

Proposed Introduction of Special Purpose Acquisition Company (SPAC) to Hong Kong



Special Purpose Acquisition Company (SPAC) has already become another public fundraising channel other than the traditional IPOs. In recent years, the De-SPAC rate (i.e. the percentage of SPACs completing acquisitions) has been high in the US. As of 12 July 2021, of the 113 SPACs that listed in the US between 2015 and 2018, 102 (90%) have completed acquisitions. SPAC issuers listed in the US during the years 2015 through to 2018 (inclusive of both years) took 22 months on average to complete De-SPAC Transactions. Only a small proportion (8%) of SPACs listed in the US redeemed their outstanding public shares and liquidated because of a failure to consummate a business merger or acquisition within their lifespan.



Status of SPACs listed between 2015 and 2021 (inclusive)	Year	Total Number of IPOs in Year	De-SPAC Transaction :		
			Announced since IPO	Completed since IPO	Liquidated since IPO
	2015	20	0	17	3
	2016	13	0	11	2
	2017	34	0	31	3
	2018	46	2	43	1
	2019	59	12	42	1
	2020	252	96	56	0
	2021	366	42	1	0
	TOTALS	790	152	201	10

Recently, various countries have launched the SPAC regulations or the latest amendments. In September 2021, HKEX released the consultation paper regarding the SPACs in order to launch the SPAC regulations in Hong Kong market after thorough public consultation, with aim to consolidate the prominence of Hong Kong as an international financial center and maintain its market competitiveness.

The brief introduction of SPAC regulations in different jurisdictions are as follows:



	Hong Kong (HKEX) (proposed)	The US (NYSE, NYSE American and NASDAQ)	The UK (Main Market of LSE)	Singapore (Main Board of SGX)
Investor Suitability 	•Subscription and trading will be restricted to professional investors only	<ul style="list-style-type: none"> No restriction Retail investors allowed to participate in IPO 		
Minimum Public Float 	At least 100 shareholders (not 300 for traditional IPOs)	NYSE: <ul style="list-style-type: none"> •>=300 NYSE American: <ul style="list-style-type: none"> •>=400 and 1 million publicly-held shares; or •>=800 and 500,000 publicly-held shares NASDAQ Capital Market: <ul style="list-style-type: none"> •>=300 NASDAQ Global Market: <ul style="list-style-type: none"> •>=400 	No minimum threshold but requires 25% public float required	At least 25% issued shares to be held by at least 300 public shareholders
SPAC Share Issue Price 	HK\$10	US\$4, typically SPACs have a unit price of US\$10	Not specified	S\$5
SPAC Fund Raising Size 	Fund raised from IPO shall be at least HK\$1 billion	NYSE American and NASDAQ Capital Market: <ul style="list-style-type: none"> •US\$50 million (HK\$388 million) NASDAQ Global Market: <ul style="list-style-type: none"> •US\$75 million (HK\$583 million) NYSE: <ul style="list-style-type: none"> •US\$100 million (HK\$776 million) 	>= £100 million (HK\$1.1 billion) in terms of aggregate gross cash proceeds raised	Require a SPAC to have a minimum market capitalization of S\$150 million (HK\$869 million)
Suitability and eligibility of SPAC Promoters 	Must meet suitability and eligibility requirements, at least one SPAC promoter to be a licensed corporation under the SFC	NYSE: SPAC Promoters' experience and/or track record is one of the factors	Not specified	Consider the track record and repute of the founding shareholders; and experience and expertise of the management team
Deadline for De-SPAC transaction 	•36 months, with further extension of 6 months in maximum	<ul style="list-style-type: none"> •Within 36 months from IPO without further extension •Typically, SPACs voluntarily set 24 months 	Within 24 months from IPO, subject to an extension of up to 12 months to be approved by public shareholders	Within 24 months from IPO, subject to an extension of up to 12 months to be approved by SPAC shareholders with a special resolution and SGX
Independent Third Party Investment 	Mandatory outside independent PIPE investment	Not specified	Not specified	Not specified; but require an independent financial adviser to be appointed in the absence of a PIPE investment

Source :

https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/September-2021-Special-Purpose-Acquisition-Co/Consultation-Paper/cp202109_c.pdf?la=zh-HK

The public consultation was finished on 31 October, while the market remained mindful of whether the SPAC could be implemented in Hong Kong. Alejandro Nicolas AGUZIN, the Chief Executive of HKEX, attended the Cyberport Venture Capital Forum organized by Cyberport on 2 November and mentioned that, the HKEX will keep enhancing the attractiveness of Hong Kong and is reviewing the SPAC regime. He suggested that the SPAC could make up for the shortcomings of traditional listing, bring new opportunities for market and strike a balance between market quality and attractiveness of investors.



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