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## **Thank you for taking the time to respond to the Consultation Paper on Special Purpose Acquisition Companies**

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**Company/Organisation view**

Personal view

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The Chamber of Hong Kong Listed Companies

Company/Organisation type\*:

- Accounting Firm
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- Investment Manager
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- Listed Company
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Contact Person\*:

- Mr.**
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Important note: All fields marked with an asterisk (\*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

### Disclosure of identity

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I/We do NOT wish to disclose my/our identity to the members of the public.

### 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  
 No

## Please give reasons for your views.

We support the introduction of SPAC to Hong Kong. It is the stance of the Chamber that Hong Kong needs a diversified range of investment products. SPAC provides an additional channel for businesses to get listed for reasons outlined in your consultation paper, which the Chamber agrees. On the investors' side, as has been pointed out in many studies of SPAC, it is an avenue for retail investors to participate in promising investment at an early stages, much like an private equity environment, riding on the investment prowess of more matured investors. We do however understand the concerns of HKEX to protect retail investors and agree that SPACs be limited to professional investors (PIs), at least in the early stage of SPAC's introduction to our market. We recommend the PIs-only restriction shall be put to a market review after 12-18 months of SPAC's introduction to decide whether retail participation should be allowed, depending on the trading liquidity and market performance, But In light of this PIs requirement, we believe there is room to relax some of the other requirements, such as background of the Promoters and requirement of PIPE investors. By definition, PIs are sophisticated investors and can make informed investment decisions as long as there is sufficient disclosure. We therefore propose that the SPAC regime be more disclosure-based with less regulatory intervention. The HKEX proposed regime in its present form is very stringent. Not only does the Successor Company have to fulfil all new listing requirements, there are high standards required of Promoters and the need for PIPE investors, the latter requirement does not exist in other markets. We are concerned that in its certain form the entry barrier would be too high and we end up developing a market structure but with very little participation. Therefore, we propose to relax the Promoters and PIPE investors requirements in order to strike a balance between market development and investor protection. We will discuss those in subsequent questions.

## 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

No

## Please give reasons for your views.

The measures provided lots of checks-and-balances and are sufficient to achieve the stated purpose.

## 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

No

Please give reasons for your views.

Separate trading of SPAC shares and warrants will give more flexibility to holders in planning their holding and exit strategy and may make it easier for the Promoters to identify e.g. hedge funds as initial investors.

#### 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 1

Option 2

A different option

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

We do not have specific views on the two options.

#### Question 4b

Do you have any other suggestions to address the risks regarding trading arrangements we set out in the [Consultation Paper](#)?

- Yes  
 No

Please give any suggestions below:

### Question 5

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

- Yes  
 No

Please give reasons for your views.

We do not disagree to having a certain number of institutional professional investors in the investors mix. Their presence may provide some benchmark of confidence in the SPAC and Promoters. We would recommend however 25 institutional professional investors instead of 30. Twenty-five is one-third of 75 and such ratio is applied to Main Board IPOs where 300 shareholders are required and 100 need to be institutional investors. 25/75 is consistent with existing market practices and easier to comprehend.

### 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?

- Yes  
 No

Please give reasons for your views.

In light of our suggestion of having a smaller number of the Institutional PIs, we would like to recommend a lower percentage of 65% to avoid over-concentration.

### Question 7

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

Yes

No

Please give reasons for your views.

This would allow a more distributed base of shareholdings.

### 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

No

Please give reasons for your views.

This is consistent with the requirement for listed issuers under existing listing rules.

### 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

No

Please give reasons for your views.

Please refer to our answers to Q.5 & Q.6

### Question 9b

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

Yes

No

Please set out any suggestions for other measures below.

We have no specific view on this.

### 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

No



Please give reasons for your views.

### 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

No

Please give reasons for your views.

### Question 12

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

Yes

No

Please give reasons for your views.

We agree to the reasonings of this as spelled out and this is more or less in the same bracket as other international markets.

### 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**

No

Please give reasons for your views.

