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.

We consider that some extent of non-Professional Investors participation should be allowed having considered the following:

(1) one of the reasons for a SPAC listing is to allow investors access to early-stage or pre-IPO opportunities which would otherwise be only available to Professional Investors. Being able to leverage the capabilities, profile and commitment of the SPAC Promoters in validating acquisition targets can be seen as strong yet efficient safeguard against investment risks.

Should SPAC subscriptions be restricted to Professional Investors only, retail investors would continue to be locked out of such opportunities, and such asymmetry of investment access will continue.

(2) the US, the UK and the SGX all do not currently restrict the subscription and trading of SPAC securities to Professional Investors. As such, by adopting such a stringent approach to SPAC listing would be inconsistent with the current market practice and would in turn hurt the competitiveness of Hong Kong as a SPAC listing venue.

(3) The population of Professional Investors in Hong Kong is relatively low. This will likely to make trading of the SPAC shares illiquid.

It is agreed that SPACs are more complex investment products carrying higher level of risks and volatility. However, it is noted that there are already other safeguards proposed by the Exchange which should adequately protect the investors and to mitigate associated risks, such as the suitability and eligibility requirements for SPAC Promoters, the mandatory independent third party investment and setting a minimum threshold of fund raising.

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.

We consider it appropriate for SPAC Shares and SPAC Warrants to be permitted to trade separately from the date of initial listing. This is because the detachability of SPAC Warrants from SPAC Shares would be commercially attractive to the investors by providing more options to trade and cater with investors with different risk appetite. If the SPAC Shares and SPAC Warrants are traded separately in the market, the shareholders can retain the SPAC Warrants even if they elect to redeem the SPAC Shares. Warrants can serve as a compensation of the opportunity costs and risk premium for the investors to have their investment in escrow for up to 36 months. Since the US exchanges and the SGX allow SPAC Shares and SPAC Warrants to be permitted to trade separately, the Exchange would be less competitive and attractive in comparison without this feature.

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.

We are of the view that Option 1 is adequate to mitigate the risks of volatility in SPAC Warrants and a disorderly market. Other than the risk of volatility, we are also concerned with the exercisability of warrants that can result in potential significant dilutive impact to shareholders. Thus, we suggest imposing a maximum percentage cap on the conversion of the 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:

We suggest imposing a maximum percentage cap on the conversion of the 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?

Yes

Please give reasons for your views.

While we do not agree that SPAC Shares and SPAC Warrants should be limited to Professional Investors, but should instead be also available to retail investors, for the sake of argument, we agree to the proposed ratio of Institutional Professors Investors vs Non-Institutional Professors Investors. In particular, the Institutional Professors Investors could provide assurance to SPAC investment through due diligence on SPAC structure leading to potentially greater scrutiny. Additionally, a minimum of 75 Professional Investors can ensure an adequate spread of holders of SPAC Shares and SPAC Warrants.

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?

Yes

Please give reasons for your views.

While we do not agree that SPAC Shares and SPAC Warrants should be limited to Professional Investors, for the sake of argument, we agree that at least 75% of each SPAC Shares and SPAC Warrants should be distributed to Institutional Professional Investors. The reasoning is the same as above which is greater scrutiny by Institutional Professors Investors.

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.

Considering that SPAC listing is more prone to speculative risks, the cap can enhance the liquidity and spread of the SPAC's securities and encourage participation by other Professional Investors.

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.

This enhances the openness, liquidity and market participation of the SPAC's securities. This threshold is also in line with the public float requirement of a traditional HK IPO. Considering it being the same percentage threshold as set by the UK and the SGX, it is not necessary to deviate from the market practice.

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?

Yes

Please give reasons for your views.

It is mainly because the said proposals are in line with the current Listing Rules requirements. We believe that interests in SPAC securities in the hands of public could help to ensure liquidity and orderly trading.

Question 9b

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

No

Please set out any suggestions for other measures below.

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?

Yes

Please give reasons for your views.

While we do not agree that SPAC Shares and SPAC Warrants should be limited to Professional Investors and the restricted marketing therefor, for the sake of argument, we agree to the consequential exemptions, as it will facilitate and ensure smooth SPAC's initial offering.

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.

It is acknowledged that SPAC Shares are comparatively volatile prior to De-SPAC, especially when it involves rumours and regulatory scrutiny. By stipulating an offer price of HK$10 or above will have the effect of minimising volatility associated with a low share price.

