

## **Addendum in relation to Special Purpose Acquisition Company Transactions**

This Addendum shall apply to all transactions in relation to Special Purpose Acquisition Company (“SPAC”) Securities and SPAC Warrants which BOCOM International Securities Limited and BOCOM International Asset Management Limited (“BOCOM”) conduct on the Client’s behalf. The terms and conditions under this Addendum are supplemental to, and without prejudice to, the Terms and Conditions for Securities Trading (“**Terms and Conditions**”) and/or other relevant agreements between the Client and BOCOM. This Addendum shall prevail in the event of conflicts or inconsistency with any other agreements between the Client and BOCOM.

Clients who conduct transactions in relation to SPAC Securities and SPAC Warrants through BOCOM are deemed to have accepted and agreed to the terms and conditions listed in this Addendum.

Further and specific terms and conditions and risk disclosure statements are applicable to services provided by BOCOM in relation to SPAC Securities including but not limited to SPAC derivatives, e.g. SPAC Warrants. In particular, such services are subject to specific restrictions imposed by the rules and requirements of the relevant Exchanges, Clearing Houses, regulators and jurisdictions. Detailed information about SPAC can be found on SEHK’s webpage, in particular, the “Featured Page” and “Frequently Asked Questions” on SPAC (the “SPAC Documentation”). The Client declares that he has read, understood and agreed to all such terms and conditions and information as set out in the documents referred to herein and undertakes to keep himself fully apprised of any updates and amendments to these documents in a timely manner. To the extent that any additional restrictions and requirements under the SPAC apply to investors, such restrictions and requirements shall automatically apply to the Client in respect of the Account under this Agreement, whenever the Client instructs BOCOM to effect SPAC Transactions under this Agreement.

The SPAC Documentation

[https://www.hkex.com.hk/Services/Trading/Securities/Overview/Trading-Mechanism/SPAC?sc\\_lang=en](https://www.hkex.com.hk/Services/Trading/Securities/Overview/Trading-Mechanism/SPAC?sc_lang=en)

### **Additional Terms and Conditions of SPAC Transactions**

**Warning: THIS DOCUMENT CONTAINS A BRIEF SUMMARY OF SOME (AND NOT ALL) OF THE FEATURES OF SPAC TRANSACTIONS AND IS NOT MEANT TO BE AN EXHAUSTIVE SUMMARY.**

**IF YOU ARE IN ANY DOUBT ABOUT THE RISKS INVOLVED IN SPAC TRANSACTIONS, YOU ARE ADVISED TO SEEK INDEPENDENT FINANCIAL, LEGAL OR OTHER PROFESSIONAL ADVICE. THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN**

## **REVIEWED BY ANY REGULATORY AUTHORITY.**

### **Additional Terms and Conditions for SPAC Transactions**

These terms and conditions set out the rights and obligations of you in connection with your use of BOCOM's trading services in relation to the securities listed or traded on the SEHK. All these terms and conditions are legally binding, so please read them through carefully before you agree to be bound by them.

#### **1 Interpretation**

1.1 In the event of any conflict or discrepancy between these terms and conditions and (a) the Terms and Conditions for Securities Services or (b) the terms of any other agreement subsisting from time to time between BOCOM and the Client or (c) the terms of any agreement between such Client and any other BOCOM Affiliate in respect of dealings in Securities, these terms and conditions shall prevail. For the avoidance of doubt, the Client Terms shall apply in relation to the giving of instructions by telephone or via the Internet.

1.2 In these terms and conditions,

“CWUMPO” means the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cap. 32 of the Laws of Hong Kong, as amended from time to time;

“De-SPAC Target” means the target of a De-SPAC Transaction;

“De-SPAC Transaction” means an acquisition of, or a business combination with, a De-SPAC Target by a SPAC that results in the listing of a Successor Company;

“IPO” means initial public offering, including in the context of the proposed SPAC listing regime in Hong Kong, initial offering of SPAC Shares by a SPAC to professional investors;

“Listing Document” means a Prospectus, a circular to any equivalent document (including a scheme of arrangement and introduction document) issued or proposed to be issued in connection with an application for listing;

“PIPE” means a third party investment, for the purposes of completing a De-SPAC Transaction, that has been committed prior to the De-SPAC announcement;

“Promoter Share” means a share of a separate class to SPAC Shares issued by a SPAC exclusively to a SPAC Promoter at nominal consideration;

“Promoter Warrant” means a warrant of a separate class to SPAC Warrant issued by a SPAC exclusively to a SPAC Promoter;

“Prospectus” means a prospectus as defined in Part 1, Division 2 of the CWUMPO;

“Restricted Person” means a (i) an entity/a person who is resident in or citizen of, or located or domiciled in, or incorporated in any of the country or territory listed in the Issue Documents and is not permitted by reason of residency/ citizenship/ location/ domicile/ incorporation or otherwise to purchase the SPAC Securities; and in respect of any listed SPAC Shares or SPAC Warrants prior

to the completion of a De-SPAC Transaction; (ii) SPAC Promoter (including its directors and employees); (iii) SPAC Director; (iv) the employees SPAC; and (v) close associate of any of person of (iii), (iv) and (v);

“SFC” means the Securities and Futures Commission;

“SEHK” means The Stock Exchange of Hong Kong Limited;

“SPAC” means a Special Purpose Acquisition Company. A SPAC is a type of shell company that 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 after listing;

“SPAC Director” means a director of a SPAC;

“SPAC Eligible Investor” means Professional Investor as defined in section 1 of Part 1 of Schedule 1 to the SFO or other types of investors that are permitted or approved by the SEHK and/or the SFC for trading the SPAC Shares and/or SPAC Warrants;

“SPAC Share” means a share of a SPAC that is not a Promoter Share;

“SPAC Shareholder” means the holder of SPAC Share;

“SPAC Warrant” means a warrant that provides the holder with the right to purchase a SPAC Share that is not a Promoter Warrant;

“SPAC Promoter” means a person who establishes a SPAC and/or beneficially owns Promoter Shares issued by a SPAC;

“SPAC Securities” means any of SPAC securities related to SPAC, e.g. SPAC Shares or SPAC Warrants;

“SPAC Transaction(s)” means a transaction or transactions to trade a SPAC Securities entered into by BOCOM with the Client; and

“Successor Company” means the listed issuer resulting from the completion of a De-SPAC Transaction.

## **2 Representations and Warranties**

2.1 In addition to the representations and warranties contained in the Terms and Conditions, the Client represents and warrants that:

- (a) The Client agrees that SPAC Securities constitute(s) “Securities” as defined in the Terms and Conditions;
- (b) Any trading in SPAC Securities will be subject to applicable trading and listing rules and requirements of HKEX and the Client agree to comply with such trading and listing rules and requirements;
- (c) The Client has complied with and will comply with the selling restrictions as provided in the Listing Documents of the SPAC Securities;
- (d) The Client is a SPAC Eligible Investor, and in the case where the Client is acting for the benefits or account or on behalf of another person, such as the Client being an intermediary acting for its underlying customers, for whom the transaction is

effected, the Client confirms each of the Client and such other person or underlying customers (each, an “Other Person”) is a SPAC Eligible Investor and is considered to be suitable for trading such securities in particular SPAC warrants based on the product suitability assessment are executed; in particular, where the Client is an intermediary (as defined in the SFO) or a person which carries on business outside Hong Kong in an activity in respect of which it is regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the SFO, acting as an agent for your clients to trade SPAC Securities and SPAC Warrants through the SPAC Securities Services provided by BOCOM, it represents and undertakes to examine, verify and ensure its underlying clients are SPAC Eligible Investors and hereby unconditionally and irrevocably acknowledge, agree and authorize BOCOM to facilitate the unwinding of ineligible SPAC Transactions of non-Eligible Investor as soon as possible;

- (e) The Client understands and accepts that the proceeds paid for a SPAC’s initial offering will be deposited in trustee or custodian appointed by the SPAC at its discretion, and normally no interests will be accrued on such initial offering proceeds. The Client further understands such initial offering proceeds will not be released except for the purposes of (i) distribution to SPAC Shareholders in the event of redemption, (ii) completing a De-SPAC Transaction, or (iii) returning to SPAC Shareholders upon suspension of trading or upon liquidation or winding up of the SPAC and any interest, or other income earned, on monies held in the escrow account may be used by a SPAC to settle its expenses;
- (f) The Client understands and accepts the SPAC Shareholders can redeem part or all of the SPAC Shares but the period for the election of redemption will end as at the date and time of commencement of the relevant general meeting;
- (g) The Client understands and accepts contents of the Listing Documents with respect to the voting, redemption and liquidation rights of SPAC Shareholders including the basis of the computation of their entitlements in the event of a redemption of SPAC Shares and liquidation of the SPAC;
- (h) The Client understands and accepts the impact of dilution to his shareholding due to (a) there being less equity contribution from the SPAC Promoters in respect of the Promoter Shares (and such other known dilutive factors or events); (b) the exercise of the SPAC Warrants, and (c) other events which may result in dilution of shareholding as set out in the Listing Documents;
- (i) The Client fully understands the contents of the Listing Documents and the risks relating to any of the SPAC Transactions (including those relating to liquidity and volatility of SPAC Securities) including but not limited to the risks set out in this Addendum;