#### Question 14

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

**Yes**

No

Please give reasons for your views.

This should align the interests of Promoters and other shareholders and underpin the growth prospects of the target company.

#### Question 15a

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

**Yes**

No

Please give reasons for your views.

## Question 15b

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

Yes

No

Please give reasons for your views.

## Question 16

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

Yes

No

Please give reasons for your views.

It is understandable that the Exchange would want to gatekeep in this respect but when determining the suitability of the Promoter, the Exchange should avoid applying too much subjective discretion. Although Box 1 in paragraph 214 gives out a list of factors for consideration, where and how to draw the line of satisfaction is still open to interpretation, a more objective and predictable approach is desirable. Since SPAC is restricted to PIs, a more disclosure-based regime is suitable. PIs should be able to make decisions to participate or not based on adequate disclosure of information, including background of Promoters.

## 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

No

Please give reasons for your views.

Clear guidance is necessary and would make the approval process more predictable.

### Question 17b

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

Yes

No

Please provide the details of any such information below.

In case a Promoter is deemed unsuitable, the Exchange should consider disclosing detrimental factors on a no name basis, so that the market would be beware.

### 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

No

Please give reasons for your views.

Please refer to our answers to Q.16.

### 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

No

Please give reasons for your views.

We agree that the Promoter's character, experience and integrity are important and we support to what are listed out in paragraph 214. What's been outlined is of very high standard already. We do not see the need to further define suitability of Promoter by their profession. Corporate finance and asset management skills and experience can be recruited by engaging external professional services and do not have to reside within the Promoters. Given the fact the SPAC in Hong Kong is limited to PIs and there is very high standard of Promoters' characters and experience to be kept (as outlined in paragraph 214), there is sufficient safeguard of investors interest. To have this extra licensed-firm requirement will complicate the process of forming the Promoters team. PIs should be able to make their educated decision on the trustworthiness of the Promoters.

### 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  
 No

Please give reasons for your views.

Shareholders need to be comfortable with the changes of Promoters as they are the lynchpin of the SPAC.

### Question 20b

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

- Yes  
 No

Please give reasons for your views.

But the Promoters should be allowed 10% of the funds raised as operating expenses of the SPAC and this sum shall be deducted on an accrued basis when calculating the funds to be returned.

### Question 21

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

**Yes**

No

Please give reasons for your views.

This should put the majority of directors under the remit of the SFO and legal liabilities thereof, and provide an extra level of comfort to shareholders and regulators.

## 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

**No**

Please give reasons for your views.

10% of the funds raised should be allowed as operating expenses of the SPAC, per our answers to Q.20b.

## 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

No

Please give reasons for your views.

### Question 25

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

Yes

No

Please give reasons for your views.

### Question 26



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

Yes

No

Please give reasons for your views.

Promoter Shares and Warrants are issued in preferential terms and therefore must be confined to Promoters.

### Question 27

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

Yes

No

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

No

Please give reasons for your views.

This is to avoid conflicts of interests.

### 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

No

Please give reasons for your views.

Yes, in order to ensure a fair and orderly market and equal access to 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](#)?

Yes

No

Please give reasons for your views.

We understand the Exchange's objective of ensuring the quality of the target company, and that SPAC would not be used as a listing vehicle to circumvent listing requirements.

### 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  
 No

Please give reasons for your views.

### Question 32

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

- Yes  
 No

Please give reasons for your views.

This will ensure the size and substance of the target company will commensurate with the amount of funds raised.

### Question 33

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

- Yes  
 No

Please give reasons for your views.

We agree to the reasons outlined in paragraph 290. This proportion of shares vs cash as consideration should be left to the discretion of SPAC and Target Company based on actual business needs.

### Question 35

Do you agree that the Exchange should mandate that a SPAC obtain funds from outside independent PIPE investors for the purpose of completing a De-SPAC Transaction?

- Yes
- No

Please give reasons for your views.

