

## **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.**

We disagree with the proposal that subscription and trading of SPAC securities prior to a De-SPAC Transaction should be limited to Professional Investors only. The risks associated with a SPAC can be adequately dealt with by detailed risk factors disclosure addressing the unique feature and risks that are associated with SPAC and other proposed safeguards such as ring-fencing and stringent requirement on SPAC Promoters etc. In the worst case scenario where the SPAC fails to announce or complete a De-SPAC Transaction within the De-SPAC Announcement Deadline or De-SPAC Transaction Deadline respectively, 100% of the funds raised at listing will be returned to shareholders on a pro rata basis. Although the risks associated with SPAC are of a different nature from those of traditional listed companies, we are of the view that so long as sufficient risk factors disclosure has been made in the prospectus, the risks are not of such a nature such that can justify a right out prohibition of retail investor participation. The US, UK and Singapore SPAC framework do not impose such restriction to prohibit retail investor participation, the Exchange should adopt a similar approach as the other major international stock exchanges without restricting subscription and trading of SPAC securities to Professional Investors to strike a balance between enforcing sufficient safeguards whilst maintaining attractiveness of the SPAC regime to international investors and issuers.

#### **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.**

We consider it to be appropriate for SPAC Shares and SPAC Warrants to be permitted to trade separately from the date of initial listing to a De-SPAC Transaction. Although there are concerns that investors can subscribe for shares and warrants in the IPO, sell the shares after the IPO and effectively recoup their investment, and gain the benefit of the upside through holding the warrants, if SPAC Shares and SPAC Warrants are not permitted to be traded separately, this would make HK's position significantly different from that of the other markets and make the regime significantly less attractive. However, as we disagree with the proposal that subscription and trading of SPAC shares prior to a De-SPAC Transaction should be limited to Professional Investors only, we are of the view that Hong Kong should adopt an approach similar to the US whereby separate trading of SPAC Shares and SPAC Warrants should only be allowed after at least 52 days after a SPAC IPO in order to accommodate the stabilisation over that period.

**Question 3b**

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

**Please set out any alternative suggestions below.**

**Question 4a**

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

Option 2

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

We are of the view that Option 2 will be more appropriate as Option 1 (i.e. manual trades on SPAC Warrants) is too restrictive and will make it essentially very impractical to trade SPAC Warrants.

**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.**

Please refer to our answers to question 1. Even if the Exchange restricts subscription and trading of SPAC securities prior to De-SPAC Transaction to Professional Investors only, we disagree with the proposal that out of a minimum of 75 Professional Investors, 30 of which must be Institutional Professional Investors. Such requirement is unnecessarily restrictive and does not align with the requirements of the other stock exchanges.

**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.**

Please refer to our answers to question 1. Even if the Exchange restricts subscription and trading of SPAC securities prior to De-SPAC Transaction to Professional Investors only, we disagree with the proposal that at least 75% of each SPAC Shares and SPAC Warrants must be distributed to Institutional Professional Investors. The proposed restriction seriously limits the investor base of a SPAC to a very limited group of people and may affect liquidity, which may in turn resulting in higher price volatility. The proposed requirement is not consistent with the requirement of the other stock exchanges.

**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 the proposal as this is consistent with the existing Listing Rules requirements.

**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.**

We agree with the proposal as this is consistent with the existing Listing Rules requirements.

**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.**

Please refer to our answers to questions 5 and 6.

**Question 9b**

**Are there other measures that the Exchange should use to help ensure an open and liquid market in SPAC securities?**

No

**Please set out any suggestions for other measures below.**

**Question 10**

**Do you agree that, due to the imposition of restricted marketing, a SPAC should not have to meet the requirements set out in paragraph 184 of the Consultation Paper regarding public interest, transferability (save for transferability between Professional Investors) and allocation to the public?**

Yes

**Please give reasons for your views.**

We agree that as a result of the restricted marketing, a SPAC should be exempted from the requirements as set out in paragraph 184 of the Consultation Paper as SPACs will not be able to fulfill those requirements. Even without restricted marketing, because of nature of SPACs, it is academic to demonstrate public interest and transferability until actual marketing is conducted.

**Question 11**

**Do you agree that SPACs should be required to issue their SPAC Shares at an issue price of HK\$10 or above?**

Yes

**Please give reasons for your views.**

We agree that SPAC Shares shall be issued at an issue price of HK\$10 or above as SPAC share prices are likely to be highly volatile.

