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## Hong Kong Stock Exchange Publishes SPAC Consultation Conclusions

***The paper sets out the long-awaited framework for a SPAC listing regime in Hong Kong, which will become effective 1 January 2022.***

On 17 December 2021, the Stock Exchange of Hong Kong Limited (the Exchange or HKSE) published conclusions (Consultation Conclusions) to its consultation paper on special purpose acquisition companies, or SPACs (Consultation Paper), to create a listing regime for SPACs on the Exchange (SPAC Framework). The Consultation Conclusions set out the conditions for listing of SPACs, requirements for SPAC promoters and SPAC directors, and also requirements for De-SPAC transactions. In addition:

- The Exchange published a guidance letter on SPACs (Guidance Letter)
- The Securities and Futures Commission (SFC) published a practice note 23 to provide guidance on waivers from the application of Rule 26.1 of the Takeovers Code for De-SPAC Transactions (PN 23)

The amendment to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Listing Rules) as set out in the Consultation Conclusions and the Guidance Letter will come into effect on 1 January 2022.

The SPAC Framework seeks to strike a balance between maintaining the competitiveness of Hong Kong as an international financial centre by offering a path to effecting SPAC listings in Hong Kong whilst ensuring high quality SPAC listing applicants and De-SPAC targets. This *Client Alert* details the key takeaways from the Consultation Conclusions and considers what the SPAC Framework will mean for stakeholders in Hong Kong and its impact. This *Client Alert* also includes an Appendix featuring a high-level comparison of the SPAC Framework in Hong Kong vs. the SPAC frameworks in the US, the UK, and Singapore.

### Background

A SPAC is an alternative way of raising funds, through an initial public offering, prior to acquiring an operating company. Once a SPAC goes public, it will then use the funds raised to acquire a target (in what is called a “De-SPAC” transaction). If the SPAC is unable to complete a De-SPAC transaction during its stated duration (typically two years or less after listing, but three years for Hong Kong) it must return the funds to its shareholders. Whilst SPACs have existed in the US since the 1990s, they have become

increasingly popular in recent years, particularly in the US. Credible sponsors with significant assets under management are increasