

Operational Review

Corporates

Special Purpose Acquisition Companies¹ (SPACs)

We are working closely with the Stock Exchange of Hong Kong Limited (SEHK) to formulate a SPACs framework suitable for Hong Kong. On 17 September, SEHK launched a public consultation on proposals to introduce a listing regime for SPACs. The proposed regime aims to provide an alternative listing route for companies in Hong Kong, with safeguards designed to welcome experienced and reputable SPAC promoters seeking good-quality de-SPAC targets. The consultation period ended on 31 October and we will take market feedback into account when formulating the SPACs framework.

Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 78 new listing applications, including three from companies with weighted voting rights structures and 15 from pre-profit biotech companies.

Exercising our powers under the Securities and Futures (Stock Market Listing) Rules, we issued three requisition letters directly to three listing applicants during the quarter. Amongst our concerns were the genuineness of the financial information of the listing applicant, the sufficiency of the sponsor's independent due diligence and the accuracy and completeness of the information submitted by the sponsor.

Corporate conduct

We conduct daily reviews of corporate announcements to identify potential misconduct and irregularities. During the quarter, we issued section 179² directions to gather additional information in six cases and wrote to listed issuers detailing our concerns in one case. These concerns included, for example, whether a corporate action or transaction is conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

¹ A SPAC is a type of shell company which raises funds through its listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.

² Section 179 of the Securities and Futures Ordinance gives the SFC the power to compel the production of records and documents from persons related to a listed company.

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Takeovers matter

We publicly censured BIT Mining Limited³ for breaching the rules on special deals under the Code on Takeovers and Mergers (Takeovers Code) when it issued new shares to its director and shareholder, Man San Law, who is also a shareholder of Loto Interactive Limited, during its general offer for all the shares in Loto.

The issue of shares to Law constituted special deals under the Takeovers Code and they were completed without the consent of the Takeovers Executive⁴. Furthermore, BIT Mining did not obtain advice from its professional advisers on the Takeovers Code implications of these deals.

Listing applications and takeovers activities

	Quarter ended 30.9.2021	Six months ended 30.9.2021	Six months ended 30.9.2020	YoY change (%)
Listing applications	78	198	143	38.5
Takeovers and share buy-backs transactions	92	202	225	-10.2

³ Formerly known as 500.com Limited.

⁴ The Executive Director of the SFC's Corporate Finance Division or his delegate.