**Question 12**

**Do you agree that the funds expected to be raised by a SPAC from its initial offering must be at least HK\$1 billion?**

Yes

**Please give reasons for your views.**

We agree with the proposal that the minimum fundraising size of a SPAC be set at HK\$1 billion. As SPAC is essentially a shell company with cash, the success of a SPAC is highly dependent on ability to find good quality De-SPAC Targets, as the Exchange's view is that a high entry point is required for SPAC listing in order to ensure only reputable and high quality SPACs will be listed, we agree that the minimum fundraising size has to be set at around HK\$1 billion to ensure that the SPACs will have sufficient funds to seek high quality De-SPAC Targets.

**Question 13**

**Do you agree with the application of existing requirements relating to warrants with the proposed modifications set out in paragraph 202 of the Consultation Paper?**

Yes

**Please give reasons for your views.**

We agree with the application of existing requirements with the proposed modifications, these are broadly consistent with the requirements imposed by SGX.

**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.**

We agree with the proposal that Promoter Warrant and SPAC Warrants should be exercisable only after the completion of a De-SPAC Transaction as this is in line with the market practice in other jurisdictions.

**Question 15a**

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

Yes

**Please give reasons for your views.**

We agree with the proposal as this will minimise the risk of misalignment of interests between SPAC Promoters and other SPAC shareholders. Otherwise too great a benefit offered to the SPAC Promoters.

**Question 15b**

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

Yes

**Please give reasons for your views.**

Please refer to our answers to question 15a.

**Question 16**

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

Yes

**Please give reasons for your views.**

We agree with the proposal. SPAC investors are essentially investing in the SPAC based on their trust and confidence in the SPAC Promoters in identifying suitable De-SPAC Targets and bringing the acquisition of De-SPAC Target to a completion. It is essentially an investment based on the character, experience and integrity on SPAC Promoters. Therefore, it is critical that the Exchange, as the gate keeper, be satisfied as to the character, experience and integrity of a SPAC Promoter in order to ensure that only highly skilled and experienced SPAC Promoters are permitted.

**Question 17a**

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

Yes

**Please give reasons for your views.**

We agree with the proposal that the Exchange should publish guidance setting out the information required from each SPAC promoter in order to assess its eligibility. In addition to the

information as set out in Box 1 of the Consultation Paper, for each of the SPACs, the Exchange should consider requiring SPAC Promoter to provide information in relation to any material dispute between the SPAC Promoters, the De-SPAC Target and/or the SPAC Investors.

**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?**

Yes

**Please provide the details of any such information below.**

Please refer to our answers to question 17a.

**Question 18**

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

Yes

**Please give reasons for your views.**

We agree in principle with the proposal that the criteria set out in paragraph 216 of the Consultation Paper should be viewed favourably. However, in relation to the second criteria, the Exchange should consider viewing favourably SPAC Promoter who had, in the past five years, held such senior executive position at an issuer that is or has been a constituent of Hang Seng Index. It is quite commonly seen in the market that such senior executives resigned from such position in order to fully dedicate his/her time to be running SPAC(s) and such experience as a senior executive should be taken into account albeit the fact that person may not be holding such position at present.

**Question 19a**

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

Yes

**Please give reasons for your views.**

We agree with the proposal that at least one SPAC Promoter must be a firm that holds a Type 6 or Type 9 licence. As SPAC investors are essentially investing in the SPAC based on their trust and confidence in the SPAC Promoters in identifying suitable De-SPAC Targets and bringing the acquisition of De-SPAC Target to a completion, there needs to be some metrics with which to assess/judge the capabilities of the SPAC Promoters.

**Question 19b**

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

Yes

**Please give reasons for your views.**

We also agree with the requirement that such SPAC Promoter should hold at least 10% of the Promoter Shares to ensure that it has skin in the game.

**Question 20a**

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

Yes

**Please give reasons for your views.**

We agree with the proposal that a material change of SPAC Promoter must be approved by way of special resolution of shareholders as such material change may have significant impact on the prospect of the SPAC as the SPAC Investors are essentially investing in the SPAC based on their trust and confidence in the SPAC Promoter. The Exchange should consider providing clear guidance as to what will constitute a "change in control" of a Promoter, for instance, whether or not it will be adopting the definition in Takeovers Code as to "control" and the factors that the Exchange will take into account in assessing whether or not there is change in control (e.g. will change to board of director or senior management constitute a change in control of SPAC promoter). Given the role of SPAC Promoters and the potential consequences if there is a material change of SPAC Promoter, we recommend the Exchange to consider setting out clear guidance by way of guidance letter as to its assessment of what will constitute a material change in SPAC Promoters.

