

# The Hong Kong Chartered Governance Institute

Online Submission:

Hong Kong Exchanges and Clearing Ltd (HKEX)  
Consultation Paper on  
Special Purpose Acquisition Companies

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## HKEX Consultation Paper on Special Purpose Acquisition Companies (Consultation Paper)

### About The Hong Kong Chartered Governance Institute

The Hong Kong Chartered Governance Institute (HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS), is the only qualifier of the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications in Hong Kong and the Mainland of China.

With over 70 years of history and as the China Division of The Chartered Governance Institute (CGI), the Institute's reach and professional recognition extends to all of CGI's nine divisions, with more than 40,000 members and students worldwide. HKCGI is the fastest growing Division of CGI, with a current membership of over 6,600, 300 graduates and 3,000 students with significant representations within listed companies and other cross industry governance functions.

Believing that better governance leads to a better future, HKCGI's mission is to promote good governance in an increasingly complex world and to advance leadership in the effective governance and efficient administration of commerce, industry and public affairs. As recognised thought leaders in our field, the Institute educates and advocates for the highest standards in governance and promotes an expansive approach which takes account of the interests of all stakeholders.

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)? Please give reasons for your views.

Yes.

SPACs have been used as alternative investment vehicles in the US for over two decades. They have recently assumed importance because of the amount of funds raised which was estimated at over US\$114 billion for the first half of 2021 according to the Consultation Paper. Singapore has proposed the adoption of SPACs and now Hong Kong is seeking to introduce its SPAC regime.

From the applied governance perspective, SPACs have their challenges. In April 2021, Mr John Coates, Acting Director, Division of Corporation Finance, US Securities and Exchange Commission (SEC) stated that, 'the U.S. securities markets have seen an unprecedented surge in the use and popularity of SPACs. Shareholder advocates – as well as business journalists and legal and banking practitioners, and even SPAC enthusiasts themselves – are sounding alarms about the surge. Concerns include risks from fees, conflicts, and sponsor compensation, from celebrity sponsorship and the potential for retail participation drawn by baseless hype, and the sheer amount of capital pouring into the SPACs, each of which is designed to hunt for a private target to take public.'

Our Institute, from the practical governance perspective, is most concerned that retail investors are not drawn into the SPAC market prior to De-SPAC Transaction where the real IPO happens according to Mr John Coates. Given that the proposed SPAC regime under the Consultation Paper will be a professional one, unlike the position in Singapore with higher retail participation, and the governance enhancements proposed by the Exchange, we have no issue, in general, with the proposals under the

Consultation Paper. Accordingly, we will restrict ourselves to constructive comments, where appropriate, to the questions and answers posed under the Consultation Paper.

In relation to the specific question raised, we agree and regard this as the most important aspect of the proposals under the Consultation Paper. From the applied governance perspective, Professional Investors are better placed to assess, monitor and mitigate the risks associated with SPACs. Also, we have no issue with the Successor Company not being subject to the Professional Investor restrictions as the real IPO would have occurred under the De-SPAC Transaction subject to the new listing requirements for investor protection and market integrity.

Question 2 If your answer to Question 1 is "Yes", 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.

Yes.

For a professional market, we have no issue with the proposed measures, and note the explanation under footnote 96 of the Consultation Paper. The requirement for approval to become a SPAC Exchange Participants, along with related undertakings from responsible officers, and the proposed monitoring and enforcement mechanisms under paragraphs 151-159 of the Consultation Paper are sound from the governance perspective.

Question 3 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? If not, do you have any alternative suggestions? Please give reasons for your views.

Unanswered.

We have no issue with trading of SPAC Warrants from the date of listing of the SPAC to a De-SPAC Transaction as the SPAC market will be a professional one for Professional Investors who can manage their own risk appetites. However, this is more of an industry concern for the professional market participants.

Question 4 If your answer to Question 3 is "Yes", 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? Do you have any other suggestions to address the risks regarding trading arrangements we set out in the Consultation Paper? Please give reasons for your views. Please provide further technical details if you suggest a different option.

Unanswered.

It would appear that Option 2 will operate under a time tested VCM mechanism which could be relevant to risk mitigation consideration which is relevant to the overall governance of the SPAC regime. However, this is more of an industry concern for the professional market participants.

Question 5 Do you agree that, at its initial offering, a SPAC must distribute each of SPAC Shares and SPAC Warrants to a minimum of 75 Professional Investors in total (of either type) of which 30 must be Institutional Professional Investors?

Please give reasons for your views.

Unanswered.

We have no concerns as to this proposed distribution requirement from the governance perspective, and this is more of an industry concern for the professional market participants.

Question 6 Do you agree that, at its initial offering, a SPAC must distribute at least 75% of each SPAC Shares and SPAC Warrants to Institutional Professional Investors?

Please give reasons for your views.

Unanswered.

We have no concerns as to this proposed distribution requirement from the governance perspective, and this is more of an industry concern for the professional market participants.

Question 7 Do you agree that not more than 50% of the securities in public hands at the time of a SPAC's listing should be beneficially owned by the three largest public shareholders?

Please give reasons for your views.

Unanswered.

We have no concerns as to this proposed requirement from the governance perspective, and this is more of an industry concern for the professional market participants.

Question 8 Do you agree that at least 25% of the SPAC's total number of issued shares and at least 25% of the SPAC's total number of issued warrants must be held by the public at listing and on an ongoing basis?

Please give reasons for your views.

Unanswered.

We have no concerns as to this proposed requirement from the governance perspective, and this is more of an industry concern for the professional market participants.

Question 9 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 or are there other measures that the Exchange should use to help ensure an open and liquid market in SPAC securities?

Please give reasons for your views.

Unanswered.

Q9a. We have no concerns as to this proposed requirement from the governance perspective, and this is more of an industry concern for the professional market participants.

Q9b. In general, it is good to have an open and liquid market, but the details are more of an industry concern for the professional market participants.

Question 10 Do you agree that, due to the imposition of restricted marketing, a SPAC should not have to meet the requirements set out in paragraph 184 of the Consultation Paper regarding public interest, transferability (save for transferability between Professional Investors) and allocation to the public?

Please give reasons for your views.

Unanswered.

We have no concerns as the business of the SPAC is to identify the opportunity for De-SPAC, and the proposed transferability is to Professional Investors along with allocation under a professional market from the governance perspective. However, these are more industry concerns for the professional market participants.

Question 11 Do you agree that SPACs should be required to issue their SPAC Shares at an issue price of HK\$10 or above?

Please give reasons for your views.

Unanswered.

We have no issue with this proposal aimed to help mitigate price volatility which is in good governance, and in line with international practice, but this is more of an industry concern for the professional market participants.

Question 12 Do you agree that the funds expected to be raised by a SPAC from its initial offering must be at least HK\$1 billion?

Please give reasons for your views.

Unanswered.

We have no issue with this minimum fund raise, which is consistent with the expected minimum size for a professional market, but which is more of an industry concern for the professional market participants.

Question 13 Do you agree with the application of existing requirements relating to warrants with the proposed modifications set out in paragraph 202 of the Consultation Paper?

Please give reasons for your views.

Unanswered.

The application of existing requirements is in good governance. As to the proposed modifications, we have no particular concerns, except it is for market consensus as to whether a five-year overhang by the Promote Warrants is appropriate or not. In any event, whatever duration is adopted, it is in good governance for the potential dilution be made clear for transparency during the De-SPAC Transaction, but these are more industry concerns for the professional market participants.

Question 14 Do you agree that Promoter Warrants and SPAC Warrants should be exercisable only after the completion of a De-SPAC Transaction?

Please give reasons for your views.

Unanswered.

We agree as this could reduce market volatility and focus the SPAC Promoters on the DE-SPAC Transaction to benefit all shareholders which is in good governance, but this is more of an industry concern for the professional market participants.

Question 15 Do you agree that a SPAC must not issue Promoter Warrants at less than fair value and must not issue Promoter Warrants that contain more favourable terms than that of SPAC Warrants?

Please give reasons for your views.

Unanswered.

Q15a. This achieves equality of treatment between SPAC Promoters and SPAC shareholders and conducive to alignment of interests and investor protection which are in good governance, but this is more of an industry concern for the professional market participants.

Q15b. This achieves equality of treatment between SPAC Promoters and SPAC shareholders and is conducive to the alignment of interests and investor protection which are in good governance, but this is more of an industry concern for the professional market participants.

