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)?

Yes

Please give reasons for your views.

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)?

Yes

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 agree that SPAC Shares and SPAC Warrants should be permitted to trade separately, as this is fundamental to the appeal of the HK SPAC listing regime. However, having warrants detachable immediately from the date of initial listing may result in greater volatility and speculative trading behavior (e.g. some investors may dispose of the warrants to produce an immediate yield while retaining the shares as a risk-free product, or some investors disposing of the shares to retain only levered equity upside via warrants). We therefore disagree with the proposal for SPAC Shares and SPAC Warrants to be permitted to trade separately "immediately" from the date of initial listing to a De-SPAC Transaction.

As an alternative, we propose to allow separate trading of SPAC Shares and SPAC Warrants after a certain period subsequent to the SPAC listing. While we understand there may be practical restraints in implementation, we would be supportive of a model mirroring that of other

regimes such as the United States and Singapore, where investors are allowed to separately trade in SPAC Shares and SPAC Warrants a set period of time following the SPAC IPO. We would suggest a period of 30 days, which we believe would enable the price to have largely stabilized. We also propose for such separation of SPAC Shares and SPAC Warrants to be executed automatically to ease the concern of lack of liquidity of SPAC securities.

In addition, we are of the view that price stabilization should be made available for SPAC listings as it is important to control price volatility during the initial period after listing. This is also in line with normal Hong Kong IPO process as well as practice in the other jurisdictions. We understand price stabilization is not available for Professional Investor-only offerings under the current regulatory regime in HK. We suggest that an exemption or waiver can be granted under the current legislation to allow stabilization for SPAC listings for the aforementioned reason.

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?

A different option

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

We refer to the response in the ASIFMA submission, which is reproduced below.

For our response to Question 4 in relation to the two options proposed in paragraphs 170-174 of the Consultation Paper to mitigate the risks of extraordinary volatility in SPAC Warrants and disorderly market: We note that both options are targeted to mitigate the risk of extraordinary volatility in SPAC Warrants.

However, we believe that Option 2, which allows auto-matching of orders subject to the Volatility Control Mechanism, would be more feasible and comparable to the existing practice on the regulation for the existing warrant being traded in Hong Kong. Given the strong downside

protection nature of cash held in an escrow account, we don't believe SPAC warrants should require additional trading limitations as compared to the existing practice related to the trading of warrants in Hong Kong as the volatility of SPAC warrants as compared to existing HK warrants are expected to be relatively low.

Question 4b

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

No

Please give any suggestions below:

Question 5

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

No

Please give reasons for your views.

HIGH PRIORITY

We note that the proposal of requiring a SPAC to 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 aims to ensure that an open and liquid market in SPAC securities is maintained.

However, we are of the view that securing the proposed required number of Professional Investors, and in particular the requirement for the large portion of Institutional Professional Investors, would be extremely challenging in practice, if not impossible, and that the imposition of such a requirement could potentially undermine the utility and attractiveness of the Hong Kong SPAC listing regime.

From our observation of recent transactions in the United States, notwithstanding the absence of stringent qualification requirements being imposed on investors, the number of professional investors investing in a particular SPAC ranges generally from 15-75. For reference only, the last five [redacted] US SPAC IPOs have averaged 46 institutional allocations. Please refer to the statistics submitted separately by us on October 15, 2021. We also note that the

underlying pool of active professional investors in the United States is generally larger than that in Hong Kong.

Additionally, we disagree that there should be a minimum requirement for the number of Institutional Professional Investors. A distinction should not be drawn between institutional and individual investors as long as they qualify as Professional Investors. We note there is also no such distinction in regular Hong Kong IPOs. Moreover, we query the effect of imposing a minimum required number or percentage of Institutional Professional Investors on the liquidity of SPAC securities. Given that the number of investors who may subscribe for shares of a SPAC in its initial offering is already much lower than that in a regular Hong Kong IPO, we believe that maintaining flexibility with respect to the composition of Professional Investors would allow greater liquidity and better facilitate an open market of SPAC securities.

Taking practical market circumstances into consideration, we suggest the minimum number of Professional Investors be lowered to 30 (not differentiating between Individual Professional Investors and Institutional Professional Investors in arriving at this number) to retain the competitiveness of the Hong Kong SPAC listing regime.

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.

HIGH PRIORITY

See our response to Question 5.

