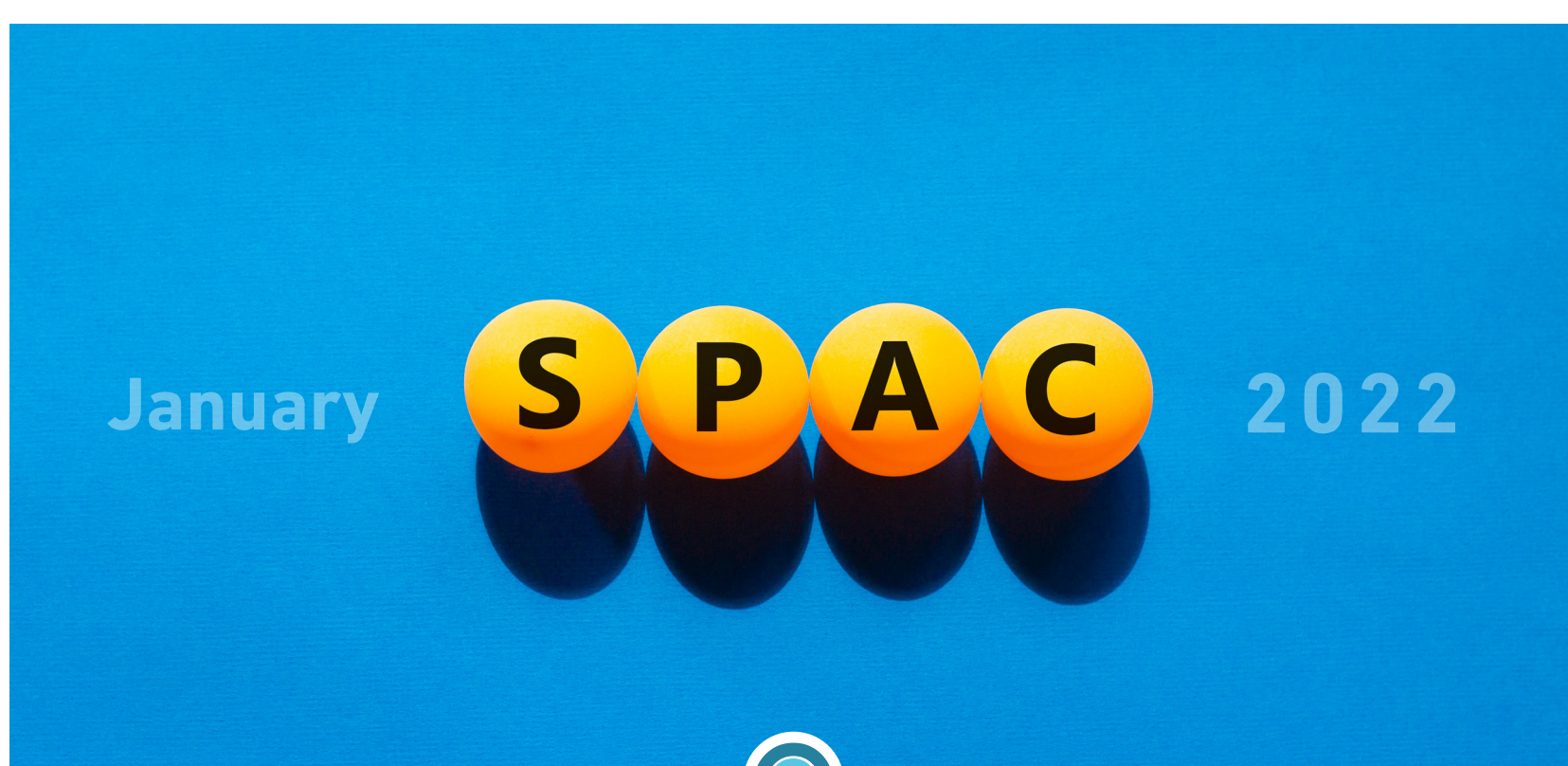


## Hong Kong SPAC Listing Applications welcomed from January 2022 onwards



HKEX announced new rules to create a listing regime for SPAC in Hong Kong that will take effect on 1 January 2022. HKEX indicated that there is substantial market support for new Special Purpose Acquisition Companies (SPAC) regime proposals.

