

Submitted via Qualtrics

Company/Organisation view

Question 1

Do you agree that the subscription and trading of SPAC securities prior to a De-SPAC Transaction should be limited to Professional Investors only (see paragraph 149 of the Consultation Paper)?

Yes

Please give reasons for your views.

We agree on placing a limit on retail participation.

We agree that the SFO definition of Professional Investors is the appropriate class of investors.

Question 2

Do you agree with the measures proposed in paragraphs 151 to 159 of the Consultation Paper to ensure SPAC's securities are not marketed to and traded by the public in Hong Kong (excluding Professional Investors)?

Yes

Please give reasons for your views.

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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 strongly support the proposal for SPAC Shares and SPAC Warrants to be permitted to trade separately from the date of initial listing to a De-SPAC Transaction. We understand this aspect of SPACs is an important contributor to the success of the SPAC regime for Hong Kong as it incentivizes promoters and investors and allow them to structure their economic returns efficiently.

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 support the adoption of Option 2. The presence of the VCM is sufficient to address a potentially disorderly market.

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:

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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.

We strongly disagree with the proposal.

75 is prohibitively high. For IPOs, Appendix 6 of the Listing Rules require 100 placees (who are required to be Professional Investors). The nature of the bookbuilding exercise (including the time afforded to bookbuilding and investor meetings) means that it is inherently difficult to build a book with 100 orders at a reasonable price acceptable to the issuer, let alone make allocations to 100 placees.

We suggest a minimum of 15-20 Professional Investors.

We do not agree that a distinction should be made between Institutional Professional Investors and Individual Professional Investors – neither the SFO nor the Listing Rules make such a distinction. The definition of “Institutional Professional Investors” (by reference to paragraphs (a) to (i) of the definition in the SFO is too narrow, and does not include a pool of investors such as family offices).

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 response to Question 5. If there has to be a distinction between Institutional Professional Investors and Individual Professional Investors, given the restrictive nature of the definition of Institutional Professional Investors, we believe 30% is an appropriate number.

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?

No

Please give reasons for your views.

We understand this rule is taken from LR8.08(3) of the Listing Rules.

However, we do not agree that SPACs should be subject to a similar requirement because the nature of SPACs is such that the rules should not discourage large public shareholders (especially as they have to be Professional Investors) from “anchoring” a SPAC transaction.

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.

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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?

Yes

Please give reasons for your views.

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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.

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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.

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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.

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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 minimum fund raising size – the market should not be flooded with small sized SPACs that are likely to raise quality issues.

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.

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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.

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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 strongly disagree with the proposal. Again, given SPACs are limited to Professional Investors who have the knowledge and experience to evaluate investment opportunities, the market should be allowed to decide on the value of Promoter Warrants.

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.

We strongly disagree with the proposal. Please see our comments 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.

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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.

However, we think the level of detail (such as details of previous SPAC targets, performance etc.) is too granular. In most cases, such information relates to non-Hong Kong SPACs and may not be relevant or indicative of the success of the Hong Kong SPAC and may therefore be misleading.

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.

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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.

However, we note that the criterion (b) (C-level executives at an index constituent) is too narrow and may be considered as too “elitist.”

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.

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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.

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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.

However, the requirement for the SPAC Promoters and their respective close associates to abstain from voting will allow investors (including activists) to hold SPAC Promoters hostage that is not in the interests of all SPAC investors as a whole.

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?

No

Please give reasons for your views.

One month is too short. SPAC Promoters may be held hostage by investors (including activists) given the short time they have to seek approval.

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 do not agree with this proposal.

We think that INEDs (as they are subject to independence requirements and other specific duties under the Listing Rules) should play a bigger role on SPAC boards (perhaps consider an additional requirement that at least the “non-accounting” members of INEDs must have experience in the relevant industry(ies) that the SPAC is target and/or M&A experience.

The propose that the majority of directors on the board of a SPAC must be officers (as defined under the SFO) of the non-licensed SPAC Promoters is not meaningful if as the SFO definition is too broad (namely, “director, manager or secretary of, or any other person involved in the management of, a corporation”).

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.

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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.

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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.

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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 note that the SPAC must be allowed to pay regular expenses that are envisaged/disclosed in the listing document.

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.

We propose that a proportion of SPAC Promoter equity/warrants should be allowed for other parties who make a meaningful contribution to the SPAC. The U.S. model should be followed in this respect.

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.

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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.

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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?

Yes

Please give reasons for your views.

We strongly agree with this proposal; otherwise, the Hong Kong SPAC regime will be perceived to be legitimizing "shell" activities.

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.

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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.

The proposed requirement is too restrictive and may hamper the ability of the SPAC Promoter to identify suitable De-SPAC targets. The regime should allow parties to negotiate the terms of the De-SPAC.

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 proposed requirement is too restrictive and may hamper the ability of the SPAC Promoter to identify suitable De-SPAC targets. The regime should allow parties to negotiate the terms of the De-SPAC.

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.

While we agree that a PIPE transaction would benefit the SPAC (and begin to introduce a broader shareholder base), the proposed requirements of the PIPE transaction are too granular.

If there are too many requirements on the PIPE transaction, it defeats the whole purpose of doing a SPAC. First of all, the De-SPAC has to go through the listing vetting procedure so the only benefit is not being subject to market conditions. If the rules require minimum PIPE investment, then we do not see any practical difference with a normal IPO.

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.

Similar to our response to Question 15, given SPACs are limited to Professional Investors who have the knowledge and experience to evaluate investment opportunities, the market should be allowed to decide on the appropriateness of the 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?

Yes

Please give reasons for your views.

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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.

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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.

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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?

No

Please give reasons for your views.

This proposed requirement is too restrictive. We believe that full disclosure of the terms of the outside investment should be sufficient, rather than a requirement to include such terms in the relevant resolution(s).

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.

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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?

Yes

Please give reasons for your views.

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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.

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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.

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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.

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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.

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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.

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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?

No

Please give reasons for your views.

Consideration should be how a SPAC can meet the public float requirement given the lack of retail participation until completion of the De-SPAC. The Successor Company should be given time (such as a grace period of 12 months) to achieve the 25% public float requirement (or allow retail investors to start investing in the SPAC following announcement or despatch of the circular, as suggested earlier).

This proposal would effectively require a SPAC to undertake a fund raising exercise, which defeats the advantage that SPACs can remove market risk compared to a normal IPO.

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.

Please see our response to Question 53 above.

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.

This proposal encourages SPAC Promoters to select quality SPAC targets

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?

No

Please give reasons for your views.

We do not agree with this proposal. We consider that a six-month lock up for both SPAC Shares and SPAC Warrants to be sufficient, especially given the time the SPAC Promoters have locked up their investment from initial listing to 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.

Please see our response to Question 56(a) above.

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 Rule 10.07 of the Listing Rules applicable to IPOs.

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.

Please see our response to Question 57 above.

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 with the reasons set out in paragraph 404 of the Consultation Paper.

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, otherwise it does not make sense as the owner of the target (whose intention is to buy a shell listed company) will be forced to take over a listed company the first day it acquires control.

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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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