Question 16 Do you agree that the Exchange must be satisfied as to the character, experience and integrity of a SPAC Promoter and that each SPAC Promoter should be capable of meeting a standard of competence commensurate with their position?

Please give reasons for your views.

Yes.

From the governance perspective, we regard these as important as part of investor protection and for an orderly market in the trading of securities.

Question 17 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, or is there additional information that should be provided or information that should not be required regarding each SPAC Promoter's character, experience and integrity?

Please give reasons for your views.

Yes.

Q17a. From the governance perspective, we regard these as important as part of investor protection and for an orderly market in the trading of securities.

Unanswered

Q17b. We have no issue with the expected disclosures, but this is more an industry concern for the professional market participants.

Question 18 Do you agree that the Exchange, for the purpose of determining the suitability of a SPAC Promoter, should view favourably those that meet the criteria set out in paragraph 216 of the Consultation Paper?

Please give reasons for your views.

Yes.

From the governance point of view, we have no issue with these requirements, as long as they are open and transparent and the playing field is level for all SPAC Promoters.

Question 19 Do you agree that at least one SPAC Promoter must be a firm that holds: (i) a Type 6 (advising on corporate finance) and/or a Type 9 (asset management) license issued by the SFC; and (ii) at least 10% of the Promoter Shares?

Please give reasons for your views.

Yes.

Q19a. From the governance point of view, we have no issues with these requirements. Further, we would expect the SPAC Promoters to collectively hold both Type 6 and 9 licences for investor protection.

Unanswered

Q19b. This is more of an industry concern for the professional market participants.

Question 20 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) and if it fails to obtain the requisite shareholder approval within one month of the material change, the trading of a SPAC's securities will be suspended and the SPAC must 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)?

Please give reasons for your views.

Yes.

Q20a. From the governance point of view, we have no issues with these requirements. It would be sound and in good governance to unwind a SPAC in the circumstances for investor protection.

Q20b. From the governance point of view, we have no issues with these requirements. It would be sound and in good governance to unwind a SPAC in the circumstances for investor protection.

Question 21 Do you agree that the majority of directors on the board of a SPAC must be officers (as defined under the SFO) of the SPAC Promoters (both licensed and non-licensed) representing the respective SPAC Promoters who nominate them?

Please give reasons for your views.

Yes.

From the governance point of view, we support these requirements aimed at enhancing the skill sets of the SPAC board and accountability to SPAC Investors.

Question 22 Do you agree that 100% of the gross proceeds of a SPAC's initial offering must be held in a ring-fenced trust account located in Hong Kong?

Please give reasons for your views.

Yes.

From the governance point of view, we support this requirement as a SPAC is a special purpose vehicle and the proposal reduces the risk of it not complying with its purpose and therefore in good governance. This also represents part of SPAC Investor protection. This should exclude proceeds raised from the issue of Promoter Shares and Promoter Warrants as set out under paragraph 228 of the Consultation Paper.



Question 23 Do you agree that the trust account must be operated by a trustee/custodian whose qualifications and obligations should be consistent with the requirements set out in Chapter 4 of the Code on Unit Trusts and Mutual Funds?

Please give reasons for your views.

Yes.

From the governance point of view, we support this requirement as part of SPAC Investor protection.

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?

Please give reasons for your views.

Yes.

From the governance point of view, we support these requirements as part of SPAC Investor protection and to manage the related risks of dissipation of assets from investments that carry higher risks.

Question 25 Do you agree that the gross proceeds of the SPAC's initial offering held in trust (including interest accrued on those funds) must not be released other than in the circumstances described in paragraph 231 of the Consultation Paper?

Please give reasons for your views.

Yes.

From the governance point of view, we support these requirements as part of SPAC Investor protection.

Question 26 Do you agree that only the SPAC Promoter should be able to beneficially hold Promoter Shares and Promoter Warrants at listing and thereafter?

Please give reasons for your views.

Unanswered.

We agree as the SPAC Promoter should be incentivised by these and only these, but this is more of an industry concern for the professional market participants.

Question 27 If your answer to Question 26 is "Yes", 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.

Unanswered.

