international firms at the expense of local, Mainland and regional firms. This is both unnecessary and unfair.

Since a listing through a SPAC has an identical end result as a listing by other mechanisms, the Group considers that, as far as possible, the listing requirements of a De-SPAC transaction should be the same as any other listing and so conform to the present HKEX Listing Rules. There is no compelling reason to propose different standards and, in responding to the questions, we have suggested where possible that there should be no differences between a SPAC listing following the completion of a De-SPAC Transaction and a more conventional listing.

The Group does not consider that the concept of a SPAC is a difficult one for retail investors to understand. The concept of a cash box company is straight-forward enough and, while it remains such, their money is safely held in trust. Similarly, shareholders of every size and sophistication are routinely asked to approve acquisition transactions and they are not thought to be incapable of reaching a reasonably informed decision in doing so. In the context of a De-SPAC Transaction, they will be provided with information of a prospectus standard and the advice of an independent financial adviser. If the proposal to permit only professional investors to participate in a SPAC listing is removed, a restriction that no other major international market has sought to impose, many of the anomalies and problems with the trading and liquidity of the shares and warrants in a SPAC will simply fall away.

Lastly, the Group believes that where possible arbitrary arithmetic criteria, which have no empirical justification, should be avoided. At the commencement it is difficult to envisage exactly what transactional structures will be optimal for a particular De-SPAC Transaction but such structures will be more difficult to achieve, if they have to conform to arbitrary percentages and thresholds. The avoidance of arbitrary percentages and thresholds should also apply to matters which should be determined by investors, rather than the HKEX. In particular, the Group is not supportive of arbitrary limits to how much of a SPAC's shares and warrants are reserved for promoters, who can invest in a SPAC, the price of its shares, the value of its board lot and other similar requirements. This would be fully consistent with the present HKEX Listing Rules which are not concerned with commercial matters such as pricing, underwriting commissions and who is permitted to underwrite. Where we have made an exception to this is in relation to Promoter's Shares and Warrants as we consider that there should be restrictions on the Promoter's ability to dispose of its interest in a SPAC so its interests are more closely aligned to other shareholders and warrant holders.

Specifically, in relation to whether the Group agrees that the subscription and trading of SPAC securities prior to a De-SPAC Transaction should be limited to professional investors only, no – the Group does not agree. The trading of the SPAC securities prior to a De-SPAC Transaction should be open to all investors on the same basis as is in respect of IPOs.

It is unlikely that retail investors will not understand the concept of SPACs and the potential risks associated with investing in a SPAC. Retail investors are familiar with investment proposals of a similar nature to that of a SPAC. Furthermore, there are adequate investor safeguards that have been proposed which are far greater than the safeguards that are provided to investors in respect of a traditional IPO not least, that the investors' funds will be held in a trust account located in Hong Kong, which will be managed and operated by a regulated entity.

In addition, shareholders will be provided with at least three opportunities to redeem their shares in the SPAC. Hong Kong is also the only market with an IPO Sponsor regime which will also be applicable to SPACs and provides additional investor protection.

The HKEX proposes that the IPO Sponsor carry out the due diligence such that it is capable of making the declaration that, among other things:

(a) the Successor Company is in compliance with all conditions of listing under Chapter 8 of the HKEX Listing Rules (qualifications for listing); and

(b) the Successor Company's Listing Document contains sufficient information to enable a reasonable person to form a valid and justifiable opinion in respect of the financial condition and the profitability of the Successor Company (paragraph 270 of the Consultation Paper).

The IPO Sponsor also acts as an investor protection mechanism. The opportunities provided to the investors to redeem their shares, coupled with the IPO Sponsor regime will provide adequate protection to investors (even more so than when compared to a traditional IPO). Therefore, the trading of the SPAC securities prior to a De-SPAC Transaction should be open to all investors on the same basis as is in respect of traditional IPOs.

Having said that, if trading of the SPAC securities prior to a De-SPAC Transaction is going to be limited to professional investors, there should be (as is currently proposed in paragraph 149 of the Consultation Paper), no restrictions on the type of professional investor and the wider definition of professional investor under the Securities and Futures (Professional Investor) Rules should be adopted (i.e. an individual with a portfolio of not less than HK\$8 million; a corporation or partnership with a portfolio of not less than HK\$8 million or total assets of not less than HK\$40 million).

Neither the U.S., the UK nor Singapore, have restricted the trading of SPAC securities prior to a De-SPAC Transaction to professional investors and allow retail investors to trade them (paragraph 143 of the Consultation Paper).

The Group cannot see any justification for the professional investor restrictions given the level of other regulatory safeguards which are proposed to be implemented for SPAC listings.

As the system does not allow us to answer question 2 because the Group does not support the proposal with respect to limiting the trading of the securities of the SPAC to professional investors. The Group wishes to add in addition to the response to question 1, that the Group cannot see a justification to apply this professional investor restriction which has not been adopted by either the U.S., the UK or Singapore.

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.

Yes - the Group agrees and cannot see a reason why the SPAC Warrants and SPAC Shares cannot be traded separately. Further, we do not consider that the SPAC Warrants are inherently more volatile than other warrants as the Consultation Paper appears to suggest.

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 2

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

Option 2 is preferred. The Group is of the opinion that Option 1 will place too many obstacles in the way of being able to freely trade the SPAC Shares and SPAC Warrants. The Group is of the view that the automatching system is fairer and more transparent. Furthermore, to the extent that automatching is used to trade shares and warrants of companies currently listed on the HKEX, the Group is of the view that the same procedures should to be equally applied to the trading of SPAC Shares and SPAC Warrants.