However, if the subscription and trading of SPAC Shares prior to the De-SPAC Transaction are limited to only Professional Investors under the Hong Kong SPAC regime, it is believed that the Professional Investors are capable of mitigating the volatility risk, contrary to ordinary retail investors who may suffer much under the same situation. In this connection, the SPAC Shares issue price of HK$10 can be lowered. One more point to note is that if an issue price per unit is too high, it will lead to low liquidity of trading. Also, it may deter sponsors from considering a SPAC listing in Hong Kong.

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 agree that a minimum initial offering can help ensure that the Successor Companies can meet the listing requirements during De-SPAC. Afterall, the size of the Successor Companies cannot be too small as they will need to satisfy the new listing requirements.

However, it is suggested that setting the minimum funds requirement too high would exclude smaller buyout targets and may reduce the competitiveness of the Exchange, both in terms of SPAC and the subsequent listing by the Successor Companies. Despite there is no minimum size requirement for SPAC IPO fund raising in the US exchanges and the SGX, the minimum market capitalisation requirements for De-SPAC Targets are all lower than HK$1 billion. In comparison, SGX set a minimum market capitalisation of S$150 million; while the NASDAQ and NYSE require a minimum market capitalisation between US$50 million and US$100 million depending on the stock exchange and its boards; while in Hong Kong, to list on the Main Board, the target business will need a minimum market capitalisation of HK$500 million.

As such, it is likely that the applicants may choose the US exchanges or the SGX over the Exchange.

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.

In view of the volatility and potential dilutive effect of the warrants, we do not see any reasons for deviation from the existing requirements.

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.

As this is consistent with the common market practice, we do not see any reason for deviation.

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.

We agree with the requirement that a SPAC must not issue Promoter Warrants at less than fair value.

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.

We disagree with the requirement that a SPAC must not issue Promoter Warrants that contain more favourable terms than that of SPAC Warrants.

We suggest adopting standards in line with the market practice as we do not see any significant risk of a misalignment of interests that would materially harm the investors' interests. Current incentives for SPAC Promoters may not be sufficient. Prohibiting favourable terms would reduce the market participation. We suggest specifying the permitted scope of favourable terms, such as those suggested in paragraph 205 to mitigate the risks if any.

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.

We agree that SPAC Promoter should be competent with relevant experience as they are professional managers in possession of the proceeds from SPAC IPO, looking for suitable De-SPAC target in time to make investment and find a good deal for the SPAC investors. As such, it is expected that each SPAC Promoter should also owe fiduciary duty with integrity in favour of the SPAC Investors.

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.

We agree that the Exchange should publish guidance setting out the information regarding the SPAC Promoter's character, experience and integrity, considering that SPAC itself is a cash company with no business nor operation, and the SPAC Investors are basically only relying on the SPAC Promoter's character, experience and integrity to make investments, and the guidance can provide more clarity to market practitioners as to the requirements to be a competent SPAC Promoter.

It is also agreed that the information set out in Box 1 of the Consultation Paper to be provided for each SPAC Promoter is sufficient, as it covers the SPAC Promoter experience including the details of the SPAC and the De-SPAC Transaction, investment management experience and information as to whether the SPAC Promoter has breached any laws and rules in relation to its integrity and competence. It is believed that the above information allows SPAC Investors to clearly understand and be well-informed of the SPAC Promoter's character and experience before they decide whether to invest into the SPAC.

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.

It is generally agreed that the Exchange can view favourably if the SPAC Promoter meets higher than average standards of ability and experience because it possibly reflects that such SPAC Promoter maybe more competent than the others.

However, it is not sure as to how to determine the criteria, that is the reason why (i) HK$8 billion being the assets managed with an average collective value; (ii) holding a senior executive position at an issuer that is a constituent of the Hang Seng Index; and (iii) meaning of a flagship index equivalent to Hang Seng Index. More information may need to be disclosed in relation to the above for clarity or further discussion's purpose.

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.

We agree that at least one SPAC Promoter must hold Type 6 (advising on corporate finance) or Type 9 (asset management) licences as Type 6 licence involves giving advice in relation to compliance with Listing rules and the Takeovers' Code and Type 9 licence involves carrying on a business in asset management including both real estate investment scheme management and securities and futures contract management, respectively. This requirement is welcomed as it brings new business opportunities to the licensed firms in Hong Kong. The above qualifications can also demonstrate the competence of the SPAC Promoter and these licences are relevant to the SPAC and De-SPAC transactions. This is important because, as we can see in the US, there were examples of "celebrities" endorsing SPACs through social media that might mislead investors as to the extent of the abilities of the SPAC Promoters. Further, having at least one SFC licensed corporation involved in the SPAC listing will possibly give SFC the power to take enforcement action if necessary, hence protecting the SPAC investors.