We agree with the position set out under paragraph 239 of the Consultation Paper, and this proposal aligns with the expectation for the SPAC Promoter to be focused on the De-SPAC Transaction which is in the interests of SPAC Investors. You may consider also restricting the purchase of participating interests or other contractual arrangements or derivation on the Promoter Shares and Warrants not involving a change of beneficial ownership.

Question 28 Do you agree with our proposal to prohibit a SPAC Promoter (including its directors and employees), SPAC directors and SPAC employees, and their respective close associates, from dealing in the SPAC's securities prior to the completion of a De-SPAC Transaction?

Please give reasons for your views.

Yes.

We agree and the restriction on close associates is also appropriate as part of the SPAC Investor protection and for market integrity.

Question 29 Do you agree that the Exchange should apply its existing trading halt and suspension policy to SPACs (see paragraphs 249 to 251)?

Please give reasons for your views.

Yes.

We agree and this position is similar to that under inside information rules. If confidentiality is lost, which is a safe harbour, a suspension should be required of the SPAC.

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?

Please give reasons for your views.

Yes.

We agree. As noted by the U.S. SEC, the true IPO is the De-SPAC Transaction, and the usual IPO rules should apply at that stage. This is necessary for investor protection.

Question 31 Do you agree that investment companies (as defined by Chapter 21 of the Listing Rules) should not be eligible De-SPAC Targets?

Please give reasons for your view.

Yes.

We agree that an investment company should not be eligible to be De-SPAC Target as they are separately listed under a regime of its own. Further, the purpose of a SPAC, as an investment vehicle, should not be to seek another investment company for its IPO.

Question 32 Do you agree that the fair market value of a De-SPAC Target should represent at least 80% of all the funds raised by the SPAC from its initial offering (prior to any redemptions)? Please give reasons for your views.

Unanswered.

We have no issue with following U.S. practice in this regard, but this is more of an industry concern for the professional market participants.

Question 33 Should the Exchange impose a requirement on the amount of funds raised by a SPAC (funds raised from the SPAC's initial offering plus PIPE investments, less redemptions) that the SPAC must use for the purposes of a De-SPAC Transaction? Please give reasons for your views.

Yes.

That is the purpose of the SPAC and SPAC Investor funds should be used for the De-SPAC Transaction.

Question 34 If your answer to Question 33 is "Yes", 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.

Unanswered.

We have no issue, but this is more of an industry concern for the professional market participants.

Question 35 Do you agree that the Exchange should mandate that a SPAC obtain funds from outside independent PIPE investors for the purpose of completing a De-SPAC Transaction? Please give reasons for your views.

Unanswered.

We have no issue with this enhancement for proper price discovery which is in the interests of the investing public, but this is more of an industry concern for the professional market participants.

Question 36 If your answer to Question 35 is "Yes", 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.

Unanswered.

This is more of an industry concern for the professional market participants.

Question 37 If your answer to Question 35 is "Yes", 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.

Unanswered.

This is more of an industry concern for the professional market participants.

Question 38 If your answer to Question 35 is "Yes", do you agree with the application of IFA requirements to determine the independence of outside PIPE investors?

Please give reasons for your views.

Unanswered.

This is more of an industry concern for the professional market participants, but the application of IFA requirements is in good governance to determine the independence of outside PIPE investors.

Question 39 Do you prefer that the Exchange impose a cap on the maximum dilution possible from the conversion of Promoter Shares or exercise of warrants issued by a SPAC?

Please give reasons for your views.

Yes.

This reduces governance risks from over-dilution and is part of investor protection.

Question 40 If your answer to Question 39 is "Yes", do you agree with the antidilution mechanisms proposed in paragraph 311 of the Consultation Paper?

Please give reasons for your views and provide any suggestions for alternative dilution cap mechanisms that could be considered.

Unanswered.

The proposals appear to be well thought out, but these are more of industry concerns for the professional market participant.

Question 41 If your answer to Question 39 is "Yes", 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 are met?

Please give reasons for your views.

Unanswered.

The proposals appear to be well thought out with the need for SPAC shareholders approval and fully disclosed as part of the De-SPAC Transaction, but these are more industry concerns for the professional market participant.

Question 42 Do you agree that any anti-dilution rights granted to a SPAC Promoter should not result in them holding more than the number of Promoter Shares that they held at the time of the SPAC's initial offering?

Please give reasons for your views.

Unanswered.