Question 4b

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

Yes

Please give any suggestions below:

To the extent that automatching is used to trade shares and warrants of companies currently listed on the HKEX, the Group is of the view that the same procedures should to be equally applied to the trading of SPAC Shares and SPAC Warrants.

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.

No – the Group does not agree. Please refer to our detailed reasoning in question 1 above. In respect of the proposed professional investor requirement and the spread of shareholders, the Group reiterates that:

(a) the trading of the securities of the SPAC prior to the De-SPAC Transaction should be open to retail investors; and

(b) there should be a spread of 300 shareholders as is currently required under Chapter 8 of the HKEX Listing Rules.

If retail investors are allowed to trade the securities of the SPAC prior to the De-SPAC Transaction, the additional restrictions in respect of the spread of shareholders will no longer be necessary and the current well-established HKEX Listing Rules in this respect can be applied to the SPAC.

If the professional investor restriction is going to be imposed on the distribution of SPAC Shares and SPAC Warrants, there should be no further restrictions on the type of professional investors.

The Group also notes that:

(1) the U.S., UK and Singapore all have regimes that do not limit investment in SPACs (prior to the completion of a De-SPAC transaction) to professional investors; and

(2) the U.S. requires SPACs to distribute their shares to a minimum of either 300 or 400 round lot holders.

The UK does not set a minimum threshold for the number of SPAC shareholders (only the requirement of 25% of a SPAC's shares to be in public hands).

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.

No – the Group does not agree. As referred to in questions 1 and 5 above, the distribution of, or the trading of SPAC Shares and SPAC Warrants should not be limited to professional investors. However, if such restriction is going to be imposed, the widest definition of professional investor (please see question 1) should be adopted.

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?

Yes

Please give reasons for your views.

Yes - the Group agrees as this is consistent with HKEX Listing Rule 8.08(3) and creates a level ‘playing field’ for SPACs and companies seeking a listing by way of a traditional IPO.

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?

Yes

Please give reasons for your views.

Yes - the Group agrees and sees no reason to deviate from the current requirements under the HKEX Listing Rules. The current proposal is consistent with HKEX Listing Rule 8.08(1). The Group also agrees with the proposal at paragraph 182(b) of the Consultation Paper that the HKEX be given a discretion to accept a lower percentage of between 15% and 25% for SPACs with an expected market capitalisation at the time of listing of over HK\$10 billion. Having said that, the Group notes that it would be surprised to see less than 25% of the SPAC’s total number of issued shares or less than 25% of the SPAC’s total number of issued warrants being held by the public at listing and on an ongoing basis.

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.

Please refer to the answers to questions 1, 5 and 6 in relation to the proposals set out in paragraph 181 of the Consultation Paper. The SPAC Shares and SPAC Warrants prior to the De-SPAC Transaction should be open to retail investors, there should be no restrictions on the trading of the SPAC Shares and SPAC Warrants and there should be a shareholder spread of at least 300 shareholders. This would be consistent with the current HKEX Listing Rules applicable to traditional IPOs. To reiterate, there are adequate safeguards in respect of SPACs which go beyond the investor safeguards in the current HKEX Listing Rules applicable to traditional IPOs. The most prominent safeguard, being that the investors' funds will be held in a trust account in Hong Kong managed and operated by a regulated entity.

The proposals set out in paragraph 182 of the Consultation Paper are consistent with HKEX Listing Rules 8.08(3) and 8.08(1) respectively. Therefore, the Group agrees with these proposals set out at paragraph 182 of the Consultation Paper.

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.

As referred to in our answer to 9a, the SPAC Shares and SPAC Warrants prior to the De-SPAC Transaction should be open to retail investors, there should be no restrictions on the trading of the SPAC Shares and SPAC Warrants and there should be a shareholder spread of at least 300 shareholders. This would be consistent with the current HKEX Listing Rules applicable to traditional IPOs. To reiterate, there are adequate safeguards in respect of SPACs which go beyond the investor safeguards in the current HKEX Listing Rules applicable to traditional IPOs. The most prominent safeguard, being that the investors' funds will be held in a trust account in Hong Kong managed and operated by a regulated entity.

The proposals set out in paragraph 182 of the Consultation Paper are consistent with HKEX Listing Rules 8.08(3) and 8.08(1) respectively. Therefore, the Group agrees with these proposals set out at paragraph 182 of the Consultation Paper.

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.

The Group does not agree that the trading of the SPAC Shares and SPAC Warrants prior to the De-SPAC Transaction should be restricted to professional investors. Therefore, to the extent that the proposal in paragraph 184(b) makes reference to professional investors the Group does not agree and we refer you to our comments in the answers to questions 1, 5 and 6.

If the professional investor restrictions (as set out in paragraphs 148 – 149 of the Consultation Paper) are adopted, the Group agrees with the proposals set out in paragraphs 184 (a) - (c).

Question 11

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

No

Please give reasons for your views.

No - the Group does not agree. Hong Kong has a system of board lots and therefore this requirement is not relevant to the Hong Kong market.

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.

No – the Group does not agree. The same market capitalisation requirements under Chapter 8 of the HKEX Listing Rules should apply to SPACs (i.e. HK\$500 million). This would make SPACs more likely to be available as a listing route for a range of businesses which would meet the HKEX Listing Rules requirements for an IPO.

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.