As alluded to earlier, we consider that imposing a requirement for a SPAC to distribute at least 75% of each of the SPAC Shares and SPAC Warrants to Institutional Professional Investors is highly impractical and not feasible.

As noted, we understand this proposal is to ensure that an open and liquid market in SPAC securities is maintained. However, a minimum number or proportion of Institutional Professional Investors may not necessarily fulfil this goal, but on the contrary, likely limit further the liquidity of SPAC Shares and SPAC Warrants given the pool of Institutional Professional Investors is more restrictive and limited.

We suggest to remove this proposed 75% threshold to enhance the flexibility for marketing of a SPAC IPO, and enhance the competitiveness of the Hong Kong SPAC listing regime. Given the nature of the SPAC product, we expect that only sophisticated investors would participate in any event. This protection would already be well addressed by the Exchange's proposal of limiting SPACs to Professional Investors. We believe therefore that there should not be any separate treatment between Institutional Professional Investors and other types of Professional Investors in this regard.

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.

Question 8

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

No

Please give reasons for your views.

We refer to the response in the ASIFMA submission, which is reproduced below.

Unlike traditional IPO to assess the operating business of the entity, SPAC investors primarily assess the experience and reputation of the SPAC Promoter when making decisions to invest. Having considered SPAC itself does not have substantive operating business, the alignment of the interest of the SPAC Promoter with the SPAC would be crucial and fundamental in the identification of suitable targets and generation of return for SPAC investors. We consider that a certain extent of SPAC Shares and SPAC Warrants being granted to the SPAC Promoter would be in the interest of the SPAC and the SPAC investors. Nevertheless, SPAC Shares and SPAC Warrants held by the SPAC Promoter are not listed and not counted towards the public float. We understand the focus of this proposal is to ensure a sufficient spread in shareholder base and liquidity in trading of the SPAC securities. Nevertheless we consider that unlike traditional HK IPOs, the underlying rationale of having SPAC securities being held by the public is not of utmost importance under the SPAC regime as there are no retail investors and one of the intentions of SPAC investment is to gain the potential upside after a successful De-SPAC Transaction. We believe it is not expected there would be substantial trading volume before the

completion of De-SPAC Transaction. Furthermore, the current proposal has already indicated that sufficient public interest in the business of SPAC is not a must under the proposed SPAC regime and such requirement has already been stated to be exempted for the SPAC's initial offering. In the absence of the sufficient public interest requirement prior to the De-SPAC Transaction, it is unclear why the proposed rule still requires imposing the public float requirement after the listing of SPAC but before the De-SPAC Transaction. We do not consider the rigid requirement of having 25% of issued SPAC Securities to be held by the public encapsulating the fundamental nature of SPAC being a shell company prior to the De-SPAC Transaction. We therefore do not agree the 25% SPAC Shares and Warrants to be held by the public being a necessary requirement.

Question 9a

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

No

Please give reasons for your views.

We refer to the response in the ASIFMA submission, which is reproduced below.

We do not agree to the proposals set out in paragraph 181 and 182 of the Consultation Paper as the nature of SPAC is different from traditional IPO entity. We consider the key focus for SPAC's liquidity should be on ensuring sufficient liquidity after the De-SPAC. SPAC, by its inherent nature and design, do not encourage significant trading prior to the announcement of the De- SPAC target. We have mentioned that liquidity is not the key element for SPAC investment as SPAC is only a novel listing of a shell company. Therefore, liquidity of SPAC securities prior to a De-SPAC Transaction, we believe, is not the key consideration factor for Professional Investors. In contrast to liquidity, the crucial determinant for investing in SPAC is the amount of trust placed by investors on the SPAC Promoter's ability to identify and complete a combination with a suitable target in a timely manner to provide reasonable return upon the completion of De-SPAC transaction.

Question 9b

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

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.

Question 11

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

Yes

Please give reasons for your views.

Question 12

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

Yes

Please give reasons for your views.

Question 13

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

Yes

Please give reasons for your views.

Question 14

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

Yes

Please give reasons for your views.

Question 15a
Do you agree that a SPAC must not issue Promoter Warrants at less than fair value?

No

Please give reasons for your views.

We refer to the response in the ASIFMA submission, which is reproduced below.