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.

It is concurred that the SPAC Promoter must hold at least 10% of the Promoter Shares as incentive to successfully complete the De-SPAC Transaction. It is also proposed that such percentage can be increased to around 20% to provide further incentive after making reference to SPAC in US. However, this requirement may lock-out small or medium-size securities firm which may not necessarily the financial backing to fund the investments.

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.

It is generally agreed that in the event of a material change in the SPAC Promoter or the suitability or eligibility of a SPAC Promoter, special resolution of shareholders should be obtained, but there may be some relaxations in the examples provided in the consultation paper:

(a) addition / replacement of a SPAC Promoter – failure to add a SPAC Promoter should not amount to a material change provided that the status quo of the existing SPAC Promoters is maintained; and

(b) any other changes the Exchange may consider relevant to the eligibility and/or suitability of a SPAC Promoter – this may be a bit too broad given the SPAC Investors are Professional Investors who are able to have their own informed assessment as to changes. Such other changes should be considered relevant by the SPAC Investors as well.

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?

No

Please give reasons for your views.

In addition, it may be a bit too stringent if a SPAC fails to obtain the requisite shareholder approval within one month of the material change, such SPAC should be liquidated and de-listed. We propose to extend to two months.

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.

As it is proposed to restrict the majority of the board of directors to be officers (as defined under the SFO), some of the SPAC Promoters (which are non-licensed) may not be able to nominate a director to the board of the SPAC. We suggest the Exchange may lower the number of directors to be officers (as defined under the SFO) to one to two members. To safeguard the competence of the directors of the SPAC, the Exchange may consider to include guidance for the directors (which are not officers) to meet certain standard of ability, experience and competence instead.

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?

No

Please give reasons for your views.

We generally agree with the idea of holding a significant portion of the gross proceeds in a ring-fenced trust account so as to protect funds invested by the independent shareholders. However, instead of 100% of the gross proceeds, the Exchange may consider lowering the threshold to say 90% (which is consistent with the regulatory requirements of the US exchanges and the SGX etc.) so that the SPAC will have 10% of the funds for working capital purposes, with is consistent with that of a traditional HK IPO.

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?

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.

On top of the bank deposits, the above arrangement provides an alternative for the gross

proceeds to be held in the form of short-term securities issued by governments with the stipulated minimum credit rating, which is a safe and liquid investment at a low risk while hedging against inflation risk and providing guaranteed return to the SPAC.

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?

No

Please give reasons for your views.

We are of the view that the circumstances described in paragraph 231 are too restrictive and rigid, in particular, the Exchange proposes all of the gross proceeds have to be retained in a ring-fenced trust account. The Exchange may at least either lower the percentage of the funds to be in escrow or widen the scope of circumstances for the release of gross proceeds. For example, the escrowed funds can be drawn in exceptional circumstances with special resolutions of the independent shareholders, so as to provide flexibility to the SPAC while safeguarding the shareholders' interest at the same time.

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.

To avoid confusion, we suggest the rules should be more specific on the definition of "thereafter". As the Promoter Shares will be converted into SPAC Shares at the time of the De-SPAC Transaction, we assume the Exchange proposed that the Promoter Shares and Promoter Warrants should be beneficially held by the SPAC Promoter at listing of the SPAC and thereafter until completion of the De-SPAC Transaction.

If that is the case, we agree because (i) investors invest in the SPAC mainly based on the track record and experience of the SPAC Promoter; and (ii) this aligns the interest of the SPAC Promoter with one of the independent shareholders, which ensures the SPAC Promoter remains invested prior to the De-SPAC Transaction and incentivises it to identify De-SPAC Target with quality and successfully complete the De-SPAC Transaction.

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.

We agree that the Promoter Shares and Promoter Warrants should not be eligible for listing to ensure the SPAC Promoter cannot easily trade the Promoter Shares and/or the Promoter Warrants on-market for effective implementation of the restrictions under paragraph 240 of the Consultation Paper.