The Group agrees with these proposals to the extent that the proposals in paragraph 202 of the Consultation Paper are consistent with Chapter 15 of the HKEX Listing Rules. The Group wishes to highlight that where the terms of a SPAC Warrant or a Promoter Warrant are altered in accordance with the terms of the relevant warrant, these changes should not require the approval of the HKEX. This is consistent with HKEX Listing Rule 15.06 and is the current position under the paragraph 202 (d) of the Consultation Paper.

Where a warrant is not listed, any change to the terms of the warrant should not need to be approved by the HKEX.

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.

Yes – the Group does agree. This is one of the few instances where the Group agrees with a departure from the present HKEX Listing Rules. This will assist in providing investor protection and assist with ensuring an orderly market. The longer that the SPAC Promoter holds their SPAC Shares and SPAC Warrants, the more closely aligned their interests will be with the interests of the shareholders and warrant holders. This also mitigates against the potential problems associated with effectively having two different groups of shareholders who acquired their shares at different prices.

In addition, the Group is of the view that it is likely that a SPAC Promoter will be in possession of inside information (as defined under the Securities and Futures Ordinance (Cap. 571)) (the “SFO”) and assumes that the Inside Information regime under the SFO will therefore apply to the Promoters.

Question 15a

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

No

Please give reasons for your views.

The Group's view is that this is more of an issue in respect of disclosure than it is an issue in respect of price and fair value. Provided that there is full and fair disclosure in the Listing Document in respect of the Promoter Warrants, potential investors will have the necessary information required to make an informed decision whether to invest or not. In most cases, it appears that the Promoter Shares and Promoter Warrants will not be issued at fair value and will be dilutive to the interest of the shareholders.

Question 15b

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

No

Please give reasons for your views.

The Group's view is that this is more of an issue in respect of disclosure than it is an issue in respect of price and fair value. Provided that there is full and fair disclosure in the Listing Document in respect of the Promoter Warrants, potential investors will have the necessary information required to make an informed decision whether to invest or not. In most cases, it appears that the Promoter Shares and Promoter Warrants will not be issued at fair value and will be dilutive to the interest of the shareholders.

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?

No

Please give reasons for your views.

No – the Group does not agree. In Hong Kong, it is highly likely that a Promoter will be a company. Therefore, the current proposals set out in paragraph 217 of the Consultation Paper are likely to exclude a large part of the Hong Kong market apart from the 'bulge bracket investment banks.' Additionally, the current proposals will exclude anyone from the Hong Kong who wishes to develop their skills within the SPAC market.

It is evident that the Promoters of a SPAC and the completion of a De SPAC Transaction employ the same skills and require the same transactional experience as the negotiation and structuring of a sizeable acquisition by a publicly listed company and the sponsoring of an initial public offering through the structuring, marketing, documenting and conducting a detailed due diligence of a company to be listed pursuant to an existing listing mechanism under the HKEX Listing Rules. These skills and experience are widely available in Hong Kong and, in view of this, it should be unnecessary to restrict the promotion and sponsoring of a SPAC listing and De SPAC Transactions to a small select group of financial advisers and fund managers.

If additional criteria are to be met by a SPAC Promoter, objective criteria (as opposed to subjective criteria) should be used to assess the eligibility of a SPAC Promoter. The use of subjective criteria may result in a large portion of the market being excluded from being able to act as a promoter. In addition, it is arguable that there are currently very few Promoters in Hong Kong who meet the experience requirements proposed by the HKEX.

The HKEX proposes that a Successor Company appoint at least one sponsor who must be independent and be formally appointed at least two (2) months prior to listing (paragraph 266 of the Consultation paper). The HKEX proposes that the IPO Sponsor carry out the due-diligence such that it is capable of making the declaration that, among other things:

(c) the Successor Company is in compliance with all conditions of listing under Chapter 8 of the HKEX Listing Rules (qualifications for listing); and

(d) the Successor Company's Listing Document contains sufficient information to enable a reasonable person to form a valid and justifiable opinion in respect of the financial condition and the profitability of the Successor Company (paragraph 270 of the Consultation Paper).

Despite the important role played by the Promoter and that investors will primarily rely on the experience and reputation of the Promoter as stated by the HKEX in paragraph 212 of the Consultation Paper, the Group is of the opinion that the IPO Sponsor regime addresses the concerns in relation to Promoters' suitability and experience and provides adequate safeguards to investors. In any event, provided that there is adequate disclosure in the Listing Document of the SPAC in respect of the experience and reputation of the Promoter, investors will have an opportunity based on these disclosures to decide whether or not they want to invest in the SPAC. Further, shareholders will also have an opportunity to redeem their shares on matters voted against which includes a De-SPAC Transaction (paragraphs 349 – 362 of the Consultation paper).

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?

No

Please give reasons for your views.

No – the Group does not agree, that the requirements above those applicable, by analogy in a traditional IPO under the HKEX Listing Rules should be further imposed on SPACs. Please also refer to our answers at question 16. For clarity, we highlight that sufficient disclosure in the Listing Document in respect of a Promoter’s experience, suitability and background will be sufficient. As mentioned above in question 16, anybody who currently qualifies and is capable of taking a company public via a traditional IPO should also be eligible to be a SPAC Promoter. Care should be taken to ensure that the proposed requirements in respect of the suitability and eligibility of SPAC Promoters, do not exclude the Hong Kong market and many Mainland China and regional firms. The current proposals require that at least one of the SPAC Promoters must be a firm that holds: (i) a type 6 (advising on corporate finance) and/or a type 9 (asset management) license issued by the SFC. Therefore, the Group is of the view that the current requirements applicable to licensed persons in Hong Kong including the SFC’s Code of Conduct for Persons Licensed by or Registered with the SFC read with the SFC’s Fit and Proper Guidelines are sufficient and there is no need for additional requirements in respect of the suitability and eligibility of SPAC Promoters.