We do not consider the proposal in relation to the Promoter Warrants would be helpful to facilitate the development of the HK SPAC regime. We disagree with the proposal that Promoter Warrants must not be issued at less than the fair value. We note that the rationale for the fair value proposition is to avoid the misalignment of interest between the SPAC Promoter and SPAC shareholders. We also note that the Exchange appreciates Promoter Warrants are issued on a standalone basis of a value that is enough to cover the underwriting fees for the SPAC IPO, other offering expenses and the expenses needed to search for and identify a De-SPAC Target. Having taken the above factors into account, we believe there is misconception by correlating on the one hand the reduction of the risk of misalignment of interest between the SPAC Promoter and SPAC shareholders and on the other hand ensuring the fair value of Promoter Warrants.

We consider that the intrinsic value of Promoter Warrants is to facilitate, incentivize and compensate the Promoter for setting up the SPAC, and to provide further incentives for the Promoter to identify quality target and to reward the SPAC Promotor. We also consider that prior to the De-SPAC Transaction, the SPAC is only a shell without any business. It is unclear on how fair value is to be determined when the manifest value is based on how the Professional Investors assess the SPAC Promoter when exercising discretion on the SPAC investment, of which this is entrenched on the background, ability and experience of the SPAC Promoter itself.

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 refer to the response in the ASIFMA submission, which is reproduced below.

We disagree with the proposal on the prohibition of Promoter Warrants to contain more favourable terms than that of SPAC Warrants. As stated in the Consultation Paper, Promoter Warrants in the US, as compared with SPAC Warrants, are generally classified as "restricted securities" and are not allowed to be traded in the market, and Promoter Warrants often contain more favourable terms than SPAC Warrants such as not being subject to redemption if the shares of successor company are traded above the prescribed price. Although the Exchange concurs that Promoter Warrants would facilitate the future success of the SPAC by providing incentives to SPAC Promoters to identify the suitable targets and negotiate favourable terms on behalf of the SPAC investors, the current proposal restricted the transfer of legal ownership of Promoter Warrants. Based on the Exchange's proposal and observation in the Consultation Paper, it seems the Exchange has already differentiated the treatment and nature between Promoter Warrants and SPAC Warrants, with the former mainly serving as a tool to incentivize the Promoter, and the latter functioning as compensation for deferred investment return until after the De-SPAC Transaction.

Therefore, it is unclear as to the rationale for referencing the terms of two distinctive units of SPAC and making a direct comparison on their treatment, and then to conclude that there is a risk of misalignment of interests if they are different. We consider that it is acceptable to impose requirement on the alignment of certain key commercials terms for Promotor warrants are not more favourable than public warrants, such as the maturity not being longer, strike price not being lower, and currency denomination having to be the same. However, restriction imposed on cashless exercise for SPAC warrant as part of the settlement mechanism will be an important concern for Promoters and would become a deterrent factor for Promotor to participate in the Hong Kong SPAC regime. To align the terms of the two types of Warrants may disincentivize the Promoters, resulting in the reduction of their efforts in setting up a SPAC and locating ideal target to benefit the interest of the SPAC 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?

Yes

Please give reasons for your views.

Question 17a

Do you agree that the Exchange should publish guidance setting out the information that

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

Yes

Please give reasons for your views.

Question 17b
Is there additional information that should be provided or information that should not be required regarding each SPAC Promoter's character, experience and integrity?

Please provide the details of any such information below.

Question 18
Do you agree that the Exchange, for the purpose of determining the suitability of a SPAC Promoter, should view favourably those that meet the criteria set out in paragraph 216 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 19a
Do you agree that at least one SPAC Promoter must be a firm that holds a Type 6 (advising on corporate finance) and/or a Type 9 (asset management) license issued by the SFC?

No

Please give reasons for your views.

HIGH PRIORITY

We agree with the Exchange's overriding principle that SPAC Promoters should be of high quality and capable of meeting a standard of competence commensurate with their position. We are however of the view that while possession of a Type 6 and/or Type 9 license could be one

benchmark for demonstrating the professional standards of a firm, setting a requirement that at least one SPAC Promoter must be a Type 6 and/or Type 9 license holder would be unduly restrictive and would not be inclusive of certain SPAC Promoters who may otherwise be competent and experienced based on their investment experience and track record, such as seasoned overseas SPAC Promoters with experience in SPAC investments abroad or SPAC Promoters with similar licenses of another jurisdiction (e.g. authorization by the Financial Conduct Authority in the UK or other equivalent authorities). It would be difficult for overseas high quality SPAC Promoters to fulfil the local licensing requirement (either by applying for license itself or finding a local partner with license). We suggest that the Exchange take a more comprehensive approach in assessing a potential SPAC Promoter's character, experience and integrity and give appropriate weight to individual investment experience and relevant track record.