**Question 20b**

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

Yes

**Please give reasons for your views.**

Please refer to our answers to question 20a.

**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 disagree with the requirement that the majority of directors of a SPAC must be officers of the SPAC Promoters representing the respective SPAC Promoters who nominate them. We propose that at least one third of the board of a SPAC must be officers of the SPAC Promoters representing the respective SPAC Promoters who nominate them, at least one third must be independent non-executive directors, at least one third must be persons with sufficient relevant industry expertise and skills. The proposed requirement that majority of directors of a SPAC must be officers of the SPAC Promoters is too restrictive as such composition of the board will be lacking check and balance and independence element.

**Question 22**

**Do you agree that 100% of the gross proceeds of a SPAC's initial offering must be held in a ring-fenced trust account located in Hong Kong?**

Yes

**Please give reasons for your views.**

We agree with the proposal that 100% of the gross proceeds must be held in a ring-fenced trust account in order to ensure that in the case where the shareholders elected for redemption or any of the circumstances arises whereby the funds should be returned to shareholders, such funds will be readily available for such return/redemption. Given the unique feature of SPACs and the risks that are associated with SPACs, we agree that it is critical for the Exchange to impose such requirement in order to protect the interests of SPAC Investors. This is broadly consistent with the approach that the other stock exchanges have adopted e.g. US stock exchange and SGX.

**Question 23**

**Do you agree that the trust account must be operated by a trustee/custodian whose qualifications and obligations should be consistent with the requirements set out in Chapter 4 of the Code on Unit Trusts and Mutual Funds?**

Yes

**Please give reasons for your views.**

We agree that the qualifications and obligations of a trustee/custodian should be consistent with the requirements set out in Chapter 4 of the Code on Unit Trusts and Mutual Funds. This will ensure that the trustee/custodian is regulated in Hong Kong and fulfils certain requirements such as minimum paid-up share capital and non-distributable capital reserves requirement.

**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 agree with the proposal that the gross proceeds must be held in the form of cash or cash equivalents such that cash will be readily available in the case of redemption by SPAC Investors.

**Question 25**

**Do you agree that the gross proceeds of the SPAC's initial offering held in trust (including interest accrued on those funds) must not be released other than in the circumstances described in paragraph 231 of the Consultation Paper?**

Yes

**Please give reasons for your views.**

We agree that the funds held in trust can only be released in the circumstances as set out in paragraph 231 of the Consultation Paper in order to ensure that there will be sufficient funds to return to SPAC shareholders, and to complete the De-SPAC Transaction.

**Question 26**

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

Yes

**Please give reasons for your views.**

We agree in principle with the proposal that only the SPAC Promoter should be able to beneficially hold Promoter Shares and Promoter Warrants at listing, but we are of the view that once the De-SPAC Transaction has been completed, SPAC Promoters should be able to transfer or sell Promoter Shares and Promoter Warrants after the De-SPAC Transaction has been completed for a period of time. The key role of the SPAC Promoter is to find suitable De-SPAC Targets and negotiating De-SPAC Transaction terms that are favourable to SPAC Investors. Once the De-SPAC Transaction has been completed for a period of time, the role of the SPAC Promoter in the Successor Company will no longer be as critical as it was the initial stage of a SPAC and SPAC Promoters should be given an opportunity to then sell its shares in the SPAC to a third party. The ability for SPAC Promoters to sell/transfer Promoter Shares and

Promoter Warrants may also act as an additional incentive for SPAC Promoters to identify the best possible De-SPAC Target.

**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?**

No

**Please give reasons for your views.**

Please refer to our answers to question 26.

**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.**

We agree with the proposal as the probability of insider dealing occurring in a SPAC would be higher than for an ordinary listed issuer, this proposal will reduce the chance of potential insider dealing and other potential market misconduct.

**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.**

We agree existing trading halt and suspension requirements should be applicable to SPACs in order to strike a balance between a freely traded market for the SPAC's securities and providing sufficient protection to shareholder from leakage of inside information.

