

**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.**

On the measures proposed in paragraphs 151 to 159 to ensure SPAC's securities are not marketed to or traded by the public in Hong Kong, and only limited to Professional Investors, it should be clarified that intermediaries involved in selling or marketing SPAC's securities should satisfy themselves that the Professional Investors meet the relevant suitability requirements under para 5.2 of the SFC's Code of Conduct, and that SPAC's securities are regarded as "complex products" for the purposes of para 5.5 of the Code of Conduct.

**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?**

**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?**

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

**Question 4b**

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

**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?**

**Please give reasons for your views.**

**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?**

**Please give reasons for your views.**

**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?**

**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?**

**Please give reasons for your views.**

**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?**

**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?**

**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?**

**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?**

**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?**

**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?**

**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?**

**Please give reasons for your views.**

**Question 15a**

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

**Please give reasons for your views.**

**Question 15b**

**Do you agree that a SPAC must not issue Promoter Warrants that contain more favourable terms than that of SPAC Warrants?**

**Please give reasons for your views.**

**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?**

**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?**

**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?**

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?**

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?**

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)?**

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?**

**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?**

**Please give reasons for your views.**

**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?**

**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?**

**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.**

We suggest clarifying whether proceeds should be retained in the same currency, or how any foreign exchange or currency risk should be managed or assumed.

**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?**

**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?**

**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?**

**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?**

**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)?**

**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.**

The current proposal requires the Successor Company to meet all new listing requirements (including the minimum market capitalization requirements and financial eligibility tests).

We understand that the rationale behind the current proposal is to address the risk that SPACs could be used to circumvent the quantitative and qualitative criteria for a new listing and prevent the listing of sub-standard businesses and/or assets, and thereby safeguard the quality and reputation of the Hong Kong market as a whole.

However, we also appreciate that the key advantages of SPACs, which contribute towards its popularity, are notably the flexibility in deal structuring, upfront price discovery and certainty, and improved execution speed and rate. With that in mind, we take the view that the current proposal of applying new listing requirements to a De-SPAC Transaction could potentially set off these key advantages or even defeat the purpose of setting up SPAC regime in Hong Kong, for the following reasons:-

(1) If the qualification requirements (e.g. minimum market capitalization and financial eligibility tests) and level of scrutiny from the Stock Exchange and the SFC are similar between listing via a traditional IPO or via a SPAC, then a De-SPAC Target may as well opt for IPO-listing and it

would have more control and visibility over the process, and such process has already been familiarized among professional advisors in Hong Kong market.

(2) This lack of incentives for De-SPAC Targets to engage in SPAC-listing will at the same time increase the difficulty for SPACs to locate suitable De-SPAC Targets and to complete the De-SPAC Transaction within the given timeframe. If it turns out that the successful rate of De-SPAC Transaction is low, potential SPAC Promoters/investors will gradually lose their interests in the SPAC regime. Institutional and professional investors will consider other investment opportunities rather than SPAC.

(3) Last but not least, despite similar stringent listing eligibility requirements to the Successor Company (close to or equal to new listing requirements) are equally applied by the US exchanges, in comparison to the Hong Kong listing regime, the US exchanges (particularly NASDAQ) generally provide a wider choice of financial eligibility tests depending on the applicant's choice of market segment. As such, as a Successor Company is more likely to satisfy the requirements of any one of the tests within the US listing regime than the current proposal by the Stock Exchange, the HK regime may be less competitive and attractive.

In light of the above, our alternative proposals are as follows:-

(1) Relax the De-SPAC procedures/criteria, in particular, removing or appropriately lowering the threshold in minimum market capitalization requirement, financial eligibility tests, track record period etc. for Successor Companies; and

(2) in return, allowing only professional and/or institutional investors to participate throughout the SPAC life (i.e. even after De-SPAC Transaction) as they require less protection. Retail investors will not be allowed to invest in Successor Company at all, or will only be allowed to participate/invest in the Successor Company after a certain period and/or upon satisfying certain eligibility criteria.