- (j) The Client accepts the terms and conditions of the SPAC Securities stipulated in the Listing Documents and agrees that they will be conclusive and binding on him regarding the SPAC Securities;
- (k) The Client is entering into the SPAC Transactions at his sole judgment and responsibility, and is also capable of assuming the financial and other risks of entering into any SPAC Transactions;
- (l) The Client has sufficient net worth to be able to assume the risks and bear the potential losses resulting from SPAC Transaction;
- (m) The Client is capable of making and will make all the representations and declarations required to be made by a purchaser or holder of the SPAC Securities under the terms of the SPAC Securities and the Listing Documents;
- (n) The Client is the person ultimately responsible for originating the instruction in relation to each SPAC Transaction and that he is the person that stands to gain the commercial or economic benefit of the SPAC Transactions and/or bear the commercial or economic risk;
- (o) The Client or the Other Person are not the Restricted Person;
- (p) The Client's purchase of the relevant SPAC Securities does not violate any applicable laws, guidelines, codes, rules, restrictions and regulations in force and applicable to him (whether imposed by applicable law or by competent regulatory authorities) in any applicable jurisdiction from time to time; and
- (q) in respect of any Data of the Customer who is an individual or in respect of any Data which relates to an individual provided by the Customer which is not an individual, the Customer or the relevant individual, as the case may be, has been fully notified as to the purposes for which his or her Data may be used and the person to whom his or her Data may be provided to (including for direct marketing purposes), as set out in Privacy Policy Statement, and the Customer or the relevant individual, as the case may be, has consented to his/her Data being used and processed (including process of sensitive personal data, cross-border transfer, use and provision to third parties of such Data by BOCOM and/or use of such Data for direct marketing purposes) in accordance with the Privacy Policy Statement and such consent has been obtained in a manner which is sufficient to meet the requirements of the Data Protection Laws and enable BOCOM and its Affiliates to lawfully use and transfer Data as set out in the Privacy Policy Statement.

### **3 Unwinding the SPAC Transaction**

- 3.1 Where, under the terms of SPAC Securities trading and listing rules and requirements of HKEX, BOCOM has received notice from HKEX or SFC, requiring BOCOM to unwind settled positions with respect to SPAC Securities within three days (or such other time as

specified by SFC or HKEX) of the settlement of the relevant position (“Mandatory-Unwind Notice”) or where BOCOM determines in its sole discretion that a SPAC Transaction is not in compliance with the terms of SPAC Securities Trading and listing rules and requirements of HKEX, BOCOM shall be entitled to issue a corresponding notice to the Client requesting the Client to unwind settled positions with respect to SPAC Securities within three days (or such other time as specified by SFC or HKEX or BOCOM, as the case may be) of the settlement of the relevant position (“Client Mandatory-Unwind Notice”) and the Client undertakes to comply with any such Client Mandatory-Unwind Notice. The Client shall have similar arrangements with the Other Persons enabling it to give notice to them to unwind settled positions with respect to SPAC Securities within three days (or such other time as specified by SFC or HKEX or BOCOM, as the case may be) of the settlement of the relevant position.

- 3.2 In relation to any Client Mandatory-Unwind Notice, the Client authorizes BOCOM to sell or arrange for the sale of such SPAC Securities on behalf of the Client at such price and on such terms as BOCOM may determine in its absolute discretion if the Client fail to comply in a timely manner with a Client Mandatory-Unwind Notice, to the extent necessary to comply with SPAC Securities trading and listing rules and requirements of HKEX. In addition to the above, the Client authorizes BOCOM to sell, transfer or carry out any other action in relation to SPAC Securities owned by the Client if BOCOM is instructed to do so by SFC or HKEX or if BOCOM otherwise determines in its absolute discretion that it is necessary or desirable to do so in order to comply with any with SPAC Securities trading and listing rules and requirements of HKEX.
- 3.3 There is a risk of prohibition from trading SPAC Securities and that the Client’s instructions to trade SPAC Securities may not be accepted.