This appears to be a transparent ceiling which would be conducive to investor protection, but this is more of an industry concern for the professional market participant.

Question 43 Do you agree that a De-SPAC Transaction must be made conditional on approval by the SPAC's shareholders at a general meeting as set out in paragraph 320 of the Consultation Paper?

Please give reasons for your views.

Yes.

We agree on the need for a general meeting, as against a paper meeting, which is in good governance.

Question 44 If your answer to Question 43 is "Yes", do you agree that a shareholder and its close associates must abstain from voting at the relevant general meeting on the relevant resolution(s) to approve a De-SPAC Transaction if such a shareholder has a material interest in the transaction as set out in paragraph 321 of the Consultation Paper?

Please give reasons for your views.

Yes.

We agree this deals with conflict of interests in a material transaction which is in good governance.

Question 45 If your answer to Question 43 is "Yes", do you agree that the terms of any outside investment obtained for the purpose of completing a De-SPAC Transaction must be included in the relevant resolution(s) that are the subject of the shareholders vote at the general meeting?  
Please give reasons for your views.

Yes.

We agree as this is in the interest of transparency and the making of informed decisions which are in good governance.

Question 46 Do you agree that the Exchange should apply its connected transaction Rules (including the additional requirements set out in paragraph 334) to De-SPAC Transactions involving targets connected to the SPAC; the SPAC Promoter; the SPAC's trustee/custodian; any of the SPAC directors; or an associate of any of these parties as set out in paragraphs 327 to 334 of the Consultation Paper?  
Please give reasons for your views.

Yes.

We agree as related party transactions should in accordance with global governance practice be subject to regulations and the connected party transaction rules proposed are appropriate.

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?  
Please give reasons for your views.

Unanswered.

We are concerned that this limits the choice on the SPAC shareholders on exercising their redemption rights, and defer to industry views in this regard.

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?  
Please give reasons for your views.

Unanswered.

This is more of an industry concern for the professional market participants.

Question 49 Do you agree a SPAC should be prohibited from limiting the amount of shares a SPAC shareholder (alone or together with their close associates) may redeem?  
Please give reasons for your views.

Unanswered.

This appears reasonable as SPAC shares for shareholders should be freely transferrable, but this is more of an industry concern for the professional market participants.

Question 50 Do you agree with the proposed redemption procedure described in paragraphs 355 to 362 of the Consultation Paper?

Please give reasons for your views.

Unanswered.

This is more of an industry concern for the professional market participants.

Question 51 Do you agree that SPACs should be required to comply with existing requirements with regards to forward looking statements (see paragraphs 371 and 372 of the Consultation Paper) included in a Listing Document produced for a De-SPAC Transaction?

Please give reasons for your view.

Yes.

The conformity to new listing requirements including for forward looking statements is important, as it is the De-SPAC transaction that is the true IPO, and the governance regime should be in line with that of a new listing regime.

Question 52 Do you agree that a Successor Company must ensure that its shares are held by at least 100 shareholders (rather than the 300 shareholders normally required) to ensure an adequate spread of holders in its shares?

Please give reasons for your views.

Unanswered.

The new listing regime should be followed with at least 300 shareholders and no special reduction to 100 is necessary.

Question 53 Do you agree that the Successor Company must meet the current requirements that (a) at least 25% of its total number of issued shares are at all times held by the public and (b) not more than 50% of its securities in public hands are beneficially owned by the three largest public shareholders, as at the date of the Successor Company's listing?

Please give reasons for your views.

Yes.

The new listing regime should be followed.

Question 54 Are the shareholder distribution proposals set out in paragraphs 380 and 382 of the Consultation Paper sufficient to ensure an open market in the securities of a Successor Company or are there other measures that the Exchange should use to help ensure an open market?

Please give reasons for your views.

Unanswered.

Please see the answer to Q.52 above. The new listing regime with 300 shareholders should be followed for complying with the sufficiency of open market requirements.

Question 55 Do you agree that SPAC Promoters should be subject to a restriction on the disposal of their holdings in the Successor Company after the completion of a De-SPAC Transaction?

Please give reasons for your views.

Yes.

This is in line with the market practice in the US and can be considered.

