Special Purpose Acquisition Companies

Investor Education Basics

Special Purpose Acquisition Company ("**SPAC**") is a special purpose company with no assets or operations and formed by promoter(s) or sponsor(s) to raise capital in an Initial Public Offering ("**IPO**") for the purposes of acquiring one or more operating company(ies) ("**business combination**") within a specific time frame, usually 18 to 36 months.

The IPO proceeds are placed in an escrow account while the SPAC's management team seeks to complete the business combination within the time frame. If the business combination is successfully completed, the acquired company(ies) will take over the SPAC's public filling status to become a public company. Otherwise, the funds held in its escrow account will be returned to investors.

SPAC's lifecycle and mechanics

SPACs across markets may have slight differences in terms of features and requirements but they generally follow this lifecycle and mechanics:

1. ***SPAC Formation***
   A SPAC is formed by a promoter or management team who pays a nominal invested capital which typically translates into not more than 20% interest of the SPAC (also known as "promoter shares"). The remaining interest will be held by public investors through IPO.

2. ***SPAC Listing***
   In a SPAC IPO, it raises capital by issuing investors "SPAC units" which consist of common stocks and warrants (for the case in the US and Singapore) OR "SPAC common stocks and SPAC warrants" (for the case in Hong Kong). After listing, the units, common stocks and warrants can be traded separately on the exchanges. Depending on the markets, 90% to 100% of the IPO proceeds are held in an escrow account or trust until a target operating company(ies) is(are) acquired.

3. ***Target Company search***
   The search for a suitable company for business combination (also known as "de-SPACing") involves similar requirements to those for a public company merger. Once a target is identified, the promoter will conduct due diligence on the target company. In Hong Kong, the time frame to complete a de-SPAC transaction is within 36 months.

4. ***De-SPAC transaction***
   During and after the completion of due diligence, the promoter and the target company execute a merger agreement. The SPAC will need to obtain shareholders' approval for the business combination and offer investors the election either (i) to redeem their common stock for the original purchase price and interest; (ii) to sell their public shares to the SPAC in a tender offer if the SPAC charter documents do not require a shareholder vote. In Hong Kong, the de-SPAC transaction is subject to approval by the SPAC's shareholders at a general meeting. After business combination, the target company will become a surviving public company that needs to comply with the rules applicable to public listed companies.

If the SPAC is unable to complete the business combination within the time frame, the SPAC would have to cease all operations except for the purpose of winding up. In this situation, the SPAC would redeem its public shares and liquidate, in which case investors receive their pro-rata share of the escrow account funds and the SPAC warrants will expire worthless.

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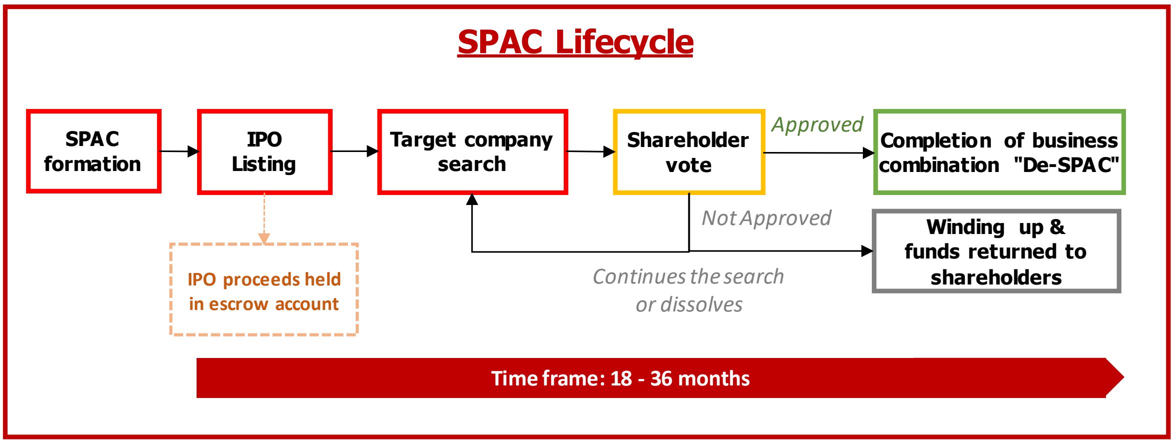
Quick Summary of the SPAC lifecycle:



