

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 prior to the De-SPAC Transaction, only Professional Investors are allowed to subscribe for, and to trade on, the SPAC's securities. In the Consultation Paper, the Exchange noted that typically, prior to a De-SPAC Transaction, the volatility in the share prices was low (see paragraphs 81-83), although it noted that such price volatility could become dramatic in the event of a merger rumor, particularly when retail investors were involved (see paragraphs 120-121). Although we understand that the Exchange intends to protect the retail investors, we also note the followings:

- This proposal deprives the opportunity of the retail investors to participate in the initial stage of the SPAC transactions. Although the Exchange intends to protect such investors, the proposal closes the door completely for such investors to participate in a type of transactions that the Exchange considers valuable to investors (see paragraphs 87-94, listing the benefits to SPAC investors).
- There are other bodies of the Listing Rules that can protect the retail investors, including Inside Information related rules, and the enforcement of such rules.
- By prohibiting the investing public's participation, the proposal creates a series of technical issues for an open market, including public float and number of shareholders, as well as the potentially limited number of shareholders in a Successor Company. For example, with 75 Professional Investors, the pool of investors could be smaller than the pools for some of the bond holders of a Rule 144A issuer.
- In general, we hope that Hong Kong could balance the potential risks with the benefits of a SPAC regime for the investment public, particularly the retail investors. We are happy to discuss the means to refine the protection mechanisms to retail investors. But we do not think that a SPAC regime excluding the retail investors is fair or necessary.

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.

In general, yes, we think it is appropriate for SPAC Shares and SPAC Warrants to be permitted to trade separately. Given our position of allowing retail investors to participate in the initial stage of a SPAC IPO, we will be happy to discuss with the Exchange as to the details of refining the rules allowing or restricting the detachments of SPAC Units. We acknowledge the concerns of the Exchange in respect to the trading volatility 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.

We will be happy to review this issue further once we know the Exchange's final decision in allowing or prohibiting retail investors from participating in a SPAC's IPO.

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:

On balance, if retail investors are allowed in the SPAC IPO stage, we do agree that the Exchange may place additional safeguards in respect to the trading arrangements. Overall, we hope that Hong Kong creates a competitive, fair, open and safe scheme for all parties involved in SPAC transactions.

Question 5

Do you agree that, at its initial offering, a SPAC must distribute each of SPAC Shares and SPAC Warrants to a minimum of 75 Professional Investors in total (of either type) of which 30 must be Institutional Professional Investors?

Yes

Please give reasons for your views.

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 see our position in relation to retail investors.

Question 7

Do you agree that not more than 50% of the securities in public hands at the time of a SPAC's listing should be beneficially owned by the three largest public shareholders?

Yes

Please give reasons for your views.

Question 8

Do you agree that at least 25% of the SPAC's total number of issued shares and at least 25% of the SPAC's total number of issued warrants must be held by the public at listing and on an ongoing basis?

Yes

Please give reasons for your views.

Question 9a

Do you agree that the shareholder distribution proposals set out in paragraphs 181 and 182 of the Consultation Paper will provide sufficient liquidity to ensure an open market in the securities of a SPAC prior to completion of a De-SPAC Transaction?

No

Please give reasons for your views.

It strikes us that on balance, this could be a market with a very small number of participants.

Question 9b

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

Yes

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.

But as stated before, we don't think that such a limited SPAC regime would assist Hong Kong's competitiveness in the global SPAC markets, or would benefit Hong Kong's retail investors.

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.

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 disagree with the proposal that funds expected to be raised by a SPAC from its IPO at the time of its listing must be at least HK\$1 billion. Although we understand that the Exchange intends to set a high entrance bar for SPACs to be listed in Hong Kong, we note the followings:

