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)?

No

Please give reasons for your views.

Before giving our response to this question, we offer some initial general observations which will inform our responses across the entire consultation paper. (Capitalised terms used in our responses have the meanings given them in the "Definitions" section of the consultation paper. References to "paragraphs" are to paragraphs of the consultation paper.)

We would submit that a SPAC market ecosystem comprises three key groups of constituents:

(1) SPAC investors;

(2) SPAC Promoters; and

(3) De-SPAC Targets.

In order to have a successful SPAC market, the interests of all three categories of constituents must be accommodated. However, it is respectfully submitted that the present proposals focus overwhelmingly on protecting the interests of the first category of constituents, without having sufficient regard to putting in place a regime that will be attractive and/or workable for the second and third categories.

In summary, we submit that the proposed regime in its current form effectively creates a "guaranteed" investment opportunity for SPAC investors, who bear no investment risk yet potentially enjoy attractive returns, and reserves this opportunity for the top tier of the market to the exclusion of retail investors, while leaving SPAC Promoters to bear all of the risks and related expenses, and at the same time imposing significant constraints on their ability successfully to complete a De-SPAC Transaction.

We have noted in our responses to subsequent questions those aspects of the proposal that we submit places excessive constraints on SPAC Promoters, and those aspects that we submit makes the proposed regime unattractive for De-SPAC Targets, bearing in mind the context of significant competition for De-SPAC Targets among a limited pool of candidates in Asia.

Turning to our response to this particular question, we have a number of concerns with the proposal to restrict both subscription and trading of SPAC securities to Professional Investors only:

(i) this limitation presents challenges to SPAC Promoters, by placing additional hurdles to marketing and distribution, compared to a traditional IPO;

(ii) the limitation will result in a small and illiquid SPAC shareholder base, which will adversely impact after-market trading;

(iii) this proposal when taken together with other proposals in the consultation paper adopt a "belt and braces" approach, by both restricting subscription and trading to Professional Investors, and also mandating a HK$1 million minimum board lot, when either measure on their own would be sufficient to achieve the Exchange's policy objectives; and

(iv) most significantly, the regime proposed by the Exchange effectively creates a risk-free investment opportunity for SPAC investors, and then reserves that right to Professional Investors only. The requirement that SPACs offer redemptions for 100% of IPO proceeds plus accrued interest, with multiple redemption opportunities, ensures that SPAC investors will, at the very least, be guaranteed their money back, plus interest. In addition, investors are given a "free option" in the form of SPAC Warrants which they retain even if redeeming 100% of their initial investment, as well as the advantage that by the time a De-SPAC Transaction is presented for a shareholder vote, they will know (with reference to the trading price of the SPAC Shares and Warrants) whether they will be able to convert their SPAC securities to Successor Company shares at a profit or should redeem to avoid a loss. It is arguably unfair to deny retail investors the benefit of this potentially attractive, and structurally low-risk, investment opportunity.

Accordingly, we do not agree that the subscription and trading of SPAC securities prior to a De-SPAC Transaction should be limited to Professional Investors only. We submit that the proposal in paragraph 151(a) for SPACs to have a minimum subscription amount and board lot of HK$1 million is sufficient to achieve the Exchange's aim of reducing inappropriate retail participation and/or undue speculation in SPAC shares.

In addition, if the various other measures contained in the Exchange's proposal are successful in ensuring that only "experienced and reputable SPAC Promoters that seek good quality De-SPAC Targets" are listed, then the interests of investor protection will be adequately addressed without the need for further restricting the SPAC investment regime to professionals.

If, on the other hand, the Exchange proceeds with its proposal for a professionals-only SPAC market, then it is submitted this renders many of the additional restrictions and requirements under the proposed regime unnecessary since, as the Exchange notes in paragraph 148, professionals are well placed to "assess, monitor and mitigate the combination of risks associated with SPACs" without the need for further regulatory protection.

To put it another way, we submit that the Exchange should choose one course or the other:

EITHER (A) a “professionals only” SPAC market that is otherwise unencumbered by most of the proposed restrictions set out in the Consultation Paper, on the basis that Professional Investors are capable of assessing the investment benefits, risks and other factors presented by any given SPAC investment;

OR (B) a SPAC market open to all investors, subject to some minimum dollar threshold (for example minimum board lot or share price) to prevent undue speculation by small retail investors and safeguarded by the many various investor protections proposed in this Consultation Paper.

The specific proposals should then be guided appropriately and consistent with whichever of the two regulatory philosophies is to be adopted.