Also, we suggest that there should be flexibility regarding the structure of the SPAC Promoter to take into account fund and ownership structures prevalent in the market, for example, a fund managed by the licensed holder/qualified person as general partner or otherwise an entity controlled by the licensed holder/qualified person would also fulfil the requirement.

Besides, we also disagree with the proposal that at least one SPAC Promoter must hold at least 10% of the Promoter Shares. In the US, SPAC Promoters are allowed not to possess Promoter Shares, and instead SPAC Promoters can decide to only possess voting power to minimize the impact of dilution resulting from the Promoter Shares to facilitate the negotiation of the terms of De-SPAC deal. Imposing this additional shareholding requirement would make the SPAC regime even less attractive. SPAC Promoters should be entitled to decide as a commercial matter whether to possess Promoter Shares in the SPAC.

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.

Question 20b

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

Yes

Please give reasons for your views.

Question 21

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

No

Please give reasons for your views.

We disagree that the "majority" of directors on the board of a SPAC must be officers of the SPAC Promoters. There should not be requirement on the number of nominee directors from the SPAC Promoter. In other markets, investors are more willing to see that the majority of the directors are INEDs.

We would also like to seek clarification from the Exchange on the definition of "officer", e.g. does it need to be the CEO/CFO of the SPAC Promoter or a responsible officer of the licensed entity?

Question 22

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

Yes

Please give reasons for your views.

Question 23

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

Yes

Please give reasons for your views.

Question 24

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

Yes

Please give reasons for your views.

Question 25

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

Yes

Please give reasons for your views.

Question 26

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

Yes

Please give reasons for your views.

Notwithstanding that this proposal differs from market practice in US SPACs, where recent market precedents have seen part of the Promote syndicated out either at the time of the IPO or during the PIPE negotiation, we are of the view that the Promoters that are brought to the Hong

Kong market will be of the highest quality hence such flexibility would not be necessary.

Question 27

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

Yes

Please give reasons for your views.

Question 28

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

Yes

Please give reasons for your views.

Question 29

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

Yes

Please give reasons for your views.

Question 30

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

No

Please give reasons for your views.

We refer to the response in the ASIFMA submission, which is reproduced below.

We believe that some of the new listing requirements should be relaxed if certain conditions are met. We propose that the Exchange shall offer automatic waivers or case-by-case waivers from

strict compliance with the Listing Rules to streamline the process and expediate the De-SPAC Transactions, by reference to secondary listing related rules.

Question 31

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

Yes

Please give reasons for your views.

Question 32

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

Yes

Please give reasons for your views.

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.

We refer to the response in the ASIFMA submission, which is reproduced below.

We understand the rationale behind this proposed rule and generally agree that the Successor Company should not be a cash company unsuitable for listing under Listing Rules 8.05 but imposing a hard cap of 80% is unnecessarily restrictive and it's better to leave the Successor Company and the De-SPAC Sponsor to determine, same as a traditional IPO in Hong Kong. As such, we consider that the Exchange shall not impose a requirement for the SPAC to use at least 80% of proceeds (SPAC + PIPE) for the De-SPAC Transaction. There are several key considerations: (1) De-SPAC target companies are often high growth businesses that are not yet generating substantial cash flow. Primary proceeds from the De-SPAC Transaction could be

an important source of primary capital they need to fuel business expansion after the De-SPAC; (2) Existing shareholders of the target company may not be willing to incur so much dilution by selling secondary shares as part of a De-SPAC Transaction. (3) Similar to a traditional IPO, there is negative signalling associated with the existing shareholders selling out at the time of listing. This could negatively impact the marketing of the PIPE, and cause De-SPAC Transactions to be seen as a way for existing holders to exit subpar businesses relative to traditional IPOs where existing holders retain their shares; and (4) We are not aware of any other jurisdiction having this requirement.

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 refer to the response in the ASIFMA submission, which is reproduced below.

We believe that PIPE investment should not be mandatory. Under the current challenging SPAC market where (i) certain De-SPAC Transactions do not have any PIPE; and (ii) the size of certain De-SPAC is comparatively small; PIPE is not straight forward and SPAC is usually subscribed by strategic investors of the target company or existing SPAC shareholders. Making PIPE mandatory would delay the timeline of the De-SPAC Transaction and make the HK SPACs less competitive than that of other markets. Investors have the redemption rights in any case. We would also note that the amount of capital to be raised in a De-SPAC transaction is a commercial point and funding needs vary significantly between companies, e.g. some companies with positive cashflow might not require capital in access of anticipated proceeds from cash in trust.