Question 56 If your answer to Question 55 is "Yes", do you agree that

(a) 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; and

(b) Promoter Warrants should not be exercisable during the period ending 12 months from the date of the completion of a De-SPAC Transaction?

Please give reasons for your views.

Yes.

Q56a and Q56b. These are conducive to SPAC Promoters in seeking De-SPAC Target that is solid and this is conducive to market integrity.

Question 57 Do you agree that the controlling shareholders of a Successor Company should be subject to a restriction on the disposal of their shareholdings in the Successor Company after the De-SPAC Transaction?

Please give reasons for your views.

Yes.

These are the new listing requirements which should be applicable.



Question 58 If your answer to Question 57 is "Yes", do you agree that these restrictions should follow the current requirements of the Listing Rules on the disposal of shares by controlling shareholders following a new listing (see paragraph 394 of the Consultation Paper)?

Please give reasons for your views.

Yes.

These are the new listing requirements which should be applicable.

Question 59 Do you agree that the Takeovers Code should apply to a SPAC prior to the completion of a De-SPAC Transaction?

Please give reasons for your views.

Yes.

However, please consider providing guidance as to what are the opportunistic behaviours that are intended for the application of the Takeovers Code to address and to offer related guidance.

Question 60 Do you agree that the Takeovers Executive should normally waive the application of Rule 26.1 of the Takeovers Code in relation to a De-SPAC Transaction, the completion of which would result in the owner of the De-SPAC Target obtaining 30% or more of the voting rights in a Successor Company, subject to the exceptions and conditions set out in paragraphs 411 to 415 of the Consultation Paper?

Please give reasons for your views.

Yes.

We agree with the rationales under paragraphs 411 to 415 of the Consultation Paper.

Question 61 Do you agree that the Exchange should set a time limit of 24 months for the publication of a De-SPAC Announcement and 36 months for the completion of a De-SPAC Transaction (see paragraph 423 of the Consultation Paper)?

Please give reasons for your views.

Yes.

These are conducive to SPAC as special acquisition vehicles to perform its mandates and distinguish them from shell companies.

Question 62 Do you agree that the Exchange should suspend a SPAC's listing if it fails to meet either the De-SPAC Announcement Deadline or the De-SPAC Transaction Deadline (see paragraphs 424 and 425 of the Consultation Paper)?

Please give reasons for your views.

Yes.

These are conducive to SPAC as special acquisition vehicles to perform its mandates and distinguish them from shell companies.

Question 63 Do you agree that a SPAC should be able to make a request to the Exchange for an extension of either a De-SPAC Announcement Deadline or a De-SPAC Transaction Deadline if it has obtained the approval of its shareholders for the extension at a general meeting (on which the SPAC Promoters and their respective close associates must abstain from voting) (see paragraphs 426 and 427 of the Consultation Paper)?

Please give reasons for your views.

Yes.

These are conducive to SPAC as special acquisition vehicles to perform its mandates and distinguish them from shell companies. The time extension with approval of independent SPAC shareholders for a further period of six months is appropriate given the support of the SPAC shareholders.

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) 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?

Please give reasons for your views.

Yes.

These are conducive to SPAC as special acquisition vehicles to perform its mandates and distinguish them from shell companies.

Question 65 If your answer to Question 64 is "Yes", do you agree that (a) a SPAC must liquidate after returning its funds to its shareholders and (b) the Exchange should automatically cancel the listing of a SPAC upon completion of its liquidation?

Please give reasons for your views.

Yes.

These are conducive to SPAC as special acquisition vehicles to perform its mandates and distinguish them from shell companies.

Question 66 Do you agree that SPACs, due to their nature, should be exempt from the requirements set out in paragraph 437 of the Consultation Paper?

Please give reasons for your views.

Yes.

SPAC as special acquisition vehicles and the true IPO where the exempt requirements should apply is under the 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?

Please give reasons for your views.

Unanswered.

This is more of an industry concern for the professional market participants.

Question 68 Should the Exchange exempt SPACs from any Listing Rule disclosure requirement prior to a De-SPAC Transaction, or modify those requirements for SPACs, on the basis that the SPAC does not have any business operations during that period?

Please give reasons for your views.

Yes.

SPAC should have the appropriate exemption/modification as the SPAC does not have business operations and is a special purpose acquisition vehicle for seeking the De-SPAC Transaction.