A Type 6 license holder should not be restricted to only acting as an IPO Sponsor to traditional IPOs. A type 6 license holder should be able to act as an IPO Sponsor to a SPAC without having to satisfy additional requirements as it has the required skills and experience to guide a company through the listing process and is subject to the regulatory oversight of the SFC.

There are adequate safeguards to protect the investors and to ensure an orderly market and therefore care should be taken not to narrow the field of potential Promoters to the extent that the Hong Kong local market is excluded.

Neither the U.S., the UK nor Singapore requires SPAC Promoters and SPAC Directors to have specified qualifications or any license.

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.

As referred in our answer to question 17a, no – the Group does not agree, that the requirements above those applicable, by analogy in a traditional IPO under the HKEX Listing Rules should be further imposed on SPACs. Please also refer to our answers at question 16. For clarity, we highlight that sufficient disclosure in the Listing Document in respect of a Promoter’s experience, suitability and background will be sufficient. As mentioned above in question 16, anybody who currently qualifies and is capable of taking a company public via a traditional IPO should also be

eligible to be a SPAC Promoter. Care should be taken to ensure that the proposed requirements in respect of the suitability and eligibility of SPAC Promoters, do not exclude the Hong Kong market and many Mainland China and regional firms. The current proposals require that at least one of the SPAC Promoters must be a firm that holds: (i) a type 6 (advising on corporate finance) and/or a type 9 (asset management) license issued by the SFC. Therefore, the Group is of the view that the current requirements applicable to licensed persons in Hong Kong including the SFC's Code of Conduct for Persons Licensed by or Registered with the SFC read with the SFC's Fit and Proper Guidelines are sufficient and there is no need for additional requirements in respect of the suitability and eligibility of SPAC Promoters.

A Type 6 license holder should not be restricted to only acting as an IPO Sponsor to traditional IPOs. A type 6 license holder should be able to act as an IPO Sponsor to a SPAC without having to satisfy additional requirements as it has the required skills and experience to guide a company through the listing process and is subject to the regulatory oversight of the SFC.

There are adequate safeguards to protect the investors and to ensure an orderly market and therefore care should be taken not to narrow the field of potential Promoters to the extent that the Hong Kong local market is excluded.

Neither the U.S., the UK nor Singapore requires SPAC Promoters and SPAC Directors to have specified qualifications or any license.

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?

No

Please give reasons for your views.

No – the Group does not agree. The current proposals will likely exclude a large portion of the Hong Kong asset managers with a Type 9 licence. Please also refer to the comments at questions 16 and 17 above.

Neither the U.S., the UK nor Singapore requires SPAC Promoters and SPAC Directors to have specified qualifications or any licence.

The NYSE rules state that in respect of assessing the suitability of a SPAC Promoter, the experience and/or track record (among other factors) may be considered. In the UK, there is no suitability assessment in respect of SPAC Promoters and in Singapore, the track record and reputation of the management team will be assessed.

The proposed suitability criteria go far beyond the requirements of the U.S., UK and Singapore and as mentioned earlier, will likely exclude a large portion of the Hong Kong market in addition to many Mainland China and regional firms.

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?

No

Please give reasons for your views.

No – the Group does not agree. These restrictions requiring Promoters to be licensed are unnecessary and as mentioned in question 18, go far beyond the requirements in the U.S., the UK and Singapore. There are adequate safeguards (including the IPO Sponsor regime as proposed) to protect the investor and to ensure an orderly market without having the requirement to restrict Promoters only to persons who hold a Type 6 and/or Type 9 licence.

As proposed, a SPAC will be required to appoint an IPO Sponsor. Therefore, it is unnecessary that one of the SPAC Promoters must hold a type 6 (advising on corporate finance) and/or a type 9 (asset management) licence issued by the SFC. The Group cannot see any justification for this requirement as the due diligence will be carried out by the IPO Sponsor who will be formally appointed at least two months prior to the listing of the Successor Company. The IPO Sponsor will be required to make a declaration (in the form of Appendix 19 to the HKEX Listing Rules) that, amongst other matters: (a) the Successor Company is in compliance with all the conditions in Chapter 8 of the HKEX Listing Rules; and that the Successor Company's Listing Document contains sufficient information to enable a reasonable person to form a valid and justifiable opinion on the financial condition and profitability of the Successor Company.

In addition, paragraph 17.1 of the SFC Code of Conduct states that the primary role of the IPO Sponsor is to provide assurance to the HKEX and the market generally that the listing applicant complies with the HKEX Listing Rules and other relevant legal and regulatory requirements and that the listing document provides sufficient particulars and information for investors to form a valid and justifiable opinion of the listing applicant's shares, financial condition and profitability.

In addition to IPO Sponsors, listed companies are required under the HKEX Listing Rules to appoint additional advisers such as a compliance adviser whose role is to guide and advise the listed company specifically in respect of the four situations set out in HKEX Listing Rule 3A.23.

The IPO Sponsor requirement coupled with the compliance adviser requirement will provide an adequate mechanism to assist in ensuring that only high quality De-SPAC Targets are sought. In turn, this will result in high quality Successor Companies being listed on the HKEX which will align with and be in the interests of the investors as a whole.

