

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.

We agree with the Exchange that restricting the investors of SPAC to Professional Investors prior to DE-SPAC transactions will mitigate the risk exposed to retail investors who are generally less resourceful, less experienced and have less exposure to complex investment products, thus may be unable to fully understand, monitor and mitigate the risks involved in a SPAC investment. Further responses and suggestions will be made in the corresponding parts of the questions. Given SPAC IPOs and investment are new concepts to retail investors in Hong Kong, we believe the Exchange's proposal is appropriate at the moment.

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.

We note that the Exchange has indicated that it will implement measures to limit the participation of secondary trading of SPAC securities to Professional Investors only, including but not limited to, requiring (i) SPAC Exchange Participants would need to obtain approval before trading SPAC securities; (ii) on-going monitoring through thematic review; (iii) and taking enforcement actions (including compulsory unwinding of unauthorised actions). We agree that the above measures would provide SPAC investors a high level of protection as it imposes additional obligations on the SPAC Exchange Participants to ensure that only Professional Investors would be allowed to trade the SPAC securities.

Question 3a

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

Yes

Please give reasons for your views.

Question 3b

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

Please set out any alternative suggestions below.

Question 4a

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

Option 2

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

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, seems more practicable and comparable to the existing practice on the regulation of warrants in Hong Kong.

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?

Yes

Please give reasons for your views.

We note that the underlying rationale of the Exchange in requiring 75 Professional Investors of

which 30 must be Institutional Professional Investors is to ensure and maintain sufficient liquidity for SPAC securities prior to the completion of the De-SPAC Transaction.

We agree in principle that SPAC Shares should be offered to Professional Investors only. However we have reservations over the practical implications of requiring a large number of Professional Investors. We would therefore suggest the following alternatives for the Exchange to consider:

- 1 Lower the minimum number of Professional Investors from 75 to 30-40; and
- 2 If the Exchange strongly believes that a minimum number of Institutional Professional Investors is necessary, we would suggest a lower number of 6 (by reference to the minimum number of independent places in the Placing Guidelines) to maintain more flexibility under challenge market environment.

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.

We believe that the 75% threshold is difficult to be achieved in practice and therefore suggest to reduce to around 25% to 50%.

Alternatively, the Exchange can consider to adopt the reallocation mechanism between Institutional Professional Investors and non- Institutional Professional Investors similar to the practice adopted in main board IPOs between the retail and institutional offerings as so to provide more flexibility and increase liquidity for SPAC Shares and Warrants

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.

Given the participation is limited to Professional Investors, we believe the trading volume of SPAC shares to be limited 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 IPO. In the absence of the sufficient retail public interest requirement prior to the De-SPAC Transaction, we do not believe that 25% SPAC Shares and Warrants to be held by the public is 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?

Yes

Please give reasons for your views.

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.

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.

We generally agree that SPAC Shares shall be issued at a price of HK\$10 above.

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.

We note the amendment is in line with the existing regulatory framework for Warrants. We agree with the proposed modification.

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 do not consider the proposal in relation to the Promoter Warrants would be helpful to facilitate the development of the HK SPAC regime.

Fair Value

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" will be determined.

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.

Prohibition of more favourable terms

We disagree with the proposal on the prohibition of Promoter Warrants to contain more favourable terms than that of SPAC Warrants.

Instead of imposing a straight prohibition to incorporate more favourable terms, we consider that the Exchange could adopt the similar approach for pre-ipo investment in convertible instrument by issuing guidance letter on what favourable terms or special rights attached to the convertible instruments are not permitted. Guidance on the disclosure of the relevant terms and rights would also be appreciated.

Question 16

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

Yes

Please give reasons for your views.

Question 17a

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

Yes

Please give reasons for your views.

Question 17b

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

No

Please provide the details of any such information below.

Question 18

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

Yes

Please give reasons for your views.

Question 19a

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

Yes

Please give reasons for your views.

Question 19b

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

Yes

Please give reasons for your views.

Question 20a

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

Yes

Please give reasons for your views.

Question 20b

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

Yes

Please give reasons for your views.

Question 21

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

Yes

Please give reasons for your views.

We generally agree with this proposal but would seek clarification from the Exchange on the composition of the directors:

- Whether the director(s) must be a CEO or CFO of the SPAC Promoters?

- Whether the director(s) must be a licensed person?
- Whether the whole chapter 3 of the Listing Rules would be applicable to the SPAC, including the INED and board committee requirements?
- Whether the director(s) must be a responsible officer working in the SPAC Promoter as defined under the SFO or any responsible officer that have no employment relationship with the SPAC Promoter would suffice?
- Is there any minimum requirement for the number of the board members?
- If the SPAC Promoter is a natural person and there is only one director, can he/she satisfy the rule by acting as the director or does he/she need to identify another officer as defined under SFO?