#### **4 Risks of SPAC Transactions**

- 4.1 Investment in SPAC Securities is exposed to various risks, including but not limited to, those stated in the relevant Listing Documents of the SPAC Securities and the risks listed below. Below and those included in the Listing Documents of the SPAC Securities are not an exhaustive list of risks. The Client shall read these risk factors carefully and understand the risks of investment in SPAC Securities before making an investment decision.
- 4.2 **Risk of Price Volatility**

As a SPAC has no operations, it is unable to report performance factors (e.g. revenue, profit / loss and cash flow) that investors would normally rely upon to determine the value of its shares. The share price of a SPAC is therefore likely to be driven by speculation and rumour instead, particularly with regards to be potential outcome of the SPAC’s efforts to find a suitable De-SPAC Target.
- 4.3 **Risk of Market Manipulation**

Sensitivity of a SPAC's share price to rumour makes them relatively more susceptible to share price manipulation. This could be attempted, for example, by fraudsters deliberately spreading rumours of a forthcoming De-SPAC Transaction to raise the value of their shareholdings to a level at which it is advantageous for them to sell.

#### 4.4 Risk of Insider Dealing

For SPACs, inside information may arise in several circumstances but particularly in relation to the negotiations with a possible De-SPAC Target. Any movement in a SPAC's share price following the announcement of a De-SPAC agreement would be solely the result of that announcement. This means that someone in possession of inside information regarding such a transaction prior to its announcement would have greater certainty of making a gain from insider dealing than he would have if he was contemplating doing so in the shares of an ordinary listed issuer negotiating an identical acquisition. Consequently, the probability of insider dealing occurring in a listed SPAC would be higher than for an ordinary listed issuer.

#### 4.5 Lack of information disclosure

As a SPAC is subject to less rigorous regulatory requirements during the IPO stage, it may result in a higher chance of misinformation. In a traditional IPO, a listing applicant is required to provide in-depth information disclosure. However, there is no such information disclosure by a SPAC since the SPAC has yet to identify a specific target business at the time of listing, investors are not able to make full assessment on their investment as they are restricted by the limited information and broadly defined acquisition strategy and criteria.

Although substantive disclosure will be made once a De-SPAC Target has been identified and acquisition terms have been agreed, in timing terms this will be well after the IPO, leaving investors with only the option of staying invested throughout the merger process or cashing out at an earlier stage.

#### 4.6 Uncertainty on the quality of the De-SPAC Target

The faster and simpler route to listing for SPACs may incentivise companies that have not reached market standards and quality to take advantage of this quick access to public funding by circumventing the stringent approval process normally required in a traditional IPO. This issue is coupled with the time pressure faced by the sponsors to complete the De-SPAC Transaction within specified timeframe. It may result in the underperformance or failure of the combined business entity.

#### 4.7 Potential conflict of interest

The sponsors may be financially motivated to proceed with the De-SPAC Transaction regardless of the quality of the De-SPAC Target as they are entitled to stake in the SPAC with a minimal investment upon the De-SPAC Transaction. This potential conflict of interests between the sponsors and the shareholders raise concern on the influx of poorly managed or operated companies merging with the SPACs.

#### 4.8 Potential Equity Dilution

There is uncertainty on the amount of funds available to the SPAC to complete an acquisition of De-SPAC Target and also whether the sponsors can secure additional funds from the PIPE or other investors to complete such acquisition. The availability and costs of such additional funds highly depend on the market and economic conditions and it may have a dilution effect on the shareholding structure of the SPAC.

#### 4.9 Risk of Mandatory-Unwind

Non-Eligible Investor can suffer heavy losses on his investment in SPAC Securities as a result of mandatory unwinding of the relevant position.

#### 4.10 SPAC Warrant Risk

The terms of SPAC Warrants may vary greatly across different SPACs and it is important to understand the terms when investing. To learn more about the specific terms of the SPAC Warrants, investors should review the Listing Documents of the particular SPAC. A SPAC Warrant provides the holder with the right to purchase a SPAC Share (or a fraction of a SPAC Share) at a set exercise price at a set time. SPAC Warrants are typically exercisable on the later of 30 days after the completion of a De-SPAC Transaction or 12 months from the SPAC IPO closing or as mention in the Prospectus or Listing Document or any other applicable document; therefore, the holder of a SPAC Warrant will not be able to get the SPAC Shares before such exercise date. In addition, if an investor misses the notice of redemption and fail to exercise within the given period, the SPAC Warrants held by the investor can become essentially worthless. Further, there may be some circumstances where SPAC Warrants can be forced to be exercised early and the SPAC may redeem those warrants for essentially nothing and the PSAC Warrant holders may get nothing.

#### 4.11 Additional Risk of Volatility of Warrants

SPAC Warrants prior to De-SPAC Transaction may experience higher price volatility soon after a SPAC is listed and this price volatility gradually may increase as the deadline for a De-SPAC Transaction approaches. If a SPAC is liquidated, investors will receive a pro rata amount of the funds held in the SPAC's trust account and their SPAC Warrants will become worthless.