In respect of the Promoter Shares, the Group does not think that it is necessary to prescribe an amount of shares that must be held by the Promoter. The interests of the Promoter and the

Investor may be more aligned where a suitable De-SPAC Target has been identified by the Promoter.

Question 19b

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

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.

Yes – in principle, the Group agrees with the trigger events in paragraph 218 of the Consultation Paper. Additionally, as investors are likely to have made a decision to invest in the SPAC based on the experience and reputation of the SPAC Promoters, where there is a material change in the SPAC Promoter managing a SPAC or the eligibility and/or suitability of a SPAC Promoter, such material change should be approved by a special resolution of the shareholders.

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.

The Group agrees that where the requisite approval has not been obtained, the trading of a SPAC's securities should be suspended and the SPAC should return the funds it raised from its initial offering to its shareholders. This is another investor protection mechanism which ensures that the shareholders will have a degree of control over the people managing and operating the SPAC.

However, there is uncertainty as to the rationale behind the proposal that the SPAC must be liquidated before the HKEX will de-list the SPAC (paragraph 436 of the Consultation paper).

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?

No

Please give reasons for your views.

No – the Group does not agree. This is an unnecessary complication. The composition of the board should be dictated by the nature of the De-SPAC Transaction, the De-SPAC Target and its business nature.

Neither the U.S., the UK nor Singapore requires SPAC directors to have specific qualifications or hold any licence.

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.

Yes – the Group agrees 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. This is reasonable as it is proposed that all expenses incurred by the SPAC would be borne by the SPAC Promoter. The SPAC Promoter will normally purchase Promoter Warrants as part of a unit or on a standalone basis of a value that is enough to cover the underwriting fees for the SPAC's initial offering, other offering expenses and the expenses needed to search for and identify a De-SPAC Target.

It is further proposed that the expenses incurred by the SPAC Promoter to establish and maintain the SPAC would not be recoverable if a De-SPAC Transaction is not completed.

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?

No

Please give reasons for your views.

No – the Group does not agree. The current proposals are too restrictive. The category of trustee / custodian can be expanded.

The requirements set out in Chapter 4 of the UT Code in respect of a trustee/custodian are very narrow. The effect is that only (a) a bank licensed under the Banking Ordinance (Cap. 155), (b) a registered trust company registered under the Trustee Ordinance (Cap. 29) that is a subsidiary of a bank of the type in (a) above or a trust company that is a trustee of a registered MPF scheme under the Mandatory Provident Fund Schemes Ordinance (Cap. 485). Therefore, the category of eligible trustees/custodians should be broader. For example, the category could be expanded to include a corporation or registered institution that is licensed by the SFC to carry on Type 1 Regulated Activity (with additional requirements) as has been adopted for private open-ended fund companies.

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.

Yes – in principle the Group does agree. Having said that, to mitigate against risks associated with exchange rate fluctuations, the funds raised from an IPO should be deposited in the currency that matches the issue price.

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.

Yes – the Group agrees. Under the proposed SPAC regime, the operating costs of the SPAC are going to be covered by the SPAC Promoter and the expenses incurred by the SPAC Promoter to establish and maintain the SPAC will not be recoverable. Therefore, requiring the gross proceeds to only be released in the circumstances set out in paragraph 231 of the Consultation Paper, is a reasonable limitation on the use of these proceeds. This is another investor protection mechanism, which safeguards the investors' investments and will ensure that the proceeds raised by the initial offering are only used for their intended purpose of completing a De-SPAC Transaction. Failing which, the investors' will have their funds returned.

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.

Yes – the Group does agree that only the SPAC Promoter should be able to beneficially hold Promoter Shares and Promoter Warrants. This will promote / incentivise the SPAC Promoter until a suitable De-SPAC Target is found. Requiring the SPAC Promoter to beneficially hold the Promoter Shares and Promoter Warrants at listing and thereafter, will also better align the commercial interests of the Promoter with the interests of the shareholders and anchor the reputation of the Promoter to the success of the SPAC.

In addition, it is likely that the Promoters will be in possession of inside information (as defined under the SFO) and will be subject to the provisions of Part XIVA of the SFO. Therefore, given the nature of the SPACs and the operation of Part XIVA of the SFO, the Promoters will be restrained from trading their Promoter Shares and exercising their Promoter Warrants and will be required to adhere to Part XIVA of the SFO.

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.

Yes - the Group does 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. Additionally, please see our response to question 26 in respect of the operation of Part XIVA of the SFO which will apply to SPAC Promoters.

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.

Yes - the Group does agree with the proposal to prohibit a SPAC Promoter, SPAC directors, SPAC employees and their respective close associates from dealing in the SPAC's securities prior to the completion of a De-SPAC Transaction. There should not be a different regime for SPACs and the current connected transactions regime under the HKEX Listing Rules should equally apply to SPACs.

The longer the Promoter is restricted from dealing with its Promoter Shares and/or Warrants, the more careful the Promoter may be in pricing the De-SPAC Transaction and will assist in ensuring that the interests of the SPAC Promoters and the investors are better aligned.

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.

The Group has no objection to this. The current HKEX Listing Rules should apply equally to SPACs insofar as possible and see no reason why a different regime should be applied to SPACs.

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?

Yes

Please give reasons for your views.