- The Exchange acknowledged that in Greater China and South East Asia, a large majority of the companies listed in the US via a De-SPAC Transaction would not meet this entrance threshold (paragraph 194). Although we understand that the Exchange intends to attract quality companies only, given the totality of the high entrance barriers in a variety of areas set out in the Consultation Paper, how confident is the Exchange in its intention of attracting De-SPAC Targets in Greater China and other Asian Pacific regions?
- We also note that the SGX does not set a minimum IPO fund raising size for SPACs; and its market capitalization threshold of S\$150 million (paragraph 191) is likely to be significantly lower than the market capitalizations of those Successor Companies which can enter Hong Kong. But again, given the choices of US and SGX, how confident is the Exchange in attracting De-SPAC Targets in Greater China and other Asian Pacific regions?
- If Hong Kong eventually has a much smaller pool of SPACs listed on the Exchange, the choices for the De-SPAC Targets are likely to be limited. Given the totality of circumstances, we respectfully suggest that the Exchange consider lowering the HK\$1 billion fund raising requirement, such that a greater variety of De-SPAC Targets would be attracted by the Hong Kong SPAC market. We understand that the Exchange is conscientious about quality of the players in its SPAC market; we also note, however, that if the water is too clear, you might not find any fish in such a pond (水至清则无鱼).

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.

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?

Yes

Please give reasons for your views.

Question 15b

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

Yes

Please give reasons for your views.

Question 16

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

Yes

Please give reasons for your views.

Question 17a

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

Yes

Please give reasons for your views.

Question 17b

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

Yes

Please provide the details of any such information below.

Other than information to be submitted in Box 1, it is possible to request that the SPAC Promoters to disclose any negative prior histories in dealing with public companies, for example, insider dealings or tradings, embezzlements, bankruptcies of companies such SPAC Promoters managed, and other similar events.

Question 18

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

Yes

Please give reasons for your views.

Question 19a

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

Yes

Please give reasons for your views.

Although this bar is high, we think it is achievable and helpful.

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 think this requirement is helpful, although it will make it very difficult to form a SPAC

Promoter group in Hong Kong. Also, it is possible that a small number of players will dominate the SPAC Promoter market in Hong Kong.

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 think the requirement will be helpful, although once again, it will make SPACs difficult to operate in Hong Kong.

Question 20b

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

Yes

Please give reasons for your views.

Question 21

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

Yes

Please give reasons for your views.

This is a very high bar, although it is probably achievable.

Question 22

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

Yes

Please give reasons for your views.

Question 23

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

Yes

Please give reasons for your views.

Question 24

Do you agree that the gross proceeds of the SPAC's initial offering must be held in the form of cash or cash equivalents such as bank deposits or short-term securities issued by governments with a minimum credit rating of (a) A-1 by S&P; (b) P-1 by Moody's Investors Service; (c) F1 by Fitch Ratings; or (d) an equivalent rating by a credit rating agency acceptable to the Exchange?

Yes

Please give reasons for your views.

Question 25

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

Yes

Please give reasons for your views.

Question 26

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

Yes

Please give reasons for your views.

Question 27

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

Yes

Please give reasons for your views.

Question 28

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

Yes

Please give reasons for your views.

Question 29

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

Yes

Please give reasons for your views.

Question 30

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

No

Please give reasons for your views.

Although in principle, we agree that the Exchange should apply new listing requirements to a De-SPAC Transaction, we note, however, that the Consultation Paper has not discussed the potential amount of time required to go through a De-SPAC Transaction process, particularly the time required with the Exchange. But given the proposed requirement of a two-month advanced engagement of an IPO Sponsor by a Successor Company, the application of the IFA requirements (paragraph 298), together with the Exchange's typical length of time in its vetting process, it strikes us that a De-SPAC Transaction could potentially take a much longer time to complete in Hong Kong as compared to the US. We note the followings:

- The SPAC shareholders put in their funds for 12 to 15 months to capture the interest and to obtain the upside on the Warrants. But typically many of them redeem. Given the length of time of a vetting process (together with the requirement of a two-month advanced engagement of an IPO Sponsor and the application of the IFA requirements), we are concerned that this may reduce the attractiveness of Hong Kong as a De-SPAC listing venue, given the competition landscape. We respectfully suggest that the Exchange review this issue carefully, and we will be delighted to provide further input on this matter.
- If the De-SPAC vetting process takes too long, would some potential De-SPAC Targets be better off to do a straight IPO or to seek SPACs in other markets instead?

We respectfully suggest that the Exchange consider this aspect of the De-SPAC rules, and demonstrate to the potential De-SPAC Targets that the Exchange can allow the De-SPAC Transactions to go through smoothly and efficiently.

Question 31

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

Yes

Please give reasons for your views.

Question 32

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

Yes

Please give reasons for your views.

Question 33

Should the Exchange impose a requirement on the amount of funds raised by a SPAC (funds raised from the SPAC's initial offering plus PIPE investments, less redemptions) that the SPAC must use for the purposes of a De-SPAC Transaction?