Brief comparison of SPAC offered in Hong Kong, United States and Singapore

	Hong Kong (Main board)	United States (NYSE and NASAQ)	Singapore (Main board of SGX)
Investor suitability	Trading of SPAC securities prior to de-SPAC transaction is limited to Professional Investors* only in HSBC Broking Securities (Asia) Limited ("**HSBC Broking Securities**"). This restriction does not apply to the company that results from the completion of a de-SPAC transaction.		
Issue structure	SPAC issues SPAC common stocks and SPAC warrants during IPO to investors. After IPO, both will be listed on the exchange for trading separately.	SPAC issues SPAC units (consist of a common stock and whole or fractional warrant). After IPO, units, common stocks and warrants will be listed on the exchange and can be traded separately.	
Issue price	HK$10 or above	US$10.00 per unit	SG$5 or above per unit

* Professional Investors refer to customers who fulfil the Professional Investors requirements under the Securities and Futures Ordinance (Cap. 571) or the Securities and Futures (Professional Investor) Rules (Cap. 571D). Ineligible investors may suffer as a result of the mandatory unwinding of the relevant SPAC position.

Trading with HSBC Broking Securities

HSBC Broking Securities offer access to SPAC securities trading and selected SPAC IPO across markets (including Hong Kong, US and SG). Our SPAC trading services are exclusive for Professional Investors only.

Please feel free to contact our Relationship Managers for more details.

<u>RISKS ASSOCIATED WITH SPAC INVESTING</u>

*Investing in the securities of a special purpose acquisition company ("**SPAC**") involves a high degree of risk. These risks include, but are not limited to, those described below, each of which may be relevant to an investment decision. You should consider and carefully read each of the risks and uncertainties mentioned below, together with all other information available to you. The risks below are intended to provide a general description only and are not intended to be comprehensive, and you should review and consider the risks associated with the specific SPAC and relevant jurisdiction you are considering investing in. You should carefully read all offering documents related to the SPAC in which you seek to invest, as the risks below may differ materially from the risks to which you may be subject.*

RISKS RELATING TO THE SPAC IPO AND BUSINESS COMBINATION

A SPAC is company with no assets or operations formed by a sponsor or promoter ("**Sponsor**") to raise capital in an initial public offering ("**IPO**") for the purposes of consummating a business combination with an operating company. An IPO of a SPAC is often structured to offer investors a unit of securities consisting of (1) shares and (2) warrants (or rights in some cases) to purchase from the company a certain number of shares in the future. In some jurisdictions, an IPO of SPAC is structured to offer shares and warrants (*i.e.,* not packaged together in unit) that will trade separately from the listing date.

As a SPAC is structured to have a limited existence timeframe with the main objective to complete an initial business combination (the "**Business Combination**", which is often also referred to as a "**de-SPAC**"), a SPAC transaction comes with a unique set of risks throughout its life cycle. There are five stages in a SPAC's life cycle, namely, (1) SPAC formation and the period prior to its IPO; (2) the IPO; (3) search for an operating company ("**Target**") to enter into the Business Combination; (4) SPAC shareholders' meeting to vote on the Business Combination; and (5) completion of the Business Combination ("**Business Combination Closing**") and subsequent operation of the combined company. Typical risks associated with each stage of the SPAC life cycle (in addition to the other risks mentioned in other parts of this document) are provided below.

Risks relating to SPACs and IPO generally

- A SPAC is a recently formed company with a limited operating history and no revenues, and you will have no basis on which to evaluate its ability to achieve its business objective.

- The SPAC Sponsor or Promoter may be unqualified, and you may have no basis by which to judge the Sponsor's or Promoter's past performance.

- The valuation of the securities offered to investors by the SPAC is uncertain, and investors are provided with limited information on which to evaluate the securities.

Risks relating to the SPAC's Target search

- The SPAC may not be able to complete the Business Combination prior to the required period (usually 18 to 36 months post-IPO) and would have to cease all operations except for the purpose of winding up. In this situation, the SPAC would redeem its public shares and liquidate, in which case you may only receive approximately the IPO price per share, or less in certain circumstances, and the SPAC warrants will expire worthless.

- As the number of SPACs evaluating Targets increases, attractive Targets may become scarcer, and there may be more competition for attractive Targets. This could increase the cost of the Business Combination and could even result in the SPAC being unable to find a Target or to consummate a Business Combination.

- If the funds available to the SPAC outside the trust or escrow are insufficient, it may need additional funds to facilitate its search for a Target and complete a Business Combination, and the SPAC will depend on loans, a private placement of shares (often referred to as a "PIPE" transaction) or other financing from its initial shareholders, the management team or other third parties to fund its search, to pay its taxes and to complete its Business Combination.