According to our understanding, SPAC Promoter should be the beneficial owner, but may not be the direct legal owner of the Promoter Shares and Promoter Warrants. According to the restrictions under paragraph 242 of the Consultation Paper, a limited partnership, trust, private company or other vehicle may hold the Promoter Shares and/or Promoter Warrants on behalf of the SPAC Promoter, thus we consider it is the Exchange's position to allow internal restructuring of the SPAC Promoter as long as there is no change in its beneficial ownership. However, under paragraph 241 of the Consultation Paper, a SPAC must not certify the transfer of legal ownership of any Promoter Shares or Promoter Warrants to a person other than the person whom they were originally issued. In other words, practically speaking, the change of the legal ownership of the Promoter Shares or Promoter Warrants (even without change of ultimate beneficial ownership) is not allowed. We consider the Exchange may provide more flexibility in such case. For instance, to ensure the ultimate beneficial ownership has not been changed, the SPAC Promoter must seek the Exchange's waiver for such change of the legal ownership (where appropriate) and SPAC is allowed to register such transfer with the grant of the Exchange's waiver thereafter.

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.

We agree to prohibit a SPAC Promoter (including its directors), 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 for the heightened risk of insider dealing in the securities of the SPAC. However, depending on the size of the SPAC Promoter, the scope of SPAC Promoter's employees may be too wide. The Exchange may consider to narrow the scope by restricting the employees who have or will potentially have access to any inside information or price-sensitive information of the SPAC.

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 existing trading halt and suspension policy have been adopted to other listed securities striking the balance of a fair, orderly and continuously trading market and providing protection to shareholders from uneven distribution of inside information or price sensitive information. We believe such policy can also serve the same purpose to SPACs and do not see any reason to justify a deviation from the same. Further, deviation from existing policy may even cause confusion to the market.

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 agree with the listing requirements on (1) IPO sponsor appointment, (2) due diligence, (3) listing approval and (4) initial listing fee. The role of IPO Sponsor is to ensure the quality and validation of a De-SPAC Transaction. A reputable IPO Sponsor could increase public confidence over a transaction, because the IPO Sponsor should have conducted due diligence in all aspects and ensure that a company is suitable for listing.

However, we disagree with the proposed suitability and eligibility requirements as well as the documentary requirements.

Viewing all the requirements as set out in paragraphs 259 to 281 of the Consultation Paper, a De-SPAC Transaction almost identically replicates requirements as a traditional IPO. We do not see any real incentive provided by the proposal to invigorate the market and attract more participants and companies to list in Hong Kong. The virtually identical requirements suggest that the current proposal is merely a mechanism for the listing of a cash vehicle with an option for subsequent combination, instead of expanding the market for other potential companies to raise funds. Further, due diligence are to be conducted both the SPAC listing and De-SPAC stages. As such, we expected that in overall, the time and work involved to complete a SPAC transaction will be longer, if not comparable, to that of a traditional IPO, which ultimately defeats the purposes of the SPAC regime. In doing so, we do not see any real benefit to be offered to the potential targets to adopt the De-SPAC mechanism in Hong Kong instead of in Singapore, UK and US.

We trust that with the role of SPAC Promoters and their experience in corporate finance and/or asset management, value and qualities of the De-SPAC Targets will be scrutinised by the SPAC

Promoters. The SPAC Promoters on top of the IPO Sponsor in a traditional IPO should provide additional comfort to the investors in the value of the De-SPAC Target.

We suggest adopting certain incentives from the proposed requirements with details as follows:

(i) the listing document requirements can be lowered or a lesser level of scrutiny should be applied. It is not uncommon that a significant amount of time is usually spent in addressing the comments from the Exchange on the listing document for a traditional IPO process. Given that the listing via a SPAC is to speed up the listing process, by adopting the same listing document requirements, the entire process spanning from the listing of SPAC to the completion of De-SPAC Transactions resulting in the Successor Company may even be longer than a traditional IPO, which drastically deviates from the intention of the establishment of this SPAC regime; and

(ii) the minimum market capitalisation requirements and financial eligibility tests should be relaxed to reflect that this is a new channel for companies that may not be able to access to equity capital market through traditional IPOs. The current regime of RTO requiring the target to meet the financial eligibility tests of a new listing significantly cools down the market sentiment and eliminates most of the RTO transactions. In this regard, the new SPAC regime should be optimised and differentiated from the RTO. We do not see any substantial reason why a company seeking to list in Hong Kong will choose De-SPAC Transactions over the routes of traditional IPO and/or RTO, except the fact that a SPAC, being a cash shell, has funds raised through SPAC listing. Further, we believe the due diligence requirement will provide sufficient safeguard to the quality of the assets and/or business of the De-SPAC Target. The Exchange has been welcomed by the market after the introduction of Chapter 18A Biotech Companies regime for its responsiveness to market trends. We are of the view that the Exchange should inherit this line of approach and expand the market for quality companies with potentially smaller market capitalisation to access funding through the proposed 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.