For “SPAC Promoters (both licensed and non-licensed)”, is this referring to the Type 6 and Type 9 SFC license requirement?

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.

We also propose that the proceeds from the issuance of SPAC Warrants should be separated from the IPO proceeds and can therefore be used to pay IPO related expenses.

Question 26

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

Yes

Please give reasons for your views.

Question 27

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

Yes

Please give reasons for your views.

Question 28

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

Yes

Please give reasons for your views.

Question 29

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

Yes

Please give reasons for your views.

Question 30

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

Yes

Please give reasons for your views.

We believe that some of the new listing requirements should be relaxed if certain conditions are met. The Exchange can consider to issue guidance letter similar to guidance letter GL108-20 (Experience and Qualification Requirements of a Company Secretary) to provide guidance on factors considered by the Exchange when granting wavier from strict compliance of the Listing Rules and conditions to be imposed.

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?

Yes

Please give reasons for your views.

We would also like to suggest the Exchange to consider to confine the 80% minimum requirement to funds raised in the SPAC IPO, and the funds invested by PIPE investors should not fall into the ambit of 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?

No

Please give reasons for your views.

Please refer to our response to Question 33 above.

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?

Yes

Please give reasons for your views.

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?

Yes

Please give reasons for your views.

Further we would recommend the Exchange to lower this requirement based on the scale of the Successor Company. For a relatively large Successor Company, for example with a market

capitalisation of over HK\$8 billion, we believe the Exchange can consider a lower percentage between 5% and 15%.

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?

Yes

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?

Yes

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.

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.

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.

As the US markets have precedents for strong profile sponsor Promoters to have 25% of the Successor Company, we believe that the Exchange should be willing to accept requests to increase the cap on a case-by-case basis.

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.

The proposal is in line with market practice.

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.

Our proposal is that a SPAC shareholder and its close associates should abstain from voting only if they are not independent from the Target Company. By virtue of being a SPAC Promoter only does not give rise to a material conflict of interest and therefore we propose that a SPAC

Promoter should be allowed to vote if evidence of independence can be demonstrated.

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 seek the Exchange's clarification on whether acting as a SPAC IPO underwriter and the financial adviser in the De-SPAC Transaction would make the De-SPAC Transaction a connected transaction.

Question 47

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

No

Please give reasons for your views.

We believe this proposal will decrease the likelihood that a majority of shareholders would vote in favour of the De-SPAC Transaction and therefore the certainty of the De-SPAC Transaction. Given that the Exchange proposed a number of other additional safeguards to protect the interest of the investors and the market as a whole, such as mandatory independent PIPE investment, we believe SPAC shareholders should be able to redeem SPAC Shares regardless of how they vote. This position has also been adopted in the US and Singapore markets.

Question 48

Do you agree a SPAC should be required to provide holders of its shares with the opportunity to elect to redeem all or part of the shares they hold (for full compensation of the price at which such shares were issued at the SPAC's initial offering plus accrued

interest) in the three scenarios set out in paragraph 352 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 49

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

Yes

Please give reasons for your views.

Question 50

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

Yes

Please give reasons for your views.

Question 51

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

Yes

Please give reasons for your views.

We generally agree with the Exchange's proposal that if the Listing Document in relation to the De-SPAC Transaction would contain a profit forecast or estimate, existing Listing Rules requirements should be followed.

However, the Consultation Paper is silent as to whether the research reports can be allowed for the De-SPAC Transaction. It is common in traditional HK IPOs to have research reports published by independent research analysts with a relatively longer period of projections compared to a profit forecast contained in the IPO prospectus. We want to seek the Exchange's clarification as to whether independent research analysts are allowed, shortly

before the De-SPAC Transaction, to publish and distribute research reports covering the De-SPAC Target or the Successor Company to institutional investors, including the existing shareholders of the same SPAC to aid their investment decision as to whether to ask for redemption at the time of the De-SPAC Transaction.

Question 52

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

Yes

Please give reasons for your views.

Question 53

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

Yes

Please give reasons for your views.

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.

We agree that a lock-up period imposed on the SPAC Promoters will align the interests of the SPAC Promoters with other stakeholders.

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.

See response of question 55 above.

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.

See response of question 55 above.

Question 57

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

Yes

Please give reasons for your views.

Question 58

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

Yes

Please give reasons for your views.

Question 59

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

Yes

Please give reasons for your views.

Question 60

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

Yes

Please give reasons for your views.

Question 61

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

Yes

Please give reasons for your views.

Question 62

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

Yes

Please give reasons for your views.

Question 63

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

Yes

Please give reasons for your views.

Question 64

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

Yes

Please give reasons for your views.

Question 65

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

Yes

Please give reasons for your views.

Question 66

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

Yes

Please give reasons for your views.

The requirements set out in paragraph 437 are not applicable to a SPAC and therefore should be exempted.

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.