Additionally, if the Exchange strongly believes that PIPE is mandatory, non-independent investors such as Promoters should be allowed to participate in the PIPE to demonstrate

validation for the valuation and increase market confidence and flexibility. Further, if the Exchange believes that PIPE is mandatory, such mandatory requirement shall be imposed specifically on limited types of pre-revenue businesses, such as biotech companies, where the determination of valuation is particularly challenging. This would be consistent with existing requirements for listing biotech companies under Chapter 18A, and Guidance Letter 92-18, which requires Chapter 18A listing applicants to have received “meaningful third-party investment from at least one Sophisticated Investor”, for the purposes of demonstrating that there is a reasonable degree of market acceptance for the 18A listing applicant’s product. However, if the Exchange considered that such PIPE investment should be mandatory, we believe the threshold proposed is unreasonably high. Comparing to those PIPE investments executed in the US market, the threshold required for PIPE would be larger than most of the PIPEs that have been executed for the SPACs in the US. Such requirement would impair the ability of a HK SPAC to execute the PIPE, particularly in the case of larger De-SPAC transactions. We suggest imposing alternative thresholds that independent PIPE investment must be (i) at least 10-15% of the expected market capitalisation of the Successor Company, depending on the market capitalisation at the time of listing, or (ii) at least HK$400 million (around US$50 million), whichever is lower. In response to Question 37 regarding

the eligibility of the PIPE investor, While it is agreed 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, the requirement that its investment must result in beneficially owning at least 5% of the issued shares of the Successor Company should be removed. No other SPAC regime has any qualification requirement of the PIPE investors. Requiring a PIPE investor to meet this additional requirement makes getting a PIPE done much more difficult.

In addition to the above, our Firm would like to raise the following HIGH PRIORITY points on Questions 36 and 37:

QUESTION 36:

HIGH PRIORITY

We disagree with the Exchange's proposal. We note the rationale underlying the proposal (that a SPAC obtains funds from outside independent PIPE investors) is to mitigate the risk of artificial valuation of a De-SPAC Target. However, we believe the proposed threshold of 25% is likely unattainable, considering our observation that PIPEs in SPACs in the United States have generally constituted a considerably smaller percentage. Such a high threshold would be highly impractical, particularly for large De-SPAC transactions.

In the event that a minimum requirement for independent PIPE investment is maintained, we suggest the Exchange to take into account the shareholdings of other public SPAC investors

voting for the De-SPAC Transaction, which would similarly demonstrate confidence of independent third parties in the management and business prospects of the Successor Company, and accordingly lower the percentage required to be constituted by the independent PIPE investment.

If we take into account both SPAC investors who vote for the De-SPAC transaction and PIPE investors (collectively, the "Public Shareholders"), we suggest the following alternative sliding thresholds:

1. Where market capitalisation of the Successor Company is less than HK$8billion, the Public Shareholders shall constitute at least 15% of the expected market capitalisation of the Successor Company, or HK$225 million, whichever is lower; and

2. Where market capitalisation of the Successor Company is HK$8 billion or above, the Public Shareholders shall constitute at least 5-% of the expected market capitalisation of the Successor Company, or HK$225 million, whichever is lower.

QUESTION 37:

HIGH PRIORITY

See our response to Question 36.

We disagree with the Exchange's proposal. We note that the reason for requiring at least one independent PIPE investor in a De-SPAC Transaction to 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 is to help to mitigate the risk of artificial valuation of a De-SPAC Target (if any).

However, we believe that requiring such independent PIPE investor's investment to 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 would be highly burdensome, if not unrealistic. For purposes of illustration, from our observation, it is extremely rare to find any non-cornerstone investor's allocation reaching 5% of pro forma market capitalization even in a regular Hong Kong IPO. Furthermore, we do not find such pro forma market capitalization percentage to be a point of reference commonly referred to by the market at completion of an IPO, and suggest to remove the requirement for such a percentage in entirety.

A 5% shareholding of the Successor Company is very high particularly for large De-SPAC targets (e.g. Grab). It will also result in one shareholder owning a sizeable stake out of the public float, which may appear at odds with the public float requirement in general. We suggest lowering the threshold to 1.5-2.5% of the Successor Company or 10% of the PIPE size.