We agree that investment companies as defined under Chapter 21 of the Listing Rules is currently under a regime separate and distinct from traditional IPO in Hong Kong and it is not necessary for investment companies to be fitted into the SPAC listing regime.

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)?

Yes

Please give reasons for your views.

This requirement ensures that the SPAC could amply utilise the funds raised from its initial offering, which is in line with the requirements in the US exchanges and the SGX. Further, SPACs often targets De-SPAC Targets with valuation much higher than the SPAC proceeds raised, and thus this requirement should not serve as too much of a disincentive.

That being said, if the De-SPAC targets have a fair market value of at least 80% of funds raised by the SPAC and in addition to the SPAC minimum fund raise requirement, this essentially mean that the SPAC in Hong Kong is only available to targets with a valuation of upwards of HK$800 million. From the De-SPAC targets' perspective, Hong Kong-listed SPACs might be less attractive than SPACs listed in other markets.

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.

This requirement imposes restriction on how the money could be used by the SPAC. Such restriction would lower the attractiveness of SPAC listing in Hong Kong given that such requirement does not exist in the US exchanges and the SGX. Further, we do see a clear benefit to impose such a restriction as SPAC Promoters and SPACs themselves are often the ones who are best-positioned to properly and efficiently allocate and utilise the funds as they see fit.

Given that there is a concern of the Successor Company retaining all the money rendering it a cash company, we believe that the IPO sponsor due diligence, the prospectus disclosure requirements, the Exchange's vetting process and the existing listing requirements in respect of forward-looking information would help to ensure that the Successor Company would be viable and substantiable, instead of being a cash company.

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.

We consider that PIPE is an effective alternative funding option for a SPAC to complete its De-SPAC transaction, but it is unnecessary for the Exchange to mandate such arrangements. Similar to pre-IPO investments and cornerstone investments in traditional IPO applications, we consider that PIPE to be an option for alternative/additional funding which also provides comfort to the market capitalisation of the Successor Company. PIPEs have their own role and may or may be suitable for each SPAC. We should not adopt a "one-size fits all" approach for PIPEs.

Further, we believe that since SPAC is a listed entity, the SPAC shareholders and the market could promptly react to any proposed De-SPAC transactions should the value of the proposed De-SPAC target be unreasonable or not in line with market expectations, which could in turn be useful to ascertain the reasonableness of the proposed De-SPAC transaction.

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?

Yes

Please give reasons for your views.

The Exchange should impose a cap on the maximum dilution possible from the conversion of Promoter Shares or exercise of warrants issued by a SPAC. It is important to set this limit to align the interests between SPAC Promoters and independent shareholders and mitigate the potential dilutive impact to non-redeeming shareholders.

Question 40

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

Yes

Please give reasons for your views.

The anti-dilution mechanisms suggested by the Exchange could reduce the dilution risk by the conversation of warrants. In particular, the Exchange has imposed more restrictions over Promoter Shares and Promoter Warrants issued to SPAC Promoters. This would ensure that the Promoter would not be able to dilute the shares held by other SPAC shareholders.

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?

Yes

Please give reasons for your views.

We agree that the earn-out portion proposed by the Exchange could align the interests between SPAC Promoters and SPAC Investors. The proposed requirement of the earn-out portion is linked to the objective performance targets, shareholder's approval and the passing of shareholder's resolution. These are measures adopted in other transactions. In addition, SPAC shareholders' approval is necessary to protect their interest against the Promoters. It might also assist the SPAC promoters in de-SPAC negotiations by working as a benchmark for them to negotiate for further promoter shares.

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?

Yes

Please give reasons for your views.

We agree. The SPAC Promoter is appointed to ensure that the SPAC Investors could rely upon their experience and due diligence over the Successor Company to decide whether they could make an investment over a De-SPAC Transaction. It is important to ensure that the SPAC Promoter would not get more shares than the number of Promoter Shares they held at the time of the SPAC's initial offering because the SPAC Promoter should have foreseen the risk of dilution at the time of their appointment, therefore the anti-dilution rights granted to a SPAC Promoter could be stricter to safeguard the interest of other SPAC Investors.