There are a number of Mainland boards that are restricted to institutional investors or eligible individual or professional investors only. To name a few:-

(1) Shanghai STAR Market, under Stock Connect limited to institutional professional investors, which is limited to institutional investors and individual professional investors;

(2) ChiNext Market, under Stock Connect limited to institutional professional investors, which is limited to professional investors and certain eligible individual investors; and

(3) the newly proposed New Beijing board, details of which have not been announced yet but it is expected to be similar to the two above examples in terms of investor eligibility.

Our vision is that this alternative proposal would be able to strike a balance between protecting the interests of investors and the Hong Kong market as a whole, while also preserving the unique flexibility allowed in SPACs.

**Question 31**

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

**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)?**

**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?**

**Please give reasons for your views.**

**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?**

**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?**

**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?**

**Please give reasons for your views.**

**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?**

**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?**

**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?**

**Please give reasons for your views.**

**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?**

**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?**

**Please give reasons for your views.**

**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?**

**Please give reasons for your views.**

**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?**

No

**Please give reasons for your views.**

We do not agree that SPAC should provide holders redemption for full compensation of issue price at SPAC's initial offering plus accrued interest. We note that the US rules provide for redemption amount which is the pro rata amount in trust account less taxes payable and amounts for working capital purposes, UK rules provide for redemption of ring-fenced cash proceeds less pre-agreed running costs, and Singapore rules provide for redemption amount to be less administrative expenses of SPAC IPO, general working capital expenses and related expenses for identifying and completing De-SPAC transaction. Considering that Hong Kong is already limiting SPAC securities to Professional Investors only, we propose that Hong Kong should allow redemption amount to be the pro rata amount of the ring-fenced SPAC funds less administrative expenses of SPAC IPO, general working capital expenses and related expenses for De-SPAC transaction (which can be up to any agreed limit). Otherwise, it may be overly onerous for SPAC promoters to assume all such costs and risks for the SPAC (which may seriously deter the interest of potential SPAC promoters), while at the same time it should be reasonable for Professional Investors (including institutional professional investors) to bear the related costs and not have a risk-free investment of participating in the SPAC IPO.

**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?**

**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?**

**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?**

**Please give reasons for your views.**

**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?**

**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?**

**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?

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?**

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?**

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?**

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?**

**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)?**

**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?**

**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?**

**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)?**

**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)?**

**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)?**

**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?**

No

**Please give reasons for your views.**

Under the proposal to return 100% of funds raised at initial offering plus accrued interest, we also ask for clarification with respect to para 230 which proposes to allow SPAC initial offering proceeds to be held in cash or cash-equivalent or short-term securities of the required minimum credit rating, whether the SPAC promoters will bear any risk of short fall (to the extent of any risk) – if expected to return 100% of funds plus accrued interest, or if such holding generates any return, whether SPAC promoters as remaining shareholders will have the benefit of any

gain. However, we do not agree that a SPAC should be required to return to investors / shareholders 100% of funds raised from the initial offering plus accrued interest if the SPAC fails as described. We note the US provides for liquidation distribution (not requiring full restitution plus interest), UK requires return of gross proceeds less pre-agreed SPAC running costs, and Singapore requires return of amount held in trust at the time of liquidation distribution net of taxes payable and direct expenses related to the liquidation distribution. Considering that Hong Kong is already limiting SPAC securities to Professional Investors only, we propose that Hong Kong should allow redemption amount to be the pro rata amount of the ring-fenced SPAC funds less administrative expenses of SPAC IPO, general working capital expenses and related expenses for De-SPAC transaction (which can be up to any agreed limit), and expenses relating to liquidation and distribution. Otherwise, it may be overly onerous for SPAC promoters to assume all such costs and risks for the SPAC (which may seriously deter the interest of potential SPAC promoters), while at the same time it should be reasonable for Professional Investors (including institutional professional investors) to bear the related costs and not have a risk-free investment of participating in the SPAC IPO.

**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?**

**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?**

**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?**

**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?**

**Please give reasons for your views.**