In the recent MS-led Hong Kong IPOs, the largest allocations are ultimately well below 5% of the post money market cap of the company. Please refer to the statistics separately submitted by us on October 15, 2021.

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.

HIGH PRIORITY

Dilution Cap on Promoter Shares

We agree on the cap imposed on the maximum dilution possible from the conversion of Promoter Shares, which we believe is in line with market norm in the United States.

However, we disagree with the proposal under paragraph 312(b) that the earn-out portion needs to be linked to objective performance targets but cannot be determined by changes in the price or trading volume of the Successor Company's shares. It is practicably difficult for the SPAC Promoter to set business performance target at the time of SPAC listing when the De-SPAC target is not even identified. We believe share price would be an objective indicator of the performance of the Successor Company and commonly used in other markets. We note the concern of possible market manipulation if earn-out portion is linked to share price, but we believe any potential market manipulation can be governed by the existing regulatory regime.

Dilution Cap on Warrants

We strongly believe that the cap imposed on the maximum dilution possible from the exercise of warrants issued by a SPAC would be overly inhibitory, potentially deterring SPAC investors and undercutting the attractiveness of the Hong Kong SPAC listing regime. The proposal is overly restrictive, and it would severely limit market appetite for Hong Kong SPACs. The number of warrants that may be issued and their proportion relative to SPAC Shares is a commercial matter that should be determined by market participants. There is no such restriction in other jurisdictions either. Also, all warrants of the SPAC (including Promoter Warrants and SPAC Warrants) will be issued on the same terms, and the dilution effect are made known to the shareholders of the De-SPAC target, PIPE investors and retail investors before they engage in a De-SPAC Transaction or make investment decisions. Therefore, neither the SPAC Promoter nor the SPAC Investors will be treated more favourably.

In the event a dilution cap needs to be imposed, taking into consideration the market realities of SPAC transactions observed in the United States and the investment sentiment surrounding SPACs generally, we propose that:

- the total dilution cap for Promoter Warrants and SPAC Warrants (in aggregate) be increased from 30% to 50%;

- the warrant to share ratio should be increased to at least ½ to match US SPACs with Asia-based Promoters; and

- it is not necessary to impose individual dilution cap on Promoter Warrants

Additionally, since the De-SPAC, and hence the financing, will be voted on as a commercial matter, it should not be necessary for additional regulation in this regard.

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?

Yes

Please give reasons for your views.

Question 43

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

Yes

Please give reasons for your views.

Question 44

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

No

Please give reasons for your views.

We are of the view that SPAC Promoters and their associates should not be required to abstain from voting unless there is an actual material conflict of interest.

While we agree that any shareholder and its associates should abstain from voting on the relevant resolution(s) to approve a De-SPAC Transaction if such shareholder has a material interest in the De-SPAC Target, what constitutes a material interest should not be absolute. Such determination requires consideration of all the particular circumstances of a transaction concerned. Unless a SPAC Promoter is connected to (i.e. not independent from) the De-SPAC Target, in which case we agree it should abstain from voting if required under the current Listing Rules on connected transactions, we are of the view that a SPAC Promoter should not be required to abstain from voting simply by virtue of it being a SPAC Promoter. Absent such connection, a shareholder should be entitled to exercise their voting right as a shareholder.

Question 45

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

Yes

Please give reasons for your views.

Question 46

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

Yes

Please give reasons for your views.

We agree, but would like to seek clarification from the Exchange that the definition of "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" will be in line with existing definitions of connected parties, i.e. it would refer to such party(ies) exercising or controlling the exercise of 30% or more of the voting power at general meetings of the target companies. If the Exchange is to apply a more stringent threshold (e.g. by applying LR14A.28 to a De-SPAC Transaction), we suggest that a waiver to be granted for the connected transaction rules under LR14A.28 if the SPAC Promoter (being a controller or potential controller) owns 20% or less in the De-SPAC target.

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.

HIGH PRIORITY

We refer to the response in the ASIFMA submission, which is reproduced below.