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.

The shareholder approval requirement for the De-SPAC Transaction is in line with market practice and also align the current shareholder approval requirement for major transactions or above. Shareholders should be given a chance to vote on the proposal of the De-SPAC Transaction.

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.

Such requirement is based on the principle of conflict of interests, which the related interest party should be avoided to vote at a general meeting. A shareholder with material interest and its close associate would very likely pass the resolution. This is especially the case for SPAC Promoters with Promoter Shares issued at nominal values to them. In most situation, the shareholder with material interest would also be a shareholder with shareholding interest above 10%, therefore they should be abstained from voting to ensure that the De-SPAC Transaction is favour by shareholders without material interest. This also align with the current Listing Rules requirements in respect of notifiable / connected transactions.

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 outside investment is part of the De-SPAC Transaction that would affect the decision of a shareholder on whether to pass a resolution at the general meeting. Therefore, if the outside investment forms a substantial part of the De-SPAC Transaction, it is necessary to at least provide some terms of the outside investment obtained. Yet, the Exchange may consider whether there could be different levels of disclosure depending on the size of the outside investment. If the outside investment does not form a substantial part in completing a De-SPAC Transaction, the terms of such outside investment might not need to be fully disclosed, which the shareholders would only need to vote for or against the outside investment rather than the terms of such.

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.

The existing requirements on connected transaction should be included. However, the additional requirements should be modified. We note that the threshold imposed by the proposed additional requirements appears to be unduly high.

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.

We disagree. The redemption right should not be linked to the shareholder's vote. It would pose great challenge to the SPAC Promoter as to the certainty of the De-SPAC transaction. We understand that the Exchange's rationale is to avoid abusive practices such as over-valuation. On one hand, as one of the proposals above stated that an independent valuer should have appointed to ensure the valuation of a De-SPAC transaction, it should be a sufficient independent source to check the existence of the transaction. On the other hand, a SPAC shareholder could have agreed with the resolutions but would like to redeem the shares due to personal reason which does not relate to the terms of the De-SPAC transaction. Therefore, they would vote for the resolution but would like to redeem their shares. In fact, it can also be argued that the redemption right is an important investor protection mechanism and thus should be delinked from shareholders' voting decisions.

Furthermore, the US and Singapore practice did not impose such further restriction to the shareholder's redemption. All shareholders have the same redemption right despite on their vote at the general meeting. The Exchange's proposal decreased the certainty for a genuine transaction to be successfully completed.

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.

It is necessary to provide the opportunity for the holders of the shares to elect to redeem all or part of the shares they hold upon the occurrence of the three scenarios since they are material

considerations for each shareholder in making their decision on whether to continue to invest in a SPAC. It is important that a SPAC shareholder could redeem their shares if they invest due to the reputation of the SPAC Promoter, or during the De-SPAC Transaction where they can have more information about the transaction, or when there is an extension to the deadline of the De-SPAC Transaction.

These three situations are crucial for the shareholders to think through their investment. They might elect to redeem when there is change in SPAC Promoter or the deadline of the De-SPAC is extended because their investment decision is based on the original plan of the De-SPAC Transaction but not after it is materially changed. Therefore, the shareholders should have the right to elect on whether they would like to redeem all or part of the shares.

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.

A SPAC should not be completely prohibited from limiting the amount of shares a SPAC shareholder may redeem. We are of the view that full redemption should be allowed for retail investors. On the other hand, Professional Investors would have considered the risk before they make investment into a SPAC Transaction and in general have a higher risk appetite. We consider that it is reasonable for Professional Investors to be subject to a 10% redemption limit, in line with the US exchanges and SGX requirements.

The practice adopted by the US exchanges and SGX provide extra security and ensures that sufficient cash will be available if a business combination is formed. Even a SPAC can limit the amount of shares a SPAC shareholder may deem, it does not mean that a SPAC shareholder would be influenced by the redemption limitation when making their decision. The requirement in the US and Singapore allows a SPAC to impose a redemption limit of no lower than 10% of all issued shares. This minimum amount represents a significant amount that a SPAC shareholder could redeem. Most of the SPAC shareholders should be able to redeem most and all of their shares even the SPAC set a limit of 10% of all issued shares. Only substantial shareholders together with their close associates holding over 10% of the issued shares of a SPAC would be affected by this limitation if imposed.