Yes – in principle, the Group does agree. However, the current regulatory approach to listing companies in Hong Kong is not favourable for listing small to medium cap companies. Therefore, if the regulatory approach in respect of small to medium cap companies is adopted in respect of SPACs, it is unlikely that small to medium cap SPACs will view Hong Kong as an attractive jurisdiction to list a SPAC. Therefore, without a change in the regulatory approach in

Hong Kong, the potential competitive advantage that Hong Kong provides geographically, will be negated.

Question 31

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

No

Please give reasons for your views.

No – the Group does not agree. This is an unnecessary prohibition and would make the SPAC regime appear commercially unattractive and restrictive. Having said that, it is very unlikely that a Chapter 21 company would seek a listing via the SPAC route.

If SPAC Promoters identify an attractive De-SPAC Target that fits squarely within the criteria of Chapter 21 of the HKEX Listing Rules, there should be no reason to exclude it. Bear in mind that HKEX proposes to accept unconventional companies such as biotech and mineral companies. There is no logic to exclude Chapter 21. We should let the SPAC shareholders decide.

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.

No – the Group does not agree. The value of the De-SPAC Target should represent whatever is acceptable for listing. In addition, the amount of funds used to acquire a De-SPAC Target will depend on the value of the De-SPAC Target and also the costs involved in the SPAC and IPO process.

The Group believes that where possible, arbitrary arithmetic criteria, which have no empirical justification, should be avoided. Provided the Successor Company meets the required HKEX Listing Rules, there is no need or justification for these additional criteria and limitations. The Group is of the view that as few as possible, additional listing rules and/or restrictions should be adopted in respect of creating this new listing method to list SPACs. The listing of a SPAC is simply a listing method. The focus should be on the ‘finished product,’ that being, whether the Successor Company meets the HKEX Listing Rule requirements, regardless of the method of listing employed.

Additionally, at the commencement of the SPAC process it is difficult to envisage exactly what transactional structures will be optimal for a particular De SPAC Transaction and therefore, such blanket limitations are unnecessary.

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.

No – the Group does not agree. This is as an unnecessary requirement. The funds spent on a De-SPAC Target will be influenced by numerous factors, including, but not limited, to, the expenses and fees incurred during the SPAC and IPO process, the market value of the De-SPAC Target and the nature of the De-SPAC Target and its business operations, its shareholder base and the nature of the De-SPAC Transaction. Additionally, the consideration for an acquisition can be structured in a number of different ways and therefore requiring a certain level of funds be used for a De-SPAC Transaction would be an unnecessary restriction. For example, a company may list by means of an offer for sale which would not require any cash outlay.

Provided the De-SPAC Transaction results in the Successor Company satisfying the HKEX Listing Rules, this should be the criterion, regardless of the level of funds spent.

Proposals of this nature, which place unnecessary limitations on how a De-SPAC Transaction may be structured, are unnecessary. SPAC Promoters should be free to structure the De-SPAC Transaction as they deem fit and to be in the best interests of the investors. Prescribing how De-SPAC Transactions must be structured by prescribing arbitrary requirements may result in SPAC Promoters having to structure the De-SPAC Transaction to meet these new rules rather than employing the optimal structure for the De-SPAC Transaction which will be in the best interests of the shareholders.

There should not be a fixed idea of the form that a De-SPAC Transaction may take and therefore, it is unnecessary to mandate a certain level of funds (or PIPE Investment) which must be used for each and every De-SPAC Transaction.

The system did not allow us to answer question 34 because the Group answered 'no' to question 32. However, to add, the Group thought that it was unnecessary to 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. The Group wishes to add, that it is undesirable to adopt overly prescriptive rules, which may curtail the innovation and, the advantage of a level of commercial flexibility associated with SPAC listings.

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.

No – the Group does not agree that the HKEX should mandate that a SPAC obtain funds from outside independent PIPE investors for the purpose of completing a De-SPAC Transaction. As stated in an earlier answer, imposing arbitrary transactional requirements is likely to hinder the structuring of a De-SPAC Transaction and result in a less than optimal transaction.

The system did not allow us to answer questions 36, 37 and question 38. The Group wishes to reiterate as we answered no to question 35. The Group is of the view that these arbitrary arithmetic criteria, which have no empirical justification, should be avoided. At the commencement of the SPAC process, it is difficult to predict exactly what transactional structures will be optimal for a particular De-SPAC Transaction. Therefore, imposing such restrictions may place unnecessary limitations on the way the SPAC Promoters may be able to structure a De-SPAC Transaction.

The Group wishes to add that in respect of the IFA requirements as set out in HKEX Listing Rule 13.84, these may be too restrictive in the context of determining the independence of an investor. It would not be necessary to apply such restrictive criteria to determine the

independence of an investor. Less stringent objective criteria are preferable.

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.

No – the Group does not agree. It should be left to the market to dictate. It is unnecessary for

the HKEX to impose a dilution cap on the maximum dilution from the conversion of Promoter Shares or exercise of warrants issued by a SPAC. The maximum dilution possible from the conversion of Promoter Shares or exercise of warrants issued by a SPAC, should be adequately disclosed in the Listing Document. This will ensure that investors are aware of the dilution risks at the outset and can make an informed decision. This will be consistent with the approaches in the U.S. and the UK.

If a dilution cap or requirement is going to be applied, then the existing practice under the HKEX Listing Rules should be applied.

In the U.S. the requirements do not place a cap on the dilution to the value of a SPAC investors' shareholding. The practice in the UK is that the dilution effects on the ordinary shareholders must be disclosed in the listing document of the SPAC. In Singapore, the SGX places a dilution cap of no more than 50% on the SPAC post-invitation issued share capital.

