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.

We cannot stress enough that the new SPAC regime needs to strike the right balance between control, investor protection, and practicality.

We support the proposal that the trust account should be operated by a trustee / custodian whose qualifications and obligations are consistent with the requirements set out in Chapter 4 of the Code on Unit Trusts and Mutual Funds, as it would enable the regulator to have proper oversight of the trust account. At the same time, the Exchange should monitor market developments to ensure that the requirement is practicable.

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, this would ensure proper protection of the capital of the SPAC, and sufficient liquidity to meet the completion of the De-SPAC transactions or return of capital to the SPAC shareholders when needed.

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, fund release other than the circumstances described in paragraph 231 of the Consultation Paper is against the purpose of a SPAC and allowing it could potentially reduce the level of 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.

Yes, we agree as it could strengthen the commitment of the SPAC Promoter to the ultimate success of the SPAC and align their interests with those of the SPAC shareholders.

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.

Yes, please see our response to Question 26.

Question 28

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

Please give reasons for your views.

Yes. We agree since this would prevent potential insider trading prior to the completion of a De-SPAC transaction, and safeguard the interests of the SPAC shareholders.

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

We agree since this is an effective mechanism of investor protection. The trading halt and suspension policy can ensure fair disclosure of material price-sensitive information to all market participants, and prevent potential market manipulation and excessive speculation arising from rumors or improper dissemination of price sensitive information.

Question 30

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

Please give reasons for your views.

We broadly agree with the proposals outlined in paragraphs 259 to 281. We offer the following comments and clarifications:

- **Eligibility and suitability:** In this, we are guided by the principle that there should be no regulatory arbitrage between the SPAC regime and the IPO regime. Companies that cannot meet requirements for listing via a traditional IPO should not be able to list via a SPAC.

- **Appointment of IPO Sponsor and due diligence requirements:** Regarding the proposal to mandate appointing an IPO Sponsor, as pointed out in the consultation paper, IPO Sponsors in Hong Kong SAR have extensive responsibilities and liabilities, and their role is critical in undertaking due diligence on the Successor Company that is commensurate with any other listed companies in Hong Kong. That said, IPO Sponsors are typically remunerated and incentivized by the amount of funds raised. Given that there is no secondary fund raising in the De-SPAC Transaction, it remains to be seen if much interest from leading financial institutions

will materialize. Although there is potential for the underwriter of the SPAC IPO to return and assume responsibility for due diligence at the De-SPAC, this may only partially alleviate the problem, as the mismatch between the fee potential and the level of liability remains.

In addition to due diligence performed by the IPO Sponsor, it is worth considering recommending as a best practice an independent valuation report including a fairness opinion on the target prepared by an independent valuer. Fairness opinions provide an additional level of due diligence and have become a common feature of US-based SPACs.

- **Documentary requirements:** We are also guided by the view that transparency improves market integrity and investor outcomes. We would, therefore, like to see more extensive and specific disclosure requirements regarding features unique to SPACs and De-SPAC Transactions. Such disclosures may include, among others, the effect of redemption of SPAC shares and of the exercise of outstanding warrants on the dilution of the value of SPAC investors' holdings, scenario analysis of possible dilution, transparency on all fees and costs, and on the valuation methodology of the target.

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 views.

We are of the view that all companies eligible for listing should be deemed eligible targets for a De-SPAC Transaction. We agree with the proposal to exclude investment companies listed under Chapter 21 of the Listing Rules, and accept the rationale provided. We also agree that biotech and mineral companies should not be excluded.

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.

We support establishing a minimum on the fair market value of a De-SPAC target in relation to the funds raised in the IPO to be 80%, in line with such requirements imposed by the US stock exchanges and SGX, to ensure that only businesses of sufficient size become De-SPAC targets.

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.

Our view is that such a requirement is not needed. If imposed, it would restrict the amount of cash available to the Successor Company for future development. This amount should be up to the SPAC Promoter and the Target Company to negotiate, without unnecessary

constraints.

We agree that the Successor Company should meet all eligibility criteria for listing, including not constituting a "cash company". However, our view is that a minimum requirement on funds to be used for the De-SPAC Transaction is not the way to ensure it.

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.

N/A

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.