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.

We agree with the suggestions in paragraphs 355 to 362, except the part in relation to the shareholder could only redeem if they voted against the relevant matter as mentioned in question 48. The timeframe and procedures suggested by the Exchange is feasible.

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.

The forward looking information should follow the existing requirements. Such information is important in helping a potential SPAC Investor to identify trends and factors that are relevant to the current and future business performance of a Successor Company.

The forward looking information should be consistent with the accounting policies and a report which the SPAC Promoter and the directors of the Successor Company have carefully considered. The forward looking information is important for a potential SPAC Investor to make their decision over the prospect of a company. In addition, the forward looking information would become useless if there are no basis and assumptions for it to be prepared properly by the respective parties.

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.

We agree because the requirement of 300 shareholders is a strict requirement under the current Listing Rules, and the requirement to ensure a particular amount of public float for a Successor Company would be a sufficient standalone requirement for open market. We understand that some companies failed to meet the 300 shareholders to get transfer from GEM to the Main Board of the Exchange, while those companies have met all the listing requirements. Reducing the number of shareholders could ensure more companies are able to list via SPAC if they failed to satisfy the shareholder's requirement under traditional IPO.

SPAC is a novel listing product. In light of the SPAC Investor base composition consisting of mainly institutional and individual professional investors prior to the completion of a De-SPAC transaction, with less retail participation, hence it may be challenging to fulfil this requirement of 300 public shareholders. Lowering the requirement to 100 shareholders can ensure more companies to list via SPAC. This requirement increases the competitiveness of Hong Kong as a listing venue for SPACs.

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.

it is necessary for the Successor Company to meet the current requirements of at least 25% of its total number of issued shares are held by the public. Although there is no specified percentage of public float in the US and only a public float between 12% and 25% required in Singapore, we note that they have the requirement of at least 300 public shareholders. If the number of public shareholders in Hong Kong is reduced to 100, there should be a specific percentage to ensure that these 100 shareholders' shares should have control of 25% of the company, which is identical to the traditional IPO requirement.

Furthermore, if there are only 100 public shareholders, a limit on the shareholdings of the three largest public shareholders can ensure that most of the shareholdings of the public float do not comprise of only the three largest public shareholders. Otherwise, the remaining 97 public shareholders would only be holding less than 12.5% of the Successor Company's shares. We understand that UK has no minimum requirement over the number of shareholders but it also imposes a minimum public float of 25%, which is consistent with the Exchange's proposal.

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.

The distribution proposals are sufficient to ensure an open market in the securities of a Successor Company, as explained above. We also take note of the UK situation that it does not have a minimum threshold of public shareholders but has the 25% public float requirement, while the situation in the US is reversed with the minimum number of public shareholders but no specified percentage of public float required. It is viewed that either having strict shareholder distribution over the number of public shareholders or specific percentage of public float would be sufficient to ensure an open market.

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.

We believe that imposition of lock-up periods to SPAC Promoters could help to enhance investors' confidence in the De-SPAC Target. Such arrangement is also in line with the US practice and SGX requirements.

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.

SPAC Promoter should be restricted on selling their Promoter Shares and exercising their Promoter Warrants during the period ending 12 months from the date of completion of a De-SPAC Transaction.

The purpose of imposing restrictions over the exercising of Promoter Shares and Promoter Warrants are to protect the potential SPAC Investor, who would rely on the undertaking from the SPAC Promoter that they would be lock-up for a period up to 12 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?

Yes

Please give reasons for your views.

SPAC Promoter should be restricted on selling their Promoter Shares and exercising their Promoter Warrants during the period ending 12 months from the date of completion of a De-SPAC Transaction. Given that the Promoter Warrants have more favourable terms than SPAC Warrants, the Promoter Warrants should have more restrictions to balance the benefit term of Promoter Warrants over SPAC Warrants. While the Promoter Shares should have a lock-up period, the same should applied to the Promoter Warrants, since the Promoter Warrants could also be converted to SPAC shares. It would become meaningless to impose restrictions only over the Promoter Shares but not the Promoter Warrants.

The purpose of imposing restrictions over the exercising of Promoter Shares and Promoter Warrants are to protect the potential SPAC Investor, who would rely on the undertaking from the SPAC Promoter that they would be lock-up for a period up to 12 months.

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.