**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.**

If retail investors are allowed to trade and subscribe SPAC Shares prior to De-SPAC

Transaction, we agree with the proposal that new listing requirements should be applicable to a De-SPAC Transaction. However, if subscription and trading of SPAC Shares will be limited to only Professional Investors only, we recommend the Exchange to consider adopting a more relaxed and streamlined approach with regard to listing requirements, as Professional Investors will be better placed to assess and absorb the risks associated with SPAC, such stringent listing requirements will be unnecessarily burdensome.

**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.**

We agree that investment companies should not be eligible De-SPAC Targets due to the unique feature of investment companies.

**Question 32**

**Do you agree that the fair market value of a De-SPAC Target should represent at least 80% of all the funds raised by the SPAC from its initial offering (prior to any redemptions)?**

Yes

**Please give reasons for your views.**

We agree with the proposal, this is in line with the requirements in US and Singapore.

**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.**

We disagree that the Exchange should impose a minimum requirement on the amount of funds raised by SPAC that must be used for funding De-SPAC Transaction. It is a commercial decision as to how the consideration of a De-SPAC Transaction should be settled, and the directors should be in the best position to determine how best to utilise the funds raised by the SPAC. Imposing a mandatory requirement that certain amount of the funds raised must be used to fund a De-SPAC Transaction will inevitably limit the ability of the SPAC to use the funds raised for other purposes such as future business expansion and operations etc. As the Successor Company will be subject to all the new listing requirements and the ongoing obligations of a listed company, the concern of cash company will be adequately addressed by

the fact that the Successor Company will also be subject to the cash company rules, and it will not be regarded as suitable for listing and trading will be suspended if its assets consist wholly or substantially of cash. Also it is to all shareholders' benefit that the existing shareholders of the De-SPAC Target roll over rather than be cashed out, and that the cash raised at IPO or PIPE is kept within the company for development of business instead.

**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.**

We disagree with the proposal of imposing mandatory outside independent PIPE investment requirement. Whether or not a SPAC requires additional PIPE investment should be entirely a commercial decision for the SPAC depending on whether or not additional funding is required and the size of the potential De-SPAC Target. It is unduly burdensome for SPAC to obtain such "validation" from outside PIPE investors when such additional funds may not be required. Such mandatory requirement may also be negated by the practice of forward purchase agreements, where investors already sign up to subscribe even prior to a De-SPAC target being identified, this takes away the "validation" point. Moreover, this is not consistent with the market practice as none of the other exchanges impose such mandatory requirement of outside independent PIPE investment.

**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?**

Yes

**Please give reasons for your views.**

We agree that there should be a cap on the maximum dilution possible from the conversion of Promoter Shares and the exercise of warrants. The Listing Rules have existing anti-dilution measures such as setting a cap on the maximum dilution for the exercise of warrants, and the maximum dilution to the value of shareholdings following rights issue, open offer or specific mandate placing in order to limit the potential dilutive effect to the other shareholders. We are of the view that with respect to SPAC, the potential risk of dilution of shareholder's interest in a SPAC is greater than that of traditional listed companies, because of the existence of Promoter Shares which will be converted into ordinary shares upon the completion of De-SPAC Transaction, exercise of warrants which will result in the issue of new shares will also further dilute the number of shares in issue. A cap is necessary in order to limit the exposure of SPAC shareholders to the combined effect of dilution resulting from conversion of Promoter Shares and exercise of warrants.

**Question 40**

**Do you agree with the anti-dilution mechanisms proposed in paragraph 311 of the Consultation Paper?**

Yes

**Please give reasons for your views.**

We agree with the proposed antidilution mechanisms as these are generally consistent with the market practice in other stock exchanges.

**Question 41**

**Do you agree that the Exchange should be willing to accept requests from a SPAC to issue additional Promoter Shares if the conditions set out in paragraph 312 of the Consultation Paper are met?**

Yes

**Please give reasons for your views.**

We agree that SPAC can issue additional Promoter Shares after completion of De-SPAC Transaction as these are commercial arrangements and such issuance of additional shares have to be subject to SPAC shareholders' approval. This will provide further incentive to SPAC Promoters to meet certain performance targets

**Question 42**

**Do you agree that any anti-dilution rights granted to a SPAC Promoter should not result in them holding more than the number of Promoter Shares that they held at the time of the SPAC's initial offering?**

Yes

**Please give reasons for your views.**

We agree with the proposal as this will prevent further dilution by a SPAC Promoter.