HKEX Head of Listing, Bonnie Y Chan, said: "Throughout the process of creating the new SPAC regime, we have been in continuous dialogue with stakeholders to understand market needs, practice and concerns. The new rules will be implemented broadly as proposed, with amendments to accommodate some commercial factors whilst ensuring the quality of listings."

The table below sets out a summary of the key differences between the proposals set out in the Exchange's consultation paper dated 17 September 2021 and the requirements to be implemented:



No.	Proposal	Changes to the Proposal												
<b>01</b>	<b>Open Market Requirement at Initial Listing</b>													
	A SPAC's securities must be distributed to a minimum of 30 Institutional Professional Investors.	Proposal adopted, but the minimum number of Institutional Professional Investors required is reduced to 20.												
<b>02</b>	<b>SPAC Directors</b>													
	A majority of a SPAC's board must be composed of representatives of the SPAC Promoters who nominate them.	Replaced by a requirement for a SPAC's board to have at least two Type 6 or Type 9 Securities and Futures Commission-licensed individuals (including one director representing the licensed SPAC Promoter).												
<b>03</b>	<b>Alignment of Voting with Redemption</b>													
	SPAC shareholders must only be able to redeem SPAC Shares if they vote against a De-SPAC Transaction.	Proposals replaced with strengthened Independent PIPE Investment requirements (see item 4 below) to provide a stronger regulatory check on the terms and valuation of the De-SPAC Transaction.												
<b>04</b>	<b>Mandatory Independent PIPE Investment</b>													
	<p><b>Size of Independent PIPE Investment</b></p> <p>Independent PIPE Investment must constitute at least 25% of the expected market capitalisation of a Successor Company, or 15% to 25% in the case of Successor Companies with an expected market capitalisation of over HK\$1.5 billion.</p> <p><b>Significant Sophisticated Investment</b></p> <p>At least one independent PIPE investor must be an asset management firm or fund with assets under management (AUM) of at least HK\$1 billion, and the PIPE investment must result in this investor beneficially owning at least 5% of the issued shares of the listed issuer following the completion of a De-SPAC Transaction.</p>	<p><b>Size of Independent PIPE Investment</b></p> <p>Replaced by staggered Independent PIPE Investment size thresholds relative to the negotiated value of a De-SPAC Target (NV):</p> <table border="1"> <thead> <tr> <th>NV (In HK\$ billion)</th> <th>Minimum Independent PIPE Investment as a percentage of NV</th> </tr> </thead> <tbody> <tr> <td>&lt;2</td> <td>25%</td> </tr> <tr> <td>2 - 5</td> <td>15%</td> </tr> <tr> <td>5 - 7</td> <td>10%</td> </tr> <tr> <td>=&gt; 7</td> <td>7.5%</td> </tr> <tr> <td>&gt;10</td> <td>Waiver to be considered on a case-by-case basis</td> </tr> </tbody> </table> <p><b>Significant Sophisticated Investment</b></p> <p>Replaced by a requirement that at least 50% of the Independent PIPE Investment (stated above) must come from at least three institutional investors with AUM of at least HK\$8 billion.</p>	NV (In HK\$ billion)	Minimum Independent PIPE Investment as a percentage of NV	<2	25%	2 - 5	15%	5 - 7	10%	=> 7	7.5%	>10	Waiver to be considered on a case-by-case basis
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<b>05</b>	<b>Dilution Cap on Warrants</b>													
	SPACs must not issue warrants, in aggregate, that, if exercised, would result in more than 30% of the number of shares in issue at the time such warrants are issued (Overall Warrant Cap)	<ul style="list-style-type: none"> <li>Overall Warrant Cap increased to 50%.</li> <li>More prominent disclosure on the dilutive effect of all warrants required.</li> <li>No separate cap on the warrant to share ratio and on Promoter Warrants.</li> </ul>												

Source :

[https://www.hkex.com.hk/News/Regulatory-Announcements/2021/211217news?sc\\_lang=zh-HK](https://www.hkex.com.hk/News/Regulatory-Announcements/2021/211217news?sc_lang=zh-HK)



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