The system did not allow us to answer questions 40 and 41. The Group wishes to add that in practice, the maximum dilution would be what the market can bear.

The practice in the U.S. is that there is no cap on the dilution to the value of a SPAC investor's shareholding resulting from the conversion of the Promoter Shares and the exercise of SPAC Warrants and Promoter Warrants. In the UK, the SPAC must disclose the dilution effects on ordinary shareholders potentially arising from the De-SPAC Transaction to allow SPAC investors to make an informed decision. In Singapore, the SGX imposes a dilution cap of no more than 50% on the SPAC post-invitation issued share capital with respect to the conversion of warrants issued at IPO. The limit and dilutive effect must be disclosed.

In addition, The practice in the U.S. is that there is no cap on the dilution to the value of a SPAC investor's shareholding resulting from the conversion of the Promoter Shares and the exercise of SPAC Warrants and Promoter Warrants. In the UK, the SPAC must disclose the dilution effects on ordinary shareholders potentially arising from the De-SPAC Transaction to allow SPAC investors to make an informed decision. In Singapore, the SGX imposes a dilution cap of no more than 50% on the SPAC post-invitation issued share capital with respect to the conversion of warrants issued at IPO. The limit and dilutive effect must be disclosed.

Specifically, in relation to question 41, the Group's view is that these matters should be left to the market to dictate and should not be regulated in the manner proposed.

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.

No – the Group does not agree. This should be determined by the market and should not be regulated in the manner proposed.

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.

Yes - the Group agrees that shareholder approval should be required. Assuming also that this will be considered a very substantial acquisition as the SPAC does not have any revenue, waiver of the general meeting is not possible. In addition, requiring shareholder approval will be consistent with the current requirements under HKEX Listing Rule 14.55.

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.

Yes – the Group agreed that this is acceptable. It would also be consistent with the existing procedures under the HKEX Listing Rules in respect of connected transactions and the Group is of the view that the existing HKEX Listing Rules should be equally applied to SPACs insofar as possible.

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.

The Group is of the view that a single resolution is contemplated here and notes that disclosure is normally required in the relevant shareholders resolution. The transaction can be voted on as a whole in a single resolution and there should not be a requirement for a separate resolution in relation to the terms of outside investment.

Please also refer to comments at question 35.

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.

Yes – the current connected transaction regime under the HKEX Listing Rules should apply. Care should be taken not to 'over engineer' the approval requirements in relation to the application of this regime to SPACs. In respect of paragraph 334(c) of the Consultation Paper, the independent valuation should not require an additional approval by the shareholders. A single resolution should be capable of being voted on to approve the De-SPAC Transaction.

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?

No

Please give reasons for your views.

No – the Group does not agree. Shareholders should be able to redeem shares regardless of their voting decisions on one or more of the matters set out in paragraph 352 of the Consultation Paper. This would be consistent with the approach in Singapore and the U.S. which allows all independent shareholders to have a redemption option regardless of their voting decisions.

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.

Yes. However, the SPAC should be free to include additional trigger events upon the happening of which the shareholders can redeem their shares. Additionally, a shareholder must be free to elect to redeem part of their shares while retaining and being allowed vote on their remaining shares.

Each share is an independent proprietary right. Therefore, the right to redeem shares should not be attached to the shareholder but should be attached to each share.

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?

No

Please give reasons for your views.

No – the Group does not agree. There should not be a limit on the amount of shares a SPAC shareholder (alone or together with their close associates) may redeem. As mentioned in question 49 above, each share is independent proprietary right of the shareholder and the right to redeem a share should be attached to each individual share and not the shareholder.

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.

The Group agrees in principle with the redemption procedures. However, in line with question 47, the proposal in paragraph 358 of the Consultation Paper should be modified to remove the restriction that shares voted in favour, abstaining or failing to vote on a relevant matter could not be redeemed. A shareholder should have the right to redeem their shares regardless of how he votes.

In addition, there should be a reasonable time period after the relevant general meeting within which the shareholders may decide to redeem their shares or not. The period within which a shareholder may elect to redeem their shares should not end on the date of the relevant general meeting.

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.

Yes - the Group agrees that SPACs should be required to comply with existing requirements with regards to forward looking statements included in a listing document produced for a De-SPAC Transaction. The current HKEX Listing Rules should be equally applied to SPACs insofar as possible.

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?

No

Please give reasons for your views.

No. In practice, it will be difficult to know how many shareholders there will be until the SPAC is listed and a spread of shareholders will be harder to achieve if retail investors are excluded. The

Group proposes that at least 300 shareholders be required which is in line with Chapter 8 of the HKEX Listing Rules. If the professional investor restriction is removed, the concerns in respect of the shareholder spread and liquidity will fall away and these additional requirements will no longer be necessary.

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?

Yes

Please give reasons for your views.

Yes. This is in line with the Chapter 8 of the HKEX Listing Rules. The Group also supports the proposal that a lower percentage of between 15% and 25% be applied to SPACs with an expected market capitalisation at the time of listing of over HK\$10 billion.

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.

Yes. However, in line with the response to question 12, it is proposed that the minimum market capitalisation should be reduced to HK\$500 million.

There should be no restriction on the type of investor (i.e. retail investors should be permitted to purchase and trade SPAC Shares prior to the completion of the De-SPAC Transaction).