This restriction helps to ensure stability of a Successor Company's share price and could avoid huge fluctuation of the market price. It is necessary for the Exchange to regulate the lock-up period for the controlling shareholders. The consultation under the Singapore model would be a good guideline for Hong Kong.

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.

The restriction should also follow the current Listing Rules requirement because the lock-up period is to protect the public shareholders' interests, who bought the Successor Company's shares based on the business prospect of the Successor Company. The lock-up period helps to prevent extreme volatility of the shares' price. The current restrictions must be applied to De-SPAC Transaction, since it is a "standard" period adopted by the US and Singapore.

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.

We agree that the Takeovers Code should apply to a SPAC prior to the completion of a De-SPAC Transaction because any person or persons acting in concert obtaining 40% or more of the SPAC's voting rights would have a veto right over a potential De-SPAC Transaction. The SPAC shareholders should be given an opportunity to exit. The application of the Takeovers Code prior to the completion of a De-SPAC Transaction will not unreasonably add to the cost of the SPACs.

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.

It is essential that the Takeovers Executive should normally waive the application of Rule 26.1 of the Takeovers Code in relation to a De-SPAC Transaction because SPAC investors should have anticipated the existing owner of the De-SPAC Target to obtain control over the Successor Company. Requiring the existing owner of the De-SPAC Target to make mandatory general offer does not serve the purpose of a De-SPAC Transaction. We also agree that a waiver should normally not be granted if a third party other than the exiting owner of the De-SPAC Target will obtain Code-control over the Successor Company. In such event, there may be substantial changes of the De-SPAC Target therefore shareholders should be given an opportunity to exit.

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.

24 months is a suitable time frame for a SPAC Promoter to identify a De-SPAC Target and

finalize the acquisition terms. The period of 24 months has been adopted by both UK and Singapore. The fact that US SPACs typically voluntarily set 24 months as the deadline for De-SPAC Transaction shows this time frame affords appropriate protection to investors. We also agree that an extra 12 months be given to complete the transaction. This arrangement on one hand provides certainty to investors within 24 months, and on the other hand avoids the need to apply for time extension to 36 months under the UK and Singapore approaches. The maximum time frame of 36 months is actually consistent with the requirements of the other exchanges in the U.S., Toronto and Malaysia. It also represents a reasonable and fair duration for the SPAC to implement the necessary steps in completing the De-SPAC Transaction, including but not limited to the due diligence, the preparation of the shareholders' circular and calling for the general meeting and complying with other listing and regulatory requirements and also taking into account other commercial factors and market pressure.

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.

We agree to suspend trading immediately after expiry of any of the two deadlines or extended deadlines. If the deadlines are extended, SPAC shares should be allowed to continue trading within the extended time period, otherwise the SPAC shareholders would lose liquidity for their shares.

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.

The ability to apply for time extension with a valid reason is important as it provides flexibility to deal with uncertainties in the De-SPAC course. Approval at general meeting and by the Exchange safeguards interest of SPAC shareholders.

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.

The Proposals under Questions 64 and 65 seem to suggest that after the suspension of trading, the funds will first be returned to public shareholders and then the SPAC Promotors will liquidate the SPAC. If this is the case, we suggest a clarification on whether the funds are to be distributed to public shareholders through redemption of SPAC shares held by them.

We are also of the view that the one-month time frame is too stringent. One month may not be enough to complete all the procedures in returning the fund to the shareholders. Both UK and Singapore require the fund to be distributed to shareholders as soon as possible/practicable without setting out a time frame. While we agree that having a time frame is in the interest of shareholders, one month may not be practical. We suggest to set the time frame to be as soon as practicable but in any event no later than two months after suspension of trading.

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.

We agree that SPAC must be liquidated after return of funds to shareholders.

We agree with the automatic cancellation of the listing of a SPAC upon completion of liquidation because that is the only reasonable action.

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.

It is essential to exempt SPACs from requirements that are only applicable to normal listing companies.

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.

We agree with shortening the two months period to one month. As a SPAC has no business, the time required for the IPO Sponsor to perform due diligence should be shorter.

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.

We are of the view that disclosure requirements under Listing Rules should be modified for SPAC prior to a De-SPAC Transaction. Disclosure of SPAC prior to a De-SPAC Transaction should be kept as minimal as possible to reduce the costs of compliance. SPACs should only be required to comply with SFO and Takeovers Code disclosure requirements. In terms of Listing Rules, SPACs should be required to disclose when there is any change of capital or material change of the Promoter.