This is a fundamental and structurally critical feature of SPAC where SPAC shareholders should be able to redeem SPAC Shares regardless of how they vote for the following reasons: (1) Disallowing a SPAC shareholder to redeem SPAC Shares when they vote for one of the matters set out in paragraph 351 decreases the likelihood that a majority of shareholders would vote in favour of the De-SPAC Transaction and therefore (i) decreases the certainty that the De-SPAC Transaction would successfully complete; and (ii) decreases the willingness of the Promoters to risk capital to set up a SPAC; and (iii) reduces the appeal to the investors as the likelihood of cash being tied up in escrow for the full 24 months without having a De-SPAC Transaction approved becomes much higher; (2) PIPE investment, especially the size of the PIPE investment, often serves as a validation on the valuation of the De-SPAC Transaction and acts as an additional check and balance. As such, it is not necessary to establish direct link between

voting and redemption; (3) Promoters and the target business are already motivated to negotiate a fair deal with upside potential for investors, as otherwise they will face significant redemptions even if the deal were approved; and (4) Some hedge fund investors may choose to hold warrants only and eliminate their long position on shares due to their trading strategy, while they still support the De-SPAC Transaction. The current proposal unnecessarily increases the possibility for investors to vote “against” the De-SPAC Transaction.

Question 48

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

Yes

Please give reasons for your views.

Question 49

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

Yes

Please give reasons for your views.

Question 50

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

Yes

Please give reasons for your views.

Question 51

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

No

Please give reasons for your views.

HIGH PRIORITY

We note that investor communications with PIPE investors vastly differ from a customary IPO marketing process. In the context of SPACs, it would be typical to provide a profit forecast and/or other forward looking statements on the De-SPAC Target to PIPE investors for consideration through the management presentation materials rather than a Listing Document. Furthermore, from a timing perspective, a parallel may be drawn between PIPE investors and pre-IPO investors in a regular IPOs, as PIPE investors typically commit to the De-SPAC transaction at the time of the announcement of the De-SPAC Transaction, which would be considerably earlier than the formal approval of the De-SPAC Transaction and the listing of the Successor Company.

With respect to such forward looking statements in PIPE investor management presentations, we believe it would suffice for the forward looking statements to be confirmed by the directors only, in particular given that such materials would be disseminated to limited number of PIPE investors on a confidential basis. We otherwise agree that the profit forecast of the Successor Company in relation to the year of its listing to be included in the Listing Document be reported on by the reporting accountants and the De-SPAC IPO Sponsor.

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 that a minimum threshold of shareholders of at least 100 should be met by the Successor Company, but we believe time/ transitional period shall be allowed for the Successor Company to satisfy this requirement. We would suggest that a transitional period of 12 months post De-SPAC be implemented to achieve this target.

Question 53

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

No

Please give reasons for your views.

While we generally agree that not more than 50% of the Successor Company's securities in public hands shall be beneficially owned by the three largest shareholders, we disagree that at least 25% of its total number of issued shares are at all times held by the public. This latter requirement is overly strict, considering it is likely that the public float could not be achieved at the time of the Successor Company's listing, or even shortly after such time. Given the nature of the De-SPAC transaction, public investors may wish to consider at least one annual results release after the De-SPAC transaction before making their decision to invest into the Successor Company.

Therefore, if the Exchange were to impose such a public float requirement, we suggest that a grace period of at least 12 months following completion of the De-SPAC Transaction shall be implemented such that the Successor Company would have sufficient time to restore its public float during such time.

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.

Question 55

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

Yes

Please give reasons for your views.

Question 56a

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

Yes

Please give reasons for your views.

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.

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.

We agree, but would like to clarify that this should not prohibit a controlling shareholder to dispose of its shares as part of the De-SPAC transaction, as that will be an essential feature of a De-SPAC transaction.

Question 58

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

Yes

Please give reasons for your views.

Question 59

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

Yes

Please give reasons for your views.

Question 60

Do you agree that the Takeovers Executive should normally waive the application of Rule 26.1 of the Takeovers Code in relation to a De-SPAC Transaction, the completion of which would result in the owner of the De-SPAC Target obtaining 30% or more of the voting rights in a Successor Company, subject to the exceptions and conditions set out in paragraphs 411 to 415 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 61

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

Yes

Please give reasons for your views.

Question 62

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

Yes

Please give reasons for your views.

Question 63

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

Yes

Please give reasons for your views.

Question 64

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

Yes

Please give reasons for your views.

Question 65

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

Yes

Please give reasons for your views.

Question 66

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

Yes

Please give reasons for your views.

Question 67

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

Yes

Please give reasons for your views.

Question 68

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

Yes

Please give reasons for your views.