pwc

羅兵咸永道

Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

29th October 2021

Dear Sirs,

Re: Consultation Paper on Special Purpose Acquisition Companies

PricewaterhouseCoopers welcomes the opportunity to respond to the subject consultation. Unless otherwise defined, terms used herein shall have the same meaning as those defined in the consultation paper.

We support the Exchange's initiative to introduce a listing regime for SPACs in Hong Kong. Given the surge in market demand for SPACs and the availability of this fund raising platform in other major capital markets such as the US, UK and Singapore, we consider the introduction of an appropriate listing regime for SPACs in Hong Kong is appropriate to maintain the competitiveness of Hong Kong as an international financial centre.

In general, we agree with the proposals in the consultation paper. We agree that a straightforward replication of the US regime to Hong Kong may not be appropriate or conducive to the maintenance of the market quality in Hong Kong as the regulatory regime and the market participant profile of the Hong Kong market are different from that of the US, especially as Hong Kong has a relatively higher proportion of retail market participation and the absence of a class action remedy for impacted shareholders.

Forward looking information

Referring to the practices in other markets, disclosing profit forecasts or projections for three to five years ("long term forecasts") is common in De-SPAC Transactions, especially where the De-SPAC Targets are with high growth potential and at an early stage of their development. The long term forecasts are subject to high degree of uncertainty and involve adoption of hypothetical assumptions. To protect investors, we recommend the Exchange to consider limiting the period covered by the profit forecasts, if any, presented in De-SPAC Transactions to a shorter period, may be just one year, and consider setting further requirements to govern the disclosure of the underlying key assumptions and judgements and sensitivity analysis, etc. of the profit forecasts.

SPAC fund raising size

In the paper, it is proposed that the funds expected to be raised by a SPAC from its initial offering must be at least HK$1 billion, and 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 redemption). Based on this, the De-SPAC Target must have a minimum fair market value of HK$800 million which is higher than the minimum market capitalisation required for a Main Board listing applicant of HK$500 million. While we acknowledge that the minimum funds raising size is set with reference to the typical SPAC size in the US, the rationale for setting a minimum fair market value for a De-SPAC Target at a level higher than the existing minimum market capitalisation required for a traditional Main Board IPO applicant is unclear. As to provide an attractive alternative to traditional IPOs while maintaining the levels of listing quality and shareholder protection, we consider there is a need to justify the rationale for setting a higher threshold for SPAC listings than traditional IPOs.

Accountant's report on SPAC

In addition, it is proposed to exempt SPACs from including a history of financial results in the accountant's report. It is unclear if it means exempting the SPAC from presenting the accountant's report as a whole. If this is the case, we recommend the Exchange to consider exempting the SPAC from complying with Main Board Rule 4.29(5) which requires the unadjusted information for pro forma financial information be derived from an accountant's report or published financial information specified in Main Board Rule 4.29(5).

We hope the above are helpful. If you would like to discuss any matter further, please do not hesitate to contact [redacted] at [redacted] or [redacted] at [redacted]

[redacted]