

Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Re: Consultation Paper on Special Purpose Acquisition Companies

As previously stated by this Chamber in response to consultations, as a business chamber in Hong Kong we are supportive of measures that enhance the position of Hong Kong as a leading global financial centre. This is good for Hong Kong and good for our members as a part of the business community there.

We note the background to the proposal of establishing a SPAC listing regime is the desire to maintain Hong Kong's competitiveness as an international financial centre that can compete to attract Greater China and South East Asia companies to list here that may otherwise choose to list elsewhere via De-SPAC Transactions. We also note the highlighted need for safeguards and why a straight forward transplantation of the US regime to Hong Kong may not be appropriate or conducive to the maintenance of market quality in Hong Kong. We further note the highlighting of the reputation of Hong Kong's markets as being an important cornerstone of Hong Kong's competitive position and that it is considered crucial that safeguards are imposed that not only maintain but enhance this reputation for quality. Against this background, we wish to express our view that we are fully supportive of the introduction of a SPAC listing regime in order to maintain Hong Kong's position as an international financial centre. We also understand and endorse the desire to enhance Hong Kong's reputation for market quality. However, we are also aware through our members' involvements with various industry responses that there are a number of divergent views in the market as to how exactly to balance the market development aspects of introducing a new product to the market with investor protection. As a Chamber we do not consider it necessary or appropriate to comment, other than for the points below, on any of these specific issues for any particular group of stakeholders, but would urge that the Exchange gives, as we are sure it will, careful consideration to all of the feedback that is being provided in order to ensure that final measures adopted are optimal for the market.

The two specific points that we would wish to raise are:

1. As De-SPAC Targets are typically engaged in new economy industries with high growth potential and at an early stage of their development, forecast periods will likely be longer (and certainly have been under the US regime) than the maximum acceptable period set in paragraph 24 of Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statement of Indebtedness" ("HKSIR 500") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for reporting on profit forecasts and thus outside the scope of HKSIR 500. We therefore recommend the Exchange to work with the HKICPA to provide further guidance for reporting on forecasts under such circumstances; and
2. 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. As the overall objective of the proposed regime is to provide an attractive alternative to traditional IPOs while maintaining levels of shareholder protection, there seems to be no reason to set a higher market capitalisation requirement for listing via SPAC than a traditional listing. Accordingly, we recommend the Exchange to consider lowering the minimum



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fund raising size for a SPAC to HK\$650 million so that 80% of this total is approximately the same as the minimum market capitalisation required for a Main Board listing applicant under the current listing rules. Alternatively, the Exchange may consider requiring the SPAC to have a minimum market capitalisation of HK\$500 million as required under the current listing rules for a Main Board listing applicant.”

Referred to <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/September-2021-Special-Purpose-Acquisition-Co/Consultation-Paper/cp202109.pdf?la=en>