**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.**

We agree that a De-SPAC Transaction must be made conditional on approval by SPAC's shareholders at a general meeting. This is consistent with the current Listing Rules requirements regarding notifiable transactions and it will be in the best interests of the SPAC's

shareholders to be given the opportunity to vote for or against the De-SPAC Transaction.

**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.**

We agree that shareholders with material interest must abstain from voting as this is consistent with the current Listing Rules requirement regarding voting of notifiable transactions. If the votes of persons with material interests will also be counted, it will deprive the opportunities of minority shareholders to be voting against such transaction which they may not consider to be in their best interests.

**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.**

Please refer to our answers to question 35. If the Exchange implements the mandatory outside PIPE investment requirement, we agree with the proposal that PIPE investment should also be subject to shareholders' vote at general meeting. As it is proposed that the PIPE investment should constitute at least 25% of the expected market capitalisation of the Successor Company, the PIPE investment will be of a relatively significant size and to be consistent with the existing Listing Rules requirements, it will be sensible to require shareholders' vote for such PIPE investment.

**Question 46**

**Do you agree that the Exchange should apply its connected transaction Rules (including the additional requirements set out in paragraph 334) to De-SPAC Transactions involving targets connected to the SPAC; the SPAC Promoter; the SPAC's trustee/custodian; any of the SPAC directors; or an associate of any of these parties as set out in paragraphs 327 to 334 of the Consultation Paper?**

Yes

**Please give reasons for your views.**



We agree with the proposal that the definition of "connected person" with respect to a SPAC should include a SPAC Promoter, a SPAC's trustee or custodian and any of the SPAC directors, or any associate of any of them, as these are the persons who will be in a position of power to exert influence on the SPAC. We agree that a blanket prohibition on connected transactions will be unduly restrictive and may rule out possibility of acquiring high quality De-SPAC Target that may actually be in the best interests of the SPAC shareholders as a whole. We believe the existing connected transaction rules and requirements, in particular the requirement of appointing an independent board committee and appointing an IFA, in combination with the additional requirements that's applicable to a SPAC connected transaction, should afford sufficient protection to SPAC shareholders to ensure that there is no over valuation of the De-SPAC Target and that the completion of the De-SPAC Transaction (which is a connected transaction) will be in the best interests of the SPAC's shareholders as a whole.

**Question 47**

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

No

**Please give reasons for your views.**

We disagree with the proposal that only SPAC shareholders who have voted against the matters as set out in paragraph 352 would be able to redeem SPAC Shares. Even though SPAC shareholders may have voted for one of the matters that allow for redemption, their confidence in the SPAC may be significantly affected by the fact that some sophisticated and key investors have voted against the matters and hence redeemed their SPAC Shares in full. Such SPAC Shareholders should not be denied the opportunity to redeem in such circumstances. The other key stock exchanges do not impose such prohibition that redemption right should only be given to those shareholders who have voted against such matter. We have doubts that allowing those SPAC shareholders who have voted against the resolution will serve the purpose that such prohibition will act as a meaningful check on the reasonableness of its terms, as the SPAC shareholders prior to De-SPAC stage would be limited to only Professional Investors, such Professional Investors should be in a position of sophistication to assess whether or not to vote for or against such matters.

**Question 48**

**Do you agree a SPAC should be required to provide holders of its shares with the opportunity to elect to redeem all or part of the shares they hold (for full compensation of the price at which such shares were issued at the SPAC's initial offering plus accrued interest) in the three scenarios set out in paragraph 352 of the Consultation Paper?**

Yes

**Please give reasons for your views.**

We agree that SPAC shareholders should be given the opportunity to elect for redemption in the

three scenarios set out in paragraph 352 of the Consultation Paper as the success of a SPAC ultimately depends on the quality of the SPAC Promoter and the De-SPAC Transaction. The three scenarios (i.e. material change in SPAC Promoter, De-SPAC Transaction and extension of De-SPAC Announcement Deadline or De-SPAC Transaction Deadline) are all critical to the success of a SPAC and SPAC shareholders should be given an opportunity to walk out in such circumstances.

**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.**

We agree with the proposal that a SPAC should not set any limit as to the amount of shares that a SPAC shareholder can redeem in order to ensure that SPAC shareholders are being afforded sufficient protection as SPAC is essentially a listed shell and hence the ability to recover their investment is important in the case of a SPAC.