In relation to the measures proposed in paragraphs 151 to 159 of the Consultation Paper:

We submit that the measure in paragraph 151(a), i.e. a minimum board lot and subscription size of HK$1 million, is sufficient without placing further restrictions on the subscription and trading of SPAC securities.

However, if the Exchange nevertheless proceeds with the proposal to restrict subscription for SPAC securities to professional investors only:

(1) it is submitted that imposing the additional minimum board lot requirement in paragraph 151(a) is an unnecessary “belt and braces” measure. Given that the subscription and trading would already be restricted to professionals, SPAC issuers and SPAC Promoters should be given flexibility as to board lot size – that is, we submit that the proposals in paragraph 149 and paragraph 151(a) should be “either/or”, not “both/and”; and

(2) the measures required for compliance with paragraph 151(b) and (c) should not be any more onerous than those already in place for the international placing tranche of a traditional IPO, i.e. investment banks carrying out their usual “know your client” checks for client account-opening, the inclusion of appropriate selling restrictions in the offering document, and seeking relevant representations from investors in investor representation/placee letters.

We have no further comment on the proposals in paragraphs 152 through 159.

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)?

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.

The separate trade of SPAC Warrants is a key feature for SPAC Promoters and investors. If the regime is to be restricted to professional investors only in any event, there is no justification for preventing the separate trading of SPAC Warrants.

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.

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.

The requirement for distribution to at least 30 Institutional Professional Investors is unnecessary and overly restrictive. In the event that the regime is already restricted to Professional Investors only, it is unclear what regulatory purpose is served by further restricting the regime to primarily Institutional Professional Investors.

This requirement also creates an additional compliance burden for underwriters in having to distinguish between Institutional and Individual Professional Investors for the purposes of distribution at the time of IPO.

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.

The proposed 75% requirement is excessively high.

Based on our reading of draft Listing Rule 18B.05, it would appear to require Institutional Professional Investors to hold 75% of the entire issued share capital of the SPAC (excluding Promoter Shares) ("at least 75% of the securities to be listed", as opposed to 75% of the shares offered in the offering). This would leave only 25% of a SPAC's ordinary share capital available

to be held by individual Professional Investors and existing SPAC shareholders, Directors and employees (given the proposed requirement that only SPAC Promoters may hold Promoter Shares). This places excessive restrictions on the shareholding structure of SPACs.

As to the requirement for the shares to be distributed to Institutional Professional Investors, see our response to question 5, above.

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.

We agree with this proposal provided that the requirement in paragraph 181(b) to distribute at least 75% of shares to Institutional Professional Investors is dispensed with. If both requirements are retained simultaneously, this would render SPAC IPO distribution extremely challenging. If SPAC Promoters are required to place at least 75% of SPAC securities to institutions, they are likely to seek large institutional investors to act as "cornerstone" investors to take a significant portion of the offering. However this requirement will place a cap on the size of any such cornerstone investors, making the process of distributing to an investor base that navigates between the various requirements in paragraphs 181 and 182(a) difficult to achieve in practice.

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?

Yes

Please give reasons for your views.

In most cases we would anticipate that a significant proportion of SPAC shares other than Promoter Shares will be in public hands in practice.

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.

As discussed above, the proposed measures in paragraph 181 are overly restrictive and, in combination with the other measures proposed to restrict the distribution and trading of SPAC securities, are not conducive to an open and liquid market in SPAC securities, representing additional challenges for SPAC Promoters and serving as a disincentive to SPAC Promoters to list SPACs under the proposed regime.

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?

No

Please give reasons for your views.

While the amount in itself is not objectionable, we do not see a strong rationale for regulating this particular issue, particularly in light of the proposed requirement that SPAC Shares trade in minimum board lots of HK$1 million which will mean that the price of individual shares will be irrelevant to trading volatility.

However, an alternative to the proposed professional investor and minimum board lot requirements would be a requirement that SPAC Shares be issued at a very high issue price, for example a minimum of HK$100,000 per share. This would address concerns around retail

investor speculation and share price volatility without the need for multiple layers of “belt and braces” regulation.

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?

No

Please give reasons for your views.

We consider that the existing market capitalization rules in Listing Rule 8.09 should be applied to SPACs which would imply a minimum offering size of HK$500 million.

We note that the rationale for this proposal as set out in paragraph 193 is both (a) to validate the reputation of the SPAC Promoter and (b) to ensure the De-SPAC Transaction will result in a Successor Company that will meet the minimum market capitalization requirements.

As to (a), we consider that this is a matter that will be best determined by the market.