No, we do not agree that outside independent PIPE investment should be mandatory for a De-SPAC Transaction. Although in the US, the involvement of independent third-party investors is perceived as a validation of the De-SPAC Transaction and of the target's valuation, the value such involvement provides is questionable for four reasons.

First, public shareholders should not rely on due diligence done by PIPE investors, since PIPE investors do not owe them duty of care.

Second, side deals and other sweeteners provided to PIPE investors may alter their considerations to the point that the outcomes of their due diligence process are not applicable to other shareholders.

Third, the proposed requirement to mandate an appointment of an IPO Sponsor who would undertake due diligence ahead of the De-SPAC Transaction, if adopted, would render signals from PIPE investment less relevant.

Fourth, due diligence performed by PIPE investment is not a guarantee of the high quality of the transaction. An example is the case of Nikola Motor Company, which merged with a SPAC in the US in June 2020. The company managed to secure PIPE investment from prominent firms, but later it came to light that the strength of its products and the value of the company had been fraudulently inflated, resulting in criminal and civil charges against the company's CEO.

It is also worth noting that the supply of PIPE investment depends on market conditions. Since March 2021, among a large number of SPACs vying for PIPE funding in the US, PIPE financing dried up after peaking in February 2021.[15] Making PIPE financing mandatory would be an unnecessary obstacle during adverse market conditions.

With that in mind, we recommend that PIPE investment should not be a mandatory requirement but should remain a commercial arrangement. We also recommend that the

[15] SPAC Research. https://www.spacresearch.com/newsletter.

involvement of PIPE investors, or lack thereof, the size of PIPE investment, and any related considerations such as side deals and sweeteners, must be fully disclosed.

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 capitalization 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 capitalization at listing of over HK$1.5 billion?

Please give reasons for your views.

N/A

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.

N/A

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.

N/A

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, warrants are a source of dilution and must be limited. Warrants make the SPAC structure attractive for SPAC Promoters and other investors, such as hedge funds, who stand to make attractive nearly risk-free returns. However, these returns come at the cost of non-redeeming investors, and investors who buy SPAC shares in the secondary market.

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.

No, we disagree. By proposing a limit on a fully dilutive basis, the proposal treats all warrants alike, and makes little distinction based on the economics of warrants. Warrants, if structured

well (such as being priced sufficiently out-of-the-money and with long vesting periods) can align the interests of SPAC Promoters with those of post-merger shareholders.

Instead of a blanket limit, we propose (1) that SPAC Warrants and Promoter Warrants entitle the holders to no more than one-half of a share upon exercise (an increase from one-third, as proposed), (2) that all Warrants in aggregate, when exercised, result in an issuance of shares in the amount of no more than 50% of shares at the time of issue (an increase from 30%, as proposed), and (3) that the number of Promoter Warrants exercised each year be restricted in order to limit their effect on the dilution of SPAC shareholders' holdings to 20%.

For instance, if the total number of shares at the time of issue were 100, and Promoter Warrants and Shareholder Warrants were allocated so that upon dilution they will convert to 25 Promoter shares and 25 SPAC shares, then the number of Promoter Warrants exercisable each year would be limited to 20 shares. In this scenario, the SPAC Promoter will be able to convert up to 20 shares (assuming the warrants are in the money) in the first year after expiry of the lock-up on Promoter warrants. The idea is to provide flexibility in the structure and incentivize staggered exercise, while limiting potential dilution.

We would like to see disclosure requirements that are specific and decision-useful for shareholders. In paragraph 310 there is a proposal to fully disclose the dilution to non-redeeming SPAC shareholders. It would also be useful to compute such dilution under different redemption scenarios, because at the time when the circular is drawn up, it is not possible to know the level of redemptions and the final dilution. There should be transparency on all fees and costs, methods of payment, and their timing, whether borne by the SPAC Promoter or the SPAC itself.

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.

Yes, earn-outs align the interests of SPAC Promoters with those of shareholders.

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.

Yes. Any anti-dilution rights granted to SPAC Promoters should have no dilutive effect on the holdings of SPAC Shareholders.

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. SPAC Promoters have a large incentive to close the deal at any costs, otherwise, they are at the risk of losing their investment. Shareholders must have the right to reject transactions that are not value-additive.

General meetings and shareholder voting are critical elements of the De-SPAC Transaction. There must be an emphasis on the Q&A process at general meetings, and the voting process should allow voting after the Q&A session (at least for a few hours), so that shareholders have an opportunity to ask questions and form their views at the meeting.