**Question 50**

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

Yes

**Please give reasons for your views.**

We agree with the proposed redemption procedure. The requirement of the period for the election starting on the date of the notice of shareholder meeting (which shall be issued in conformity with SPAC's constitutional documents and Listing Rules) and ending on the date of the relevant general meeting should provide the SPAC shareholders with sufficient time to come to a decision as to whether or not to elect for redemption.

**Question 51**

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

Yes

**Please give reasons for your views.**

We agree with the proposed requirement that SPACs should be required to comply with existing requirements with regard to forward looking statement for a De-SPAC Transaction. As there is a real risk that De-SPAC Targets may be over-valued as they are often companies without a solid financial track record, if the Exchange adopts more relaxed requirements on forward looking

statements with regarding to a De-SPAC Transaction, there will be heightened risks of over-valuation and that SPAC shareholders may vote for such De-SPAC Transaction based on such forward looking statements (which have not been independently verified or so). Due to the importance of forward-looking statement as it will be an important piece of information for SPAC shareholders when they make their decision as to whether or not to vote for the De-SPAC Transaction, we agree that the existing safeguards should be applicable in order to ensure that such forward looking statements meet the standard that is required for a new listing application. We recommend the Exchange to consider whether or not in the case of a SPAC, forward looking statement can cover a period of time of up to 5 years which is typically the case in the US, especially in light of the fact that the threat of litigation over improperly prepared forecasts are not as much of a risk in Hong Kong.

#### **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.**

Please refer to our answers to question 1 regarding restricting subscription and trading of SPAC securities prior to a De-SPAC Transaction to Professional Investors only. If the Exchanges implements such restriction, we agree that instead of adopting the usual requirements of 300 shareholders, a Successor Company should only be required to have at least 100 shareholders, reason being that prior to the completion of the De-SPAC Transaction, the SPAC is required to have a minimum of 75 Professional Investors for its shares. As a Successor Company is not required to make a public offer of its shares as part of the De-SPAC Transaction, it may not be possible for the Successor Company to increase its shareholder base from 75 to 300 shareholders.

#### **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.**

We agree with the proposal as we do not see any reasons why the Successor Company should deviate from the existing requirements regarding open market.

#### **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.**

Once the De-SPAC Transaction has been completed, the Successor Company should be effectively the same as other listed companies that have taken the traditional listing route, therefore, we are of the view that the shareholder distribution proposals are sufficient to ensure there is an open market in the securities of a Successor Company. We recommend the Exchange to consider granting public float waivers to companies with large market capitalisation.

**Question 55**

**Do you agree that SPAC Promoters should be subject to a restriction on the disposal of their holdings in the Successor Company after the completion of a De-SPAC Transaction?**

Yes

**Please give reasons for your views.**

We agree that SPAC Promoters should be subject to lock-up after the completion of a De-SPAC Transaction. As a De-SPAC Transaction is effectively being treated as a deemed new listing, it is important that SPAC Promoters should be subject to a lock-up in order to ensure that their interests are aligned with the other SPAC shareholders post De-SPAC Transaction and that they have skin in the game even after the completion of the De-SPAC Transaction.

**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 and that 12-month lock up period is a reasonable period of time for the lock-up, this is also consistent with the lock-up period in respect of a Successor Company on the other stock exchanges.

**Question 56b**

**Do you agree that Promoter Warrants should not be exercisable during the period ending 12 months from the date of the completion of a De-SPAC Transaction?**

Yes

**Please give reasons for your views.**

Please refer to our answers to question 56a.

**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.**

We agree that the controlling shareholders of a Successor Company should be subject to lock-up after the De-SPAC Transaction. Controlling shareholders have a key role to play, particularly after the completion of De-SPAC Transaction, as discussed in the above, as a De-SPAC Transaction is effectively being treated as a deemed new listing, it is important that controlling shareholders should be subject to a lock-up in order to ensure that their interests are aligned with the other SPAC shareholders post De-SPAC Transaction and that they have skin in the game even after the completion of the De-SPAC Transaction.

**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.**

We agree that the controlling shareholders of a Successor Company should be subject to the same lock-up requirement as applicable to a new listing. Once the De-SPAC Transaction has been completed, the Successor Company should be effectively the same as other listed companies that have taken the traditional listing route, therefore, we do not see any reasons why a different lock-up period should be adopted for the controlling shareholders of a Successor Company.