As to (b), we note that, in combination with the proposal in paragraph 288, this minimum offering size will require any De-SPAC Target to have a (pre-money) fair market value of at least HK$800 million, which is significantly higher than the HK$500 million market capitalization required by Listing Rule 8.09(2). Under current global market practice, most De-SPAC Transactions are all- or part-share deals, with the Successor Entity retaining a significant portion of the SPAC’s cash resources. Thus under the proposed rules, the resulting Successor Company – after PIPE offering proceeds and with a public market valuation, even after accounting for redemptions – would easily have a market capitalization exceeding this minimum fair market value. At the very least, the combination of a SPAC with market capitalization of HK$500m with a De-SPAC Target of fair market value $400m (assuming the 80% rule is applied) will invariably exceed the HK$500m minimum market capitalization requirement even after any redemptions. Finally, we note that, in any event, all of the requirements of Chapter 8 of the Listing Rules – including the minimum market capitalization requirements in Listing Rule 8.09 – will apply to Successor Companies.

Accordingly, we see no need to regulate this matter beyond applying existing Listing Rule 8.09 to both SPACs and Successor Companies.

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.

While it is not stated in paragraph 202, we note that proposed Listing Rule 18B.13 would disapply Listing Rule 15.02 to SPACs, which resolves the conflict between the requirements of Listing Rule 15.02(1) that the securities to be issued upon exercise of warrants in aggregate must not exceed 20% of issued share capital and the proposal in paragraph 311(c) that warrants in aggregate when exercised should not exceed 30% of issued share capital.

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 are unclear as to what is meant by “a SPAC must not issuer Promoter Warrants at less than fair value”. In particular, it is unclear on what basis “fair value” would be determined for the Promoter Warrants for this purpose and who would determine what “fair value” is. We note that the related proposed Listing Rule 18B.27 similarly does not provide any further explanation or detail, and would request that the Exchange clarify this proposed requirement.

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.

It is common practice in the US to allow conversion of loans made to the SPAC by the SPAC Promoter into SPAC Warrants. We would request the Exchange’s clarification as to whether this practice would be considered an issue of Promoter Warrants on “more favorable terms” for the purposes of this proposed rule, and the applicability of Chapter 14A to this practice. This will be

particularly relevant in the proposed Hong Kong regime under which SPAC Promoters will not have access to any SPAC IPO proceeds and will be required to fund all of the SPAC's working capital, potentially resulting in large loan amounts from SPAC Promoters to SPACs.

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?

No

Please give reasons for your views.

We submit that it is not necessary for the Exchange to vet and approve each SPAC Promoter individually on a positive confirmation basis. Rather, the Exchange should conduct only negative vetting of SPAC Promoters, that is, the Exchange may retain a discretion – based on criteria set out in a published negative list – to determine that a SPAC Promoter is not suitable, pursuant to the Exchange's discretion to assess suitability for listing under Listing Rule 8.04. We agree that for this purpose Exchange should take into account factors impugning the character, experience and integrity of a SPAC Promoter.

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?

No

Please give reasons for your views.

As stated in our response to question 16 above, we disagree with the SPAC Promoter vetting and approval mechanism being proposed. We submit that it should not be incumbent upon the SPAC Promoters to demonstrate suitability by reference to a checklist of criteria such as those specified in Box 1. The Exchange should, at most, retain a discretion to reject a SPAC listing application on the basis that the relevant SPAC Promoters render the company unsuitable for listing under Listing Rule 8.04.

We note the Exchange's observation in paragraph 212 that SPACs "differentiate themselves based, primarily, upon the experience and reputation of the SPAC Promoter, on which investors primarily rely when deciding to invest", a point with which we agree. Accordingly, we consider it most appropriate that the market decide whether a SPAC Promoter's experience and reputation is suitable for investment. Again, this is particularly the case if investment in SPACs is restricted

only to professional investors, who will be well-equipped to assess the experience and quality of any SPAC Promoter. The exclusion of retail participation will also mean that "celebrity" SPAC Promoters will have limited market appeal to professional investors.

In relation to the criteria set out in Box 1, it is unclear why the Exchange has designated "investment management experience" as a key area of focus. It is submitted that experience "managing investments on behalf of third party investors" or providing "investment advisory services" are not directly relevant to successful management of a SPAC. A SPAC is not an investment company (such as those listed under Chapter 21 of the Listing Rules): the experience of a promoter in managing third party investments (in the manner of, for example, a mutual fund manager) is not relevant to the success of a SPAC. A SPAC is a special purpose vehicle, the singular aim of which is to identify a merger partner and effect a successful corporate finance merger and simultaneous financing transaction. These are, to be sure, complex transactions requiring extensive experience, but it is respectfully submitted that "investment advisory" experience is not the most relevant. Corporate finance advisory, investment banking, and private equity experience we consider to be more relevant in the success of a SPAC, and accordingly to the extent it is assessing SPAC Promoter experience, the Exchange should place higher regard on experience in these areas. It is submitted that if the Exchange intends to specify criteria such as those set out in Box 1, the criteria should be broader and encompass general corporate finance experience, and not have such a narrow focus on prior SPAC and investment management experience.