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. As we described above, SPAC Promoters have a conflict of interest and are incentivized to do any deal before the deadline. Also, the SPAC Promoter's Promote Shares are essentially free. The Promote aligns the SPAC Promoter's economic interest with that of other shareholders, but it should not give SPAC Promoters the right to vote for a transaction they identified and negotiated in the first place.

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. Despite the concerns outlined in Question 35, PIPE investments generally increase the credibility of the deal, and the chances of a De-SPAC Transaction obtaining approval. However, if the terms are too generous, or if there are hidden terms (e.g. a promise to provide future PIPE investment to the PIPE provider's SPAC in return, or quid pro quo deals), such involvement could mislead investors. We would like to reiterate the importance of having all the terms of any outside investments made public.

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. An independent valuation is critical, and the additional disclosures would provide public shareholders with the additional comfort that the transaction is a bona fide one and not a manufactured exit. There is also additional complexity and sensitivity if the De-SPAC Target is part of a separate listed company.

We also recommend that an independent valuation be provided for non-connected transactions as a voluntary best-practice guidance.

Lastly, clarity is needed on the information that needs to go out to SPAC shareholders for their evaluation and approval (or otherwise) of the De-SPAC Transaction.

The way the clauses are currently drafted, if the De-SPAC Transaction is a connected transaction, additional disclosures are required in the circular to shareholders regarding the De-SPAC Transaction (paragraphs 332 and 334). Our suggestion would be for such disclosures to be included in the Listing Document, such that the circular to shareholders and the Listing Document are one and the same, to prevent any information arbitrage between the two. Save for procedural matters, there should be no reason for the circular to shareholders on the De-SPAC Transaction to be different to the Listing Document. The same information should be provided.

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.

Yes. SPAC shareholders typically approve the transaction, even if they redeem their shares, so that the transaction goes through, and they retain their warrants. But such redemptions and resulting "empty" warrants increase the dilution for the non-redeeming shareholders. Tying the redemption to vote would reduce such dilution. However, the logistics of implementation must be considered - it is not easy to link the systems together.

The history of US SPAC regulation provides some context. Prior to 2010, US SPACs had a redemption threshold of 40% beyond which the deal would not go through. During the 2008 Global Financial Crisis, SPACs' robust investor protections became a liability, as hedge funds began buying up SPAC shares and threatening to vote down any proposed merger unless they received concessions, such as additional shares or cash. This so-called "greenmailing" was quite effective because SPAC managers are eager to close a deal and secure a payday. SPAC sponsors sought relief from this greenmailing threat, and the SEC obliged by removing the thresholds.

Even so, we believe there should be no "empty voting" (voting without economic interest), and support HKEX's proposal to link voting with redemption.

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. The ability to redeem shares if investors don't like the deal, or when the situation changes, is a core feature of SPACs. Without it, SPAC investors face higher risks, especially considering their opportunity costs (not earning market returns for the period of investment).

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.

Yes. See above.

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.

Yes. In our view, the proposed redemption procedure will ensure that SPAC shareholders can redeem their shares in a fair and efficient manner.

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. There are no compelling arguments to lower the existing requirements on forward looking statements for SPACs. As a principle, there should not be any regulatory arbitrage for companies seeking a public listing regardless of the route they take, i.e., whether it is via a traditional IPO or via a merger with a SPAC. In particular, SPACs should be subject to Rule 11.16 of the Listing Rules regarding profit forecasts.

Note that in US IPOs, there are no explicit prohibitions on forward looking statements being made in S-1 or during the roadshow. However, as a matter of practice, investment banks prohibit it. This de-facto prohibition has to do with the liability investment banks face during the IPO.[16]

The IPO Sponsor regime proposed in the HKEX consultation paper, would likely result in a salutary effect on egregious projections or claims in the Listing Document.

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.

From an investor's perspective, the higher the number of shareholders, the higher the probability there will be a liquid and open market. Even with 300 shareholders, liquidity may be challenging for a listed company. That said, we recognize that there are practical challenges in achieving a large number of shareholders immediately after the De-SPAC Transaction, given that retail shareholders are not allowed to participate in the SPAC IPO or trade in shares of the SPAC. A rush to get 300 shareholders immediately following the De-SPAC Transaction may mean pushing a stock with little track record to less sophisticated investors. However, despite the above, we believe 300 is a more desirable number, and the HKEX can consider giving the Successor Company a preset timeframe (say three or six months) to attain this.