- The valuation of the Target may depend on projections, which projections, though believed by the Target to be reasonable, may not prove to be accurate because of factors beyond the control of the SPAC and the Target.

- In jurisdictions where permitted by the listing rules and related regulatory framework, the SPAC may attempt to simultaneously complete a Business Combination with multiple Targets, which may hinder its ability to complete a Business Combination at all and give rise to increased costs.

- Resources could be wasted researching acquisitions that are not completed, which could materially adversely affect subsequent attempts to locate and acquire or merge with another Target.

- The Target will be subject to business, industry, regulatory, competition and other risks, which should be evaluated carefully.

Risks Relating to the Shareholder Vote in relation to a potential Business Combination

- You may not be afforded an opportunity to vote on a proposed Business Combination as shareholder voting requirements in certain jurisdictions may not require it, which means a SPAC may complete its Business Combination even though a majority of its public shareholders do not support the Business Combination.

- If a SPAC does not seek shareholder approval of the Business Combination, your only opportunity to affect the investment decision regarding a potential Business Combination will be limited to the exercise of your right to redeem your shares of the SPAC for cash

- If a SPAC seeks shareholder approval of the Business Combination, a vote in favour of the Business Combination is likely. In certain jurisdictions that permit the Sponsor or Promoter to vote their shares in connection with the approval of the Business Combination and such voting right has not been waived, the Sponsor or Promotor may make up approximately 20% of the shares and will, in connection with the Business Combination, have agreed to vote its shares in favour of the Business Combination.

- If a public shareholder fails to receive notice of the SPAC's offer to redeem its shares for cash in connection with the Business Combination or fail to comply with the procedures for tendering your shares, such shares may not be redeemed.

- Your warrants may expire worthless if you miss the notice of redemption and fail to exercise your right to redeem within the period specified by prospectus.

Risks relating to Business Combination Closing and Subsequent Combined Company Operations

- If too many public shareholders exercise their redemption rights, it may affect the SPAC's financial condition and capital structure, making it unattractive to potential Targets, which, consequently, may make it difficult for the SPAC to enter into a Business Combination with a Target or complete the Business Combination with the optimized transaction structure.

- The projections on which you may have based an investment decision may be affected adversely if there are high levels of redemptions and the Target waives the requirements for the SPAC to have a specified minimum amount of cash at closing of the Business Combination.

- The SPAC may not have enough money in the trust or escrow at Business Combination Closing and may be unable to pay the SPAC underwriters their deferred underwriting commission, pay you upon exercising your redemption rights, fund the Target or complete the Business Combination.

- The SPAC may attempt to simultaneously complete a Business Combination with multiple Targets, which may hider its ability to complete a Business Combination Closing and give rise to increased costs and risks that could negatively impact the SPAC's operations and profitability.

- The Target may usually waive the requirements for the SPAC to have specified minimum amount of cash at closing of the Business Combination, but the Target may not necessarily have adequate capital to fund its business.

- In connection with the Business Combination, the SPAC and the Target may amend the terms of the Business Combination Agreement, and the Sponsor or Promoter may agree to forfeit some of their own equity securities or other economic interests to entice parties to vote in favour of the Business Combination.

- The SPAC may have limited ability to assess the management of a prospective Target and the Target management team may not have the skills, qualifications or abilities to manage a public company.

- In newly developed SPAC markets, the availability of directors' and officer's liability insurance may be limited and/or costly and the SPAC may not be able to obtain such insurance on acceptable terms or at all.

- Completion of a Business Combination may be materially and adversely affected by the natural disasters, acts of war, occurrence of epidemics, and other disasters and the resulting impact to the debt and equity markets.

- Subsequent to the Business Combination Closing, the combined company may be required to take write-downs or write-offs, restructuring and impairment, or other charges that could have a significant negative effect on its financial condition, results of operations and its share price, which could cause you to lose some or all of your investment.

RISKS RELATING TO POTENTIAL CONFLICTS OF INTERESTS

- The Sponsor or Promoter and the board of the SPAC that, directly or indirectly, own founder shares and / or private placement securities following the IPO may have interests that differ from those of the shareholders of the SPAC.