Yes

Please give reasons for your views.

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?

Yes

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?

Yes

Please give reasons for your views.

Question 36

Do you agree that the Exchange should mandate that this outside independent PIPE investment must constitute at least 25% of the expected market capitalisation of the Successor Company with a lower percentage of between 15% and 25% being acceptable if the Successor Company is expected to have a market capitalisation at listing of over HK\$1.5 billion?

Yes

Please give reasons for your views.

Question 37

Do you agree that at least one independent PIPE investor in a De-SPAC Transaction must be an asset management firm with assets under management of at least HK\$1 billion or a fund of a fund size of at least HK\$1 billion and that its investment must result in it beneficially owning at least 5% of the issued shares of the Successor Company as at the date of the Successor Company's listing?

Yes

Please give reasons for your views.

Question 38

Do you agree with the application of IFA requirements to determine the independence of outside PIPE investors?

No

Please give reasons for your views.

We would like to hold our thoughts on this question. Although the application of the IFA requirements will add additional safeguards for a De-SPAC Transaction, this is likely to add additional amount of time for a De-SPAC Transaction as well. See our concern voiced in Question 30.

Question 39

Do you prefer that the Exchange impose a cap on the maximum dilution possible from the conversion of Promoter Shares or exercise of warrants issued by a SPAC?

Yes

Please give reasons for your views.

Question 40

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

Yes

Please give reasons for your views.

Question 41

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

Yes

Please give reasons for your views.

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.

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.

Question 45

Do you agree that the terms of any outside investment obtained for the purpose of completing a De-SPAC Transaction must be included in the relevant resolution(s) that are the subject of the shareholders vote at the general meeting?

Yes

Please give reasons for your views.

Question 46

Do you agree that the Exchange should apply its connected transaction Rules (including the additional requirements set out in paragraph 334) to De-SPAC Transactions involving targets connected to the SPAC; the SPAC Promoter; the SPAC's trustee/custodian; any

of the SPAC directors; or an associate of any of these parties as set out in paragraphs 327 to 334 of the Consultation Paper?

Yes

Please give reasons for your views.

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 a SPAC shareholder cannot redeem its (or her) SPAC Shares unless it (or she) votes against the matters set out in paragraph 352. Although the Exchange intends to align an investor's vote with its (or her) position in the potential De-SPAC Transaction, this requirement inevitably will increase the uncertainty of success of a De-SPAC Transaction. Consequently, this deal uncertainty reduces the attractiveness of a Hong Kong listed SPAC to a potential De-SPAC Target, thereby reducing the attractiveness of Hong Kong as a viable SPAC listing venue.

We respectfully suggest that the Exchange consider removing this requirement and allowing a SPAC shareholder to vote a yes to a De-SPAC Transaction but to redeem its (or her) shares.

Question 48

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

Yes

Please give reasons for your views.

Question 49

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

Yes

Please give reasons for your views.

Question 50

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

Yes

Please give reasons for your views.

Question 51

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

Yes

Please give reasons for your views.

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?

No

Please give reasons for your views.

Hopefully a Successor Company will have more shareholders. See our previous comments.

Question 53

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

Yes

Please give reasons for your views.

Question 54

Are the shareholder distribution proposals set out in paragraphs 380 and 382 of the Consultation Paper sufficient to ensure an open market in the securities of a Successor Company or are there other measures that the Exchange should use to help ensure an open market?

No

Please give reasons for your views.

Probably no. See our previous comments.

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.

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.

Question 57

Do you agree that the controlling shareholders of a Successor Company should be

subject to a restriction on the disposal of their shareholdings in the Successor Company after the De-SPAC Transaction?

Yes

Please give reasons for your views.

Question 58

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

Yes

Please give reasons for your views.

Question 59

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

Yes

Please give reasons for your views.

Question 60

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

Yes

Please give reasons for your views.

Question 61

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

Yes

Please give reasons for your views.

Question 62

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

Yes

Please give reasons for your views.

Question 63

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

Yes

Please give reasons for your views.

Question 64

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

Yes

Please give reasons for your views.

Question 65

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

Yes

Please give reasons for your views.

Question 66

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

Yes

Please give reasons for your views.

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.

Yes, this would assist to expedite the SPAC listing process.

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.

Yes, this would be a programmatic approach.