The rationale for this requirement is that it provides validation of the valuation of the Target Company. But the concern of an exaggeration of valuation could be alleviated by 1) SPAC is for PIs only who are sophisticated enough to judge; 2) SPAC shareholders can vote against the de-SPAC transaction if they are not satisfied with the valuation; 3) financial information of the Target Company would be properly disclosed based on accountant's report and subject to due diligence of an appointed IPO Sponsor. These provide adequate safeguards and checks-and-balances. In lieu of PIPE investors, the Exchange can mandate an independent valuer report. PIPE investors can be brought in by the Promoters as an option. This proposal, and the related one that one PIPE investor must be an asset management firm owning 5% of the issued shares are very stringent. It complicates the De-SPAC process and adds to the uncertainty of its completion. The asset management firm requirement particularly puts unfair advantage on the asset management in its discussion with the Promoters as the completion hinges on its participation.

### Question 39

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

- Yes
- No

Please give reasons for your views.

We believe that the SPAC regime should be disclosure-based. As long as the dilution effects is properly disclosed, there should be as little as interference as possible. In this respect, we agree to what's stated in paragraph 304 that the share to warrant ratio of a SPAC unit and the size of the Promote should be a commercial decision. And as paragraph 305 pointed out, a flexible Promote structure would provide more performance-related incentives which will be in the interests 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?

Yes

No

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

No

Please give reasons for your views.

Shareholders are the biggest interested party and a properly conducted general meeting is necessary.

## 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  
 No

Please give reasons for your views.

This will avoid conflicts of interests.

## Question 45

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

- Yes  
 No

Please give reasons for your views.

Full disclosure is important.

## 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

No

Please give reasons for your views.

Yes, to protect shareholders' interests.

#### 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

No

Please give reasons for your views.

This is to align the shareholders interests in accordance with their voting decision.

#### 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  
 No

Please give reasons for your views.

Subject to our answer to Q.20b.

#### 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  
 No

Please give reasons for your views.

#### Question 50

Do you agree with the proposed redemption procedure described in paragraphs 355 to 362 of the [Consultation Paper](#)?

- Yes  
 No



Please give reasons for your views.

### Question 51

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

Yes

No

Please give reasons for your views.

### Question 52

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

Yes

No

Please give reasons for your views.

Given the Successor Company inherits a shareholder base of primarily PIs, having 100 shareholders is more realistic.

### Question 53

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

- Yes  
 No

Please give reasons for your views.

#### Question 54

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

- Yes  
 No

Please give reasons for your views.

#### 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

No

Please give reasons for your views.

This will better align the interests of promoters and shareholders.

### Question 56a

Do you agree that the Exchange should impose a lock-up on disposals, by the SPAC Promoter, of its holdings in the Successor Company during the period ending 12 months from the date of the completion of a De-SPAC Transaction?

Yes

No

Please give reasons for your views.

### Question 56b

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

Yes

No

Please give reasons for your views.

### Question 57

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

Yes

No

Please give reasons for your views.

### Question 58

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

Yes

No

Please give reasons for your views.

### Question 59

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

- Yes  
 No

Please give reasons for your views.

### Question 60

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

- Yes  
 No

Please give reasons for your views.

### Question 61

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

- Yes  
 No

Please give reasons for your views.

This is reasonable timeframe for identifying a target and for execution.

## 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

No

Please give reasons for your views.

## Question 63

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

Yes

No

Please give reasons for your views.

## Question 64

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

Yes

No

Please give reasons for your views.

Subject to our answers to Q.20b.

### 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

No

Please give reasons for your views.

### Question 66

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

Yes

No

Please give reasons for your views.

### Question 67

Do you agree with our proposal to require that a listing application for or on behalf of a SPAC be submitted no earlier than one month (rather than two months ordinarily required) after the date of the IPO Sponsor's formal appointment?

Yes

No

Please give reasons for your views.

### 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

No



## Please give reasons for your views.

Agree that no ESG reporting would be necessary on the absence of business activities.  
Corporate governance issues shall be disclosed on an as-needed basis.

You can access the Consultation Paper [here](#)

Technical Support:

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