Further, please refer to comments in relation to our response to question 52. The Group proposes that the Successor Company should have at least 300 shareholders as is currently required by Chapter 8 of the HKEX Listing Rules. As mentioned above in our answer to question 52, removing the professional investor restriction will mean that these anomalies and problems associated with shareholder spread and liquidity will fall away.

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.

Yes, the 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. However, the Group proposes that requirements analogous to the lock-up period restrictions in HKEX Listing Rule 10.07 be applied (i.e. the Promoter may be allowed to dispose of a certain percentage of its securities in the Successor Company after 6 months from the date of the completion of the De-SPAC Transaction).

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?

Yes

Please give reasons for your views.

Please refer to the comments at question 55. The Group agrees that a lock-up period is desirable. However, requirements analogous to the lock-up period restrictions in HKEX Listing Rule 10.07 should be applied (i.e. the Promoter may be allowed to dispose of a certain percentage of its securities in the Successor Company after 6 months from the date of the completion of the De-SPAC Transaction). Where possible, the listing rules which govern the listing of SPACs should be consistent with the current HKEX Listing Rules so as to avoid insofar as possible, unnecessarily creating an entirely separate listing regime to the current regime.

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?

Yes

Please give reasons for your views.

Please refer to the comments at question 55. The Group agrees that a lock-up period is desirable. However, requirements analogous to the lock-up period restrictions in HKEX Listing Rule 10.07 should be applied (i.e. the Promoter may be allowed to dispose of a certain percentage of its securities in the Successor Company after 6 months from the date of the completion of the De-SPAC Transaction). Where possible, the listing rules which govern the listing of SPACs should be consistent with the current HKEX Listing Rules so as to avoid insofar as possible, unnecessarily creating an entirely separate listing regime to the current regime.

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.

Yes. The existing regime under the HKEX Listing Rules in respect of controlling shareholders should be applied for consistency.

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.

Please refer to comments in relation to our response to question 57. We wish to highlight again that the current HKEX Listing Rules should equally apply to SPACs insofar as possible.

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.

Yes. The SPAC will be a HKEX listed company and therefore subject to the Takeovers Code which applies inter alia to companies with a primary listing of their equity securities in the HKEX.

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.

Yes, the Group agrees, that the whitewash provisions of the Takeovers Code should apply to a De-SPAC Transaction. Having said that, the Group is of the view that the current threshold for a waiver of the application of Rule 26.1 which requires at least a 75% majority vote should be lowered to require a vote of more than 50% with a new note in the Takeovers Code that states that a waiver in the case of a De-SPAC Transaction will normally be granted where the requisite approval has been received.

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.

Yes – these timeframes are similar to the U.S, the UK and Singapore. The US requires that the SPAC must complete a De-SPAC within 36 months. The UK provides a deadline of 24 months which can be extended to 36 months and in limited circumstances, can be extended again by 6 months. In Singapore, the deadline is 24 months with an option to extend by 12 months in certain circumstances.

The investors would expect there to be a timeframe within which a De-SPAC Target must be sought and a De-SPAC Transaction must be completed. This will also incentivise the SPAC Promoters to find a suitable De-SPAC Target and complete the De-SPAC Transaction on a timely basis.

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.

Yes – this is reasonable. There needs to be an effective deterrent to deter SPACs and the SPAC Promoters from failing to satisfy the listing requirements and in particular, in failing to meet one of the deadlines in relation to the De-SPAC Transaction.

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.

Yes – this gives the SPAC more flexibility in respect of the De-SPAC Transaction. This is also consistent with the UK (paragraph 418 of the Consultation Paper) and Singapore (paragraph 419(b) of the Consultation Paper).

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.

Yes, the Group agrees. There needs to be an effective deterrent to prevent SPAC Promoters from 'dragging their feet' in respect of completing a De-SPAC Transaction. Additionally, where the investors have made a decision to invest in the SPAC based on the experience and reputation of the SPAC Promoters, the investors should be given an opportunity to redeem their shares where the requisite shareholder approval for a material change in SPAC Promoters has not been obtained.

Allowing the shareholders to redeem their shares in the circumstances where one of the deadlines is not met is consistent with the thinking behind SPACs, being that investors invest in SPACs on the understanding that their funds will be used for a De-SPAC Transaction, failing which, the funds must be returned to the investors.

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?

No

Please give reasons for your views.

No – it would appear that the SPAC listing could be cancelled on return of the funds to the shareholders and not on the completion of liquidation (which can be a lengthy legal and procedural process) which could occur months later.

It is not necessary for a SPAC to have to be liquidated before it is de-listed.

In the U.S. a SPAC which fails to complete a De-SPAC Transaction within their stipulated deadline, must delist. The NYSE, then requires, that the SPAC liquidate. Given the length of time it is likely to take a SPAC to liquidate, the Group is of the view that the SPAC should delist first and then liquidate, as is required by the NYSE.

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.

Yes - SPACs should be exempt from the requirements set out in paragraph 437 of the Consultation Paper for the reason that a SPAC is formed to act as a cash company only and the HKEX Listing Rules that are inconsistent with the nature of SPACs should not apply to SPACs.

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.

Yes - the Group agrees. A key aspect of a SPAC should be that the lead time to IPO is shorter than the lead time for a regular IPO. Therefore, the shorter time period is logical. In addition, as the due diligence should not be extensive in relation to a cash company (rather than an existing

company) the shorter time period is sufficient.

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?

No

Please give reasons for your views.

No. A blanket exemption should not be applied. Having said that, as a SPAC will not have any business operations during that period, many of the requirements will not be likely to be relevant to cash companies with no business operations in any event.