- A SPAC may engage either one or some of the IPO underwriters to provide additional services to the SPAC, including identifying potential targets, providing financial advisory services, acting as a placement agent in a private offering and arranging debt financing. In addition, the IPO underwriters typically have agreed to waive a substantial part of their underwriting commissions until the Business Combination Closing and would forfeit those if such does not materialise. This can lead the underwriters to be incentivised to close the deal to your detriment.
- The Sponsor or Promoter expects to obtain a substantial profit from the completion of the Business Combination, even if the combined company after the Business Combination Closing fails.

- If a SPAC seeks shareholder approval of the Business Combination, its initial shareholders, officers and directors would usually have previously agreed to vote in favour of the Business Combination, regardless of how you vote.

- The Sponsor or Promoter will likely owe fiduciary duties to other organisations that may compete with the SPAC. The Sponsor or Promoter may prioritise the needs of those organisations to the detriment of the SPAC.

RISKS RELATING TO THE FUNDS IN ESCROW OR TRUST

- If you purchase shares of a SPAC, as a public shareholder, on a winding up you are entitled to your pro rata share of the trust or escrow, not the price at which you bought the SPAC shares on the market.

- If third parties bring claims against the SPAC or its directors and officers, the proceeds held in the trust or escrow account could be reduced and the per-share redemption amount received by shareholders may be less than the original IPO price per share.

- You will not have any rights or interests in funds from the trust or escrow, except under certain limited circumstances. To liquidate your investment, you may be forced to sell your SPAC shares or warrants, potentially at a loss.

RISKS RELATING TO SPAC SECURITIES

- The SPAC may issue a separate class of shares to the Target, which may cause your ownership to be diluted.

- The SPAC may issue other securities and the issuance of those securities, which may include convertible notes or convertible preferred securities, may be dilutive

- In certain instances, the SPAC may redeem your unexpired warrants prior to their exercise at a time that may be disadvantageous to you.

- Warrants may be illiquid. There is no guarantee that you will be able to liquidate your position whenever you wish.

- The SPAC may not complete the proposed Business Combination within the prescribed time frame, in which case the SPAC would cease all operations except for the purpose of winding up and would redeem its public shares and liquidate, in which case the warrants will expire worthless

- In order to effectuate the proposed Business Combination, in jurisdictions where permitted by the listing rules and related regulatory framework, the SPAC may amend various provisions of their charters and other governing instruments, including the warrants agreement. The SPAC may amend the terms of the warrants in a manner that may be adverse to holders of warrants with the approval by the holders of at least a majority of the then outstanding warrants. As a result, the exercise price of your warrants could be increased, the exercise period could be shortened and the number of shares purchasable upon exercise of a warrant could be decreased, all without your approval.

- There may be volatility in the securities of the SPAC, which may result in a loss of your investment.

- Warrants are instruments which give holders to purchase certain share of the issuer's shares at a fixed price of in excess of the IPO share price subject to adjustments. Warrants constitute general unsecured contractual obligations of the issuer and of no other person.

- Purchasing warrants, or warrants comprising the units issued in a SPAC, is not the same as buying the underlying shares. You will not be entitled to have voting rights, rights to receive dividends or distributions or any other rights under the underlying shares until you exercise the warrants and purchase the underlying shares.

- Holders of warrants will not have any right to the proceeds held in the trust or escrow with respect to the warrants. Accordingly, to liquidate your investment, you may be forced to sell your warrants. The prices of warrants may fall in value as rapidly as they may rise and holders may sustain a total loss of their investment.

- If the issuance of the shares upon exercise of warrants is not registered, qualified or exempt from registration or qualification, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless.

- SPAC units and their components (*i.e.*, SPAC shares and SPAC warrants) may be subject to stock exchange delisting, which could limit your ability to effect secondary transactions in the SPAC's securities and subject the SPAC to additional trading restrictions.

- After the separate trading of warrants and shares in a SPAC, investors trading listed warrants or shares not denominated in the currency of your home jurisdiction are exposed to exchange rate risk. Currency rate fluctuations can adversely affect the return of your investment.

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IMPORTANT NOTES

You should read this document together with the Terms of Business especially all the applicable risk disclosures in the Schedule 1 of the Terms of Business which had been provided to you before by HSBC Broking Securities. You should carefully consider whether SPAC trading is suitable for you in light of your financial condition, experience and investment objectives.

As SPAC IPO and SPAC warrants involve derivatives, HSBC Broking Securities considered they are complex products so you should exercise caution in relation to these products.

Before deciding to participate in SPAC IPO and purchase SPAC securities, you should read the offering documents issued by issuer carefully. If you are in any doubt, you are recommended to obtain independent professional advice before making any investment decision.

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