[16] Rodrigues, U. & Stegemoller, M. (2021). SPACs: Insider IPOs. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3906196. Page 18.

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.

We believe the existing open market requirements (at least 25% free float and not more than 50% held by the largest three public shareholders) should apply at all times. Following the De-SPAC Transaction, the Successor Company should be treated on par with any other listed company and be subject to the same rules.

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.

We suggest that SPAC Promoters be required to conduct stabilization activities during the period following the De-SPAC Transaction, similar to a traditional IPO, to ensure an orderly transition.

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. One major source of conflict of interest between SPAC Promoters and other shareholders is that SPAC Promoters are strongly incentivized to complete the deal, sometimes without regard to the underlying merits of the deal from the perspective of shareholders as a whole. Subjecting SPAC Promoters to a lock-up after the De-SPAC Transaction will result in a better alignment of interests between SPAC Promoters and public shareholders.

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.

We agree to a lockup on disposals for SPAC Promoters and a moratorium for exercising Promoter Warrants in the first 12 months after the De-SPAC Transaction, to better align the interests of SPAC Promoters and public shareholders.

We believe there is room to go one step further and require a staggered timeline for exercising of the Promoter Warrants to align promoters' long-term interests with those of shareholders beyond one year. A potential option is to allow the exercise of up to a defined number of warrants each year over a three-year period. Another variation would be for the shares issued via the exercise of Promoter Warrants to be subject to a lock-up of 12 months following the exercise. That will also contribute to the maintenance of an orderly market.

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, we agree. Our view is that there should not be any regulatory arbitrage that will provide controlling shareholders any advantages or disadvantages (in the form of a shorter or longer lock up) as a result of their choice of the route to market.

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. See above.

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, as a matter of principle, when there is a change of control in a listed company, the Takeovers Code should apply. However, more clarity may be desirable in defining what a change of control means in the context of a SPAC. In a normal (non-SPAC) situation, a change of control typically means an accumulation of a shareholding of 30% or more. In the SPAC context, there should be additional conditions such as (1) change of control over the board, and (2) an ability to block a De-SPAC resolution.

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. The final shareholding of the owner of the De-SPAC Target will be a function of the transaction value, the availability of PIPE financing, and the final level of redemptions. In the US, redemptions have been high and PIPE financing has dried up during 2021, leading to many targets waiving their minimum cash requirements (sometimes in return for a larger equity stake). Allowing the owner to retain a stake of over 30% will provide additional flexibility in times when financing is not plentiful. Secondly, the whole De-SPAC Transaction is already subject to the approval of independent shareholders with no involvement by the seller of the De-SPAC Target. For the avoidance of doubt, there should be no automatic waiver of the 2% creeper provisions and a normal approval process would be necessary in accordance with the Takeovers Code.

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.

We agree. These terms are in line with those adopted by other exchanges and with business practices in other markets where SPACs are allowed.

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.

We agree. This follows naturally from setting the deadlines, and ensures that shareholder capital is promptly returned if the SPAC Promoter fails to identify a target.

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.

We agree. It allows SPAC Promoters some breathing room in case of unforeseen circumstances.

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.

We agree. A timeline for the return of shareholder capital needs to be specified. However, since we suggested that 95% of the gross proceeds of the SPAC IPO must be held in a ring-fenced trust account, instead of the proposed100% (Question 22), we propose that the language be modified as "the SPAC must […] return to its shareholders […] all remaining funds in the trust, on a pro rata basis, including accrued interest".

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.

We agree. Once the capital is returned, the SPAC ceases to exist.

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.

We agree. The exemptions listed in paragraph 437 are justified for newly-formed cash companies with no business operations.

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.

We agree. One month is enough time for the IPO Sponsor to conduct the due diligence on the SPAC and to check its compliance with the Listing Rules prior to the SPAC IPO, as it is a cash company with no business operations.

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.

We agree with modifying those requirements for SPACs, but disagree with a complete exemption from disclosure requirements. Periodic corporate governance disclosures and audit reports on the trust account would be necessary. For example, SPAC Promoters may use related parties for operating expenses, which should be disclosed as part of a SPAC's corporate governance reports.