**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.**

We agree that the Takeovers Code should apply to a SPAC prior to the completion of a De-

SPAC Transaction as there will be a time gap of up to 36 months in between the listing of SPAC and the completion of De-SPAC Transaction which is not a short period of time. If the Takeovers Code do not apply to a SPAC in between this period of time, there is likelihood (regardless of how slim that chance might be) that SPAC shareholders may not be afforded a way to exit the SPAC despite there being a change in control under the Takeovers Code.

#### **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.**

We agree with the proposal. The investment in SPAC shares by SPAC investors at the outset anticipate the acquisition of a De-SPAC Target with the expectation that there will a change of control upon completion of a De-SPAC Transaction, such that SPAC investors can gain access to the growth of such companies with potential high return opportunities resulting from a De-SPAC Transaction. Given the unique feature of a SPAC, it would be unrealistic to require the owner of the De-SPAC Target obtaining control of the Successor Company to be making a mandatory general offer, if the mandatory general offer obligation is not waived in that circumstances, it may seriously limit the choice of De-SPAC Targets for the SPAC as owners of the De-SPAC Target may not be willing or have the financial resources to be making a mandatory general offer. There is also a commercial reason for the controlling shareholder of the Target to hold a controlling stake in the Successor Company post De-SPAC.

#### **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.**

We agree with the proposed time limit of 24 months and 36 months for the De-SPAC Announcement and the completion of De-SPAC Transaction. As pointed out in paragraph 417 of the Consultation Paper, many US listed SPACs voluntarily set a deadline of 24 months for the completion of De-SPAC, therefore, a time limit of 24 months for the De-SPAC Announcement is reasonable. With the unique feature of IPO sponsor requirement, additional time should be provided for the sponsors to complete due diligence on the De-SPAC Target and get through the vetting process which will be longer than the process in other jurisdictions.

#### **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.**

We agree that the shares of a SPAC must be suspended if it fails to meet the De-SPAC Announcement Deadline or the De-SPAC Transaction Deadline. Please refer to our response to question 64.

**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 with the proposal that a SPAC should be able to make a request for an extension of De-SPAC Announcement Deadline or De-SPAC Transaction Deadline, providing that it has obtained shareholders' approval. This strikes a balance between protecting the interests of shareholders and situation where the De-SPAC Transaction may be delayed due to reasons that are out of control of the SPAC Promoters e.g. De-SPAC Transaction may be delayed due to the regulatory approval etc. On one hand, there should be a time limit for the SPAC to complete De-SPAC Transaction, on the other hand, extension of the deadline should be given in exceptional circumstances providing that shareholders have approved such extension.

**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.**

We agree with the proposal. In the circumstances where the SPAC fails to announce/complete a De-SPAC Transaction within the deadline or obtain the requisite shareholder approval for a material change in SPAC Promoter, in essence, the SPAC has failed as the SPAC will not be in a position to complete a De-SPAC Transaction, it will become a listed shell that will not be able to inject meaningful assets into the shell. The money raised from its listing should then be returned to its shareholders on a pro rata basis as the money raised will no longer be able to be utilised.

**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.**

We agree with the proposal. Once a SPAC has returned its funds to its shareholders, the SPAC will not have sufficient financial resources for it to continue with its operations. Therefore, in such circumstances, the SPAC must liquidate and its listing status will automatically be cancelled upon completion of liquidation. This proposal is also consistent with the requirements of the other stock exchanges.

**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.**

We agree with the proposed exemption to be applicable to SPAC as set out in paragraph 437 of the Consultation Paper. It should be made clear that the application of rule 14.82 regarding suitability for listing of cash companies will apply after the completion of De-SPAC Transaction. Rule 14.82 is an ongoing requirement and it should be applicable after the completion of De-SPAC Transaction as the SPAC will no longer be a listed shell from that point onwards. Similarly, the application of rules 6.01(3) and 13.24 should become applicable after the completion of De-SPAC Transaction.

**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.**



We agree with the proposal that the minimum period of time in between the appointment of sponsor and filing of SPAC listing application to be shortened to one month. As a SPAC does not have business operations or assets other than funds, the amount of time required to conduct due diligence will be significantly less than a traditional listing applicant.

**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?**

No

**Please give reasons for your views.**

The applicable exemption that should be applicable to a SPAC prior to De-SPAC Transaction have been covered in paragraph 437 of the Consultation Paper.