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?

No

Please give reasons for your views.

We disagree with this proposal for three reasons:

(1) As per our response to questions 16 and 17 above, we do not consider it appropriate for the Exchange to be undertaking a positive assessment of SPAC Promoter suitability.

(2) We further disagree with the subjective nature of regulation implied by this proposal to "view favourably" any particular attribute. The Exchange should formulate a clear test with objective criteria that can facilitate market participants and their advisors making a clear assessment of their position under the rules, without the need to speculate what the Exchange may "view favourably" or otherwise.

(3) In any event, as to the particular criteria proposed here, per our response to question 17 above, we do not consider that "managing assets" (per paragraph 216(a)) is the most relevant attribute required for successful SPAC management and is therefore not an appropriate factor for the Exchange to place emphasis upon. The HK$8 billion / 3 year standards also appear to be arbitrary and without reasoned basis. As stated in our response above, we consider corporate finance experience a more relevant attribute for SPAC Promoters.

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.

It is unclear to us how having a Hong Kong-licensed SPAC Promoter helps "alignment of interest with other SPAC Investors", as argued in paragraph 217.

This proposal will also force non-Hong Kong SPAC Promoters to find a Hong Kong-based partner willing to take on at least 10% of the financial risk associated with the SPAC, which will limit the ability of Hong Kong's SPAC market to have international reach.

We observe that this requirement does however force a SPAC to have a nexus with Hong Kong, and enables the Hong Kong regulators to have access to at least one SPAC Promoter which as a Hong Kong-licensed entity will be "on the hook" for disciplinary action in Hong Kong in the event of any malfeasance in connection with a SPAC. If this is indeed the primary rationale for the requirement, then we accept this is desirable from the point-of-view of the regulators in Hong Kong.

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)?

No

Please give reasons for your views.

We agree that the departure, addition or change of control of a SPAC Promoter – i.e. the matters set out in items (a) and (b) of paragraph 218 – should be subject to the shareholder approval process set out in the consultation paper.

However, we do not agree that the same process should apply to the circumstances set out in paragraphs (c), (d) and (e) of paragraph 218, all of which are out of control of the SPAC itself and, in relation to (d) and (e) in particular, relate to subjective, undefined matters which will detract from operational certainty for the SPAC and investment certainty for shareholders.

We further do not agree that SPAC shareholders should be given a redemption opportunity prior to any such vote as proposed in paragraph 219. The redemption opportunity should only arise if the vote fails and the SPAC is liquidated, or on the other hand in the ordinary course at the time a De-SPAC Transaction is presented for consideration.

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?

No

Please give reasons for your views.

We submit that this proposal undermines board independence and is contrary to good corporate governance. Given the extensive protections already provided for investors and requirements placed on SPAC Promoters under the proposed regime, the rationale of using this mechanism to apply fiduciary duties to SPAC Promoters is unnecessary. The board of directors will, in any event, bear fiduciary duties, and will be required to monitor management and be accountable to shareholders.

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?

No

Please give reasons for your views.

We submit that, consistent with international market practice, this level should be set at 90%.

This proposal is a significant disincentive for SPAC Promoters, as well as introducing unacceptable moral hazard for SPAC investors.

Together with the requirement in paragraph 232 that interest accrued is also not available to settle SPAC expenses, and that 100% of funds raised together with accrued interest be refunded to shareholders in the event of redemptions as required in paragraph 349, this proposal means that SPAC Promoters must bear as an upfront out-of-pocket expense all of the costs associated with the SPAC including underwriting fees, taxation and operating expenses, potentially a very significant cost burden. Based on a minimum SPAC offering size of HK$1 billion as required by the proposal in paragraph 195, and assuming an underwriting spread at a standard market rate of 3%, this will require minimum out-of-pocket cash expenses for SPAC Promoters of at least HK$30 million in underwriting commissions alone, in addition to listing fees, sponsors, legal, accounting and other professional fees, and ongoing operating costs for the SPAC for the period prior to a De-SPAC transaction, as well as all the professional fees in

preparation for a De-SPAC transaction. Other comparable international regimes give SPAC Promoters access to at least some of the SPAC IPO proceeds (and/or interest earned thereon) to fund SPAC working capital, running costs, employee compensation, taxes, etc. This requirement will therefore render Hong Kong uncompetitive compared with other jurisdictions from the point of view of SPAC Promoters.

The proposed regime also offloads the entirety of the investment risk and costs onto SPAC Promoters, with SPAC investors enjoying potential upside but bearing no corresponding downside investment risk on their investment in a SPAC, the very definition of "moral hazard". See further our response to Question 48.

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.

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?

No

Please give reasons for your views.

SPAC investors should not receive accrued interest on their funds in event of redemption, and the interest accrued should be available to the SPAC to meet ongoing expenses including taxation. See also our responses to Questions 22 and 48.

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?

No

Please give reasons for your views.

In overseas practice it is common for SPAC directors/employees also to be permitted to hold a small portion of SPAC Promoter Shares and Warrants. An inability to do this may make it more challenging for SPACs to find quality directors. We would recommend the Exchange permitting some portion of Promoter Shares and Warrants, perhaps subject to a ceiling, to be held by SPAC directors, officers or employees, in order to enables SPACs provide appropriate incentives.

In relation to the restrictions on listing and transfer of Promoter Shares and Warrants set out in paragraph 241 to 242 (Question 27): We are unclear as to the policy objective served by this proposal. SPAC Promoters should be permitted to transfer SPAC securities as amongst other SPAC Promoters without restriction. Provided the restrictions proposed in paragraph 240 (that only a SPAC Promoter – and, if accepted, directors/employees – be able to beneficially hold Promoter Shares and Promoter Warrants) are implemented, this additional proposal is superfluous and unnecessarily restrictive for SPAC Promoters.

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?

Yes

Please give reasons for your views.

Other than transfers of SPAC Promoter securities, which we submit should be permitted per our response to question 26/27 above.

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.

This proposal is consistent with the Exchange's existing regulatory approach to reverse takeover transactions. However, we would observe that the proposal results in a De-SPAC Transaction taking the same amount of time, and requiring the same amount of work and expense, as a traditional IPO, thus undermining one of the key attractions for a De-SPAC Target of going public via a De-SPAC Transaction, that is, a quicker and more efficient process than a traditional IPO. This will render Hong Kong-listed SPACs comparatively less attractive in the highly competitive market for De-SPAC Targets.

In addition, there are a number of unique features of De-SPAC Transactions that the Exchange will need to take into account. In that regard, we would offer the following comments on certain of the specific requirements set out in paragraphs 259 to 281:

Paragraph 264: It is unclear how the existing management continuity and ownership continuity tests would be applied to the variety of structures and fact patterns that De-SPAC Transactions will present. Given that De-SPAC Transactions, by design, are often intended to introduce new management or new shareholding structures to the companies involved, the regulatory rationale for these requirements normally applicable to new listing applications do not appear to be relevant to De-SPACs.

For example, in some cases management of the SPAC may become majority management of the Successor Company, whereas in other cases management of the De-SPAC Target would

continue controlling the management of the Successor Company. In some cases management responsibility may be shared equally.

In addition, De-SPAC Transactions are carried out through a variety of structures, often driven by tax considerations. For example, in the “double dummy” structure, a newly incorporated holding company (which will ultimately become the listing vehicle) separately acquires both the SPAC and the De-SPAC Target through statutory merger with two separate subsidiaries of the holding company, in consideration for issuing shares in itself to the SPAC and De-SPAC Target shareholders. Many of these transactions will result in changes in ownership continuity.

We further note that under the Exchange’s proposals a SPAC will be structurally designed not to have a controlling shareholder (with a proposed 20% cap on Promoter shares and wide distribution requirements on SPAC IPOs with the requirement that 75% of the listed shares be distributed to Institutional Professional Investors). On the other hand, a De-SPAC Target will often have an existing controlling shareholder. In a De-SPAC merger structure where the SPAC shareholders become the majority shareholders of the Successor Company, it would be likely that ownership continuity is broken as the existing controlling shareholder of the De-SPAC Target is diluted down.

Thus, given: (a) the practical challenges of applying the management and ownership continuity requirements to the variety of possible fact patterns that De-SPAC Transactions may present; and (b) that the policy rationale of the management and ownership continuity requirements do not apply to the unique circumstances of De-SPAC Transactions, it is submitted that the management and ownership continuity requirements should be disapplied.

Paragraph 266: We submit that there should be no minimum time requirement for appointment of sponsors for a De-SPAC Transaction. The onus will be on the relevant sponsors to ensure their due diligence is conducted to the necessary standard, based on their own professional assessment of the time required (i.e. the requirement set out in paragraph 270 should be sufficient on its own). This enables due account to be given for circumstances where a sponsor may have already been working with a De-SPAC Target for some time, without imposing an artificial time limit. This will also enable a De-SPAC Transaction to have some timing advantage over a traditional IPO.

Paragraph 278: It is submitted that imposing the additional obligation of CWUMPO prospectus requirements is unduly burdensome, when such requirements would not otherwise apply and the substantive contents in any event add little additional relevant information for investors. Based on the regulatory rationale that a De-SPAC Transaction is equivalent to a reverse takeover, it should be sufficient that the Listing Document requirements under the Listing Rules are fulfilled, to the same extent as that required for a reverse takeover (which, just like a De-SPAC Transaction, results in a new business/assets being available for trading by the public).

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.

However it is submitted that the proposed Listing Rule 18B.36 does not appear to be the most clear or direct way to achieve this aim (in particular, a SPAC does not "seek to list" a company, per se). It is submitted that a better approach would be to state in the Note to Listing Rule 18B.34 that a Successor Company would not be considered to meet the new listing requirements for the purposes of Listing Rule 18B.34 if it qualifies for listing only by virtue of the application of Chapter 21 of the Listing Rules.

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)?

No

Please give reasons for your views.

Given the existing new listing requirements will already apply to the Successor Company – including the financial tests for listing eligibility and market capitalization requirements, per paragraph 261 – this requirement is superfluous and imposes unnecessary additional constraints on SPACs in attempting to identify a De-SPAC Target and structure and conclude a De-SPAC Transaction. There will invariably be various structures that the parties may wish to adopt for a De-SPAC Transaction, including the SPAC contributing cash to the combined entity, which will enable the Successor Company to satisfy the listing eligibility tests.

Note that in combination with the HK$1 billion minimum fund raise requirement, this requirement effectively means that the De-SPAC route will only be available for companies with a valuation of HK$800 million and above (significantly above the minimum requirements for a Main Board listing).

If this requirement is to be retained, clarification is required of how the "fair market value" is to be determined for this purpose. Is an independent valuation required? Are the sponsors expected to opine upon the valuation? Currently proposed Listing Rule 18B.37 is silent on this issue. We would be grateful for further clarification from the Exchange.

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.

The perceived concern here can be addressed simply by applying the "cash company" rule in Listing Rule 8.05C directly to the Successor Company, without any need separately to legislate the consideration structure of De-SPAC Transactions, thereby adding another hurdle to SPAC Promoters in their efforts to structure and negotiate De-SPAC Transactions.

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.

This proposed requirement is extremely onerous from the point-of-view of SPAC Promoters. As the consultation paper notes, no other jurisdiction imposes such requirement, and indeed many De-SPAC Transactions are completed in other jurisdictions without any PIPE investment.

One of the key benefits of going public via a SPAC for De-SPAC Targets is valuation and deal certainty compared to a traditional IPO. However these benefits are undermined by requiring the De-SPAC Transaction to be conditional on pricing and closing a very significantly-sized PIPE placing. Indeed, not only does the minimum PIPE size requirement in paragraph 296 result in a PIPE transaction equivalent in size to an IPO, but the additional requirements on placees set out in paragraph 297 result in more restrictions on distribution and therefore greater hurdles to successfully pricing and closing a PIPE deal under these constraints than a traditional IPO, thus

making the execution challenges and deal certainty of a De-SPAC Transaction even less than that of a traditional IPO.

In relation to Question 36: The proposed minimum PIPE size of 25% (potentially reduced to 15%) sets the bar very high for any PIPE deal, and results in a PIPE deal size equivalent to that of a standard IPO, but without the benefit of any retail participation which would normally support the marketing of an IPO in Hong Kong. In our experience, few De-SPAC Transactions we have seen in other international markets would meet these proposed requirements. If the Exchange wishes to insist upon a PIPE transaction in order to provide some external validation of valuation, it is submitted that this can be achieved with a significantly lower level of PIPE investors than the 25% requirement, and that 10% should be sufficient.

In relation to Question 37: The proposals impose more requirements on placees than apply to an ordinary IPO, making distribution and closing of a PIPE transaction even more challenging than a traditional IPO, leading to increased execution risk and deal uncertainty.

We disagree with several aspects of these proposed requirements:

1. It is submitted that it is not appropriate to mandate the specific character and AUM of placees. Given that all PIPE placees will be required to be professional investors, the company and its underwriters should have the latitude to use their professional and business judgment to place to investors they feel will be suitable shareholders for the company. Given that the Exchange is already imposing the PIPE requirement and a PIPE offering size requirement in order to validate the proposed valuation, it is submitted that additionally mandating the specific characteristics of placees is “belt and braces” over-regulation.

2. It is not clear what policy benefit is served by requiring a large institution to hold a substantial shareholding on the Successor Company’s register, where it will invariably exercise an outsize influence, potentially compromising corporate governance.

3. It is further submitted that this requirement is not consistent with prevailing market practice: very few IPOs result in institutional shareholders taking 5%+ stakes as a result of the IPO process. Even large cornerstone investors rarely acquire such large proportional shareholdings. The investment policies of some funds may also prevent them from taking substantial shareholding positions in listed companies, further limiting the universe of possible investors.

In relation to Question 38: We strongly disagree with the use of the IFA independence guidelines in this context. Again, this proposal sets the bar very high and creates significant

additional challenges to companies and underwriters in successfully distributing and closing a PIPE transaction, and therefore the De-SPAC Transaction as a whole.

The IFA independence guidelines are inappropriate for adoption as a test for investor independence, and result in both an extremely stringent standard in identifying placees for the PIPE transaction as well as presenting challenges to underwriters' internal compliance checks across such a broad set of criteria. It is submitted that the existing placee independence requirements in the Placing Guidelines in Appendix 6 of the Listing Rules, in combination with Listing Rule 10.03 and 10.04, are sufficient to regulate this matter.

To this end, it would be helpful if the Exchange could clarify whether the rules on placements to existing shareholders would apply to shareholders of the SPAC subscribing for shares in the Successor Company in the PIPE.

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.

This is a matter best regulated by the market. SPAC investors can come to their own judgment as to whether the proposed arrangements for Promoter securities and the related dilution are acceptable. At most this should be a matter dealt with by disclosure, consistent with the approach taken in the UK. This is particularly the case given that, under the Exchange's proposals, all SPAC shareholders will be professional investors who will be capable of analyzing and assessing for themselves the relevant risks associated with dilution.

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?

No

Please give reasons for your views.

See our response to question 39, above.

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?

Yes

Please give reasons for your views.

However we do not agree that any outgoing SPAC controlling shareholder should be regarded as having a "material interest" in the transaction for these purposes. A SPAC controlling shareholder is in a fundamentally different position to the controlling shareholder of a company undergoing a reverse takeover, as a SPAC controlling shareholder – by design and up front – is intended eventually to cede control when the De-SPAC Transaction occurs. Accordingly, we do not agree that Listing Rule 14.55 is applicable in these circumstances. A SPAC controlling shareholder (who is not a SPAC Promoter) has the same interest in the De-SPAC Transaction as every other SPAC shareholder and should not be required to abstain.

We also observe that there is no restriction on SPAC Promoters voting in US practice.

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.

The two transactions are likely to be inter-conditional in any event.

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.

However, we do not agree with the additional requirements set out in paragraph 334. The existing requirements for connected transactions (including IFA report and independent shareholder approval) are sufficient to protect investor interests. The proposed additional requirements are, in addition, overly subjective and vague. For example, it is unclear what a SPAC would need to do to "demonstrate that minimal conflicts of interest exist" for the purposes of satisfying the requirement set out in paragraph 334(a), or how it might "support its claim" that the transaction is arms-length, beyond the specific examples cited in paragraph 334(b).

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.

This proposal is contrary to the practice in other comparable markets, and risks created skewed incentive structures for investors.

As a preliminary matter, we do not agree with the Exchange's proposition in paragraph 341 that this proposal will "ensure that the interests of non-redeeming shareholders are not prejudiced by votes cast by persons whose interests are not aligned with their own." Given that non-redeeming shareholders are presumably voting in favour of the transaction, they would surely welcome additional votes being cast in favour of the transaction even if those affirmative votes were cast by a shareholder wished to redeem. On the contrary, this proposal operates to force those shareholders who wish to redeem to vote contrary to the interests of the non-redeeming shareholders by voting against the transaction (when they might otherwise vote in favour or abstain, if this did not deprive them of the opportunity to redeem).

In fact, this requirement perversely creates an incentive for SPAC shareholders to vote against any De-SPAC Transaction, regardless of its merits, as this will enable the investor to redeem their SPAC Shares for 100% refund plus accrued interest while still retaining the related SPAC Warrants, with the hope that other SPAC shareholders will approve the De-SPAC Transaction and the redeeming shareholder will be able to enjoy an equity upside through their SPAC Warrants.

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 redemptions should be for "full compensation" of the pro rata amount of 100% of the SPAC's IPO funds together with accrued interest, for two reasons:

(1) This requirement places the burden for the entirety of SPAC IPO expenses and operating costs on SPAC Promoters as an upfront out-of-pocket expense, and is a significant disincentive to SPAC Promoters. See our response to question 22, above.

(2) As noted in our response to question 47 above, this proposal effectively grants investors a risk-free capital-guaranteed investment with free "equity kicker" in the form of SPAC Warrants. By enabling investors to redeem 100% of their investment together with accrued interest, the resulting regime has "moral hazard" fundamentally baked-in to the system: investors will be incentivized to maximise their exposure to SPAC investments because they will bear no risk in relation to the investment -- all the costs and risk are offloaded to the SPAC Promoters -- and yet they still enjoy the potential for equity-linked returns.

Accordingly, we submit that the redemption should only be for a pro rata balance of the amount standing to the credit of the ring-fenced account, which could be as low as 90%, per our response to question 22, and excluding accrued interest, per our response to question 25. This is not only to make the regime more attractive for SPAC Promoters but also to ensure there is at least some degree of investment risk for investors to ensure they are appropriately incentivised to engage in economically rational behaviour for the overall health of the market.

As to the three scenarios for redemption set out in paragraph 352, further to our response to question 20, we do not agree that SPAC shareholders should be given an opportunity to redeem their shares in the circumstances of a shareholder vote on material changes in the SPAC Promoter as proposed in paragraph 352(a). We agree that SPAC shareholders should have a redemption opportunity in the circumstances set out in paragraph 352(b) and (c).

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?

No

Please give reasons for your views.

Further to our response to question 47 above, we do not agree that only shares voted against the relevant matter may be redeemed.

It is unclear how the proposal in paragraph 359 that elections to redeem must be "accompanied by delivery of the relevant number of shares" would operate in practice given that shares are invariably held in electronic form. It is submitted that this proposal and the accompanying draft Listing Rule 18B.61 be modernized accordingly.

Draft Listing Rule 18B.59 is silent on the position when a shareholder vote on a De-SPAC Transaction is not passed (and thus the De-SPAC Transaction does not complete). It would appear from paragraph 360 that in such case no redemptions would occur and all shareholders including those who had made an election to redeem would continue to hold their SPAC Shares. If this is the intention it is submitted that this should be clearly stated in the relevant Listing Rule, presumably with a provision that the related elections also lapse, such that a new election must be made when a new De-SPAC Transaction is subsequently presented to shareholders for approval.

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.

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.

However we refer to our response to question 37, and note that if the 5% requirement is not imposed, this will facilitate companies' complying with limb (b) of this public float requirement.

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.

We agree with the proposal in (a), although the Exchange should clarify that this restriction would apply only to shares held at the time of completion of a De-SPAC Transaction, and not those acquired subsequently (other than pursuant to the exercise of Warrants, options or other convertible instruments held at the time of completion of the De-SPAC Transaction).

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?

No

Please give reasons for your views.

We do not see the necessity for the proposal in (b) assuming that any shares issued upon exercise of the Promoter Warrants would in any event be subject to the lock-up proposed in (a).

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.

Consistent with Listing Rule 10.07 requirements.

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.

Consistent with Listing Rule 10.07 requirements.

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.

We agree that extensions to the relevant Deadlines may be approved by a shareholder vote. However, we do not agree that the extension should also be subject to approval by the Exchange. Approval from shareholders should be sufficient.

We further do not agree that SPAC Promoters should be required to abstain from voting on the relevant resolution.

It is unclear from the consultation paper and related draft Listing Rules whether:

(a) both the De-SPAC Announcement Deadline and De-SPAC Transaction Deadline may be extended, or whether only either one or the other but not both may be extended, as paragraph 426 suggests, and (b) whether any 6-month extension may be "refreshed" by an additional shareholder vote.

We should be grateful if the Exchange would clarify the position in the final Listing Rules.

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.

Subject to our comments elsewhere in this response on matters for shareholder approval and the return of investor funds with accrued interest.

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.

In relation to paragraph 437(a), it is unclear what sponsor due diligence would be applicable beyond conducting due diligence on the SPAC Promoters, proposed directors and management team. We should be grateful if the Exchange/SFC could provide further guidance of their expectations in this regard.

We should be grateful for further guidance from the Exchange as to the precise scope of the proposal in paragraph 437(c) which is a welcome but significant departure from current practice.

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.

A simplified periodic reporting regime is appropriate for SPACs prior to any De-SPAC Transaction, given that most of the requirements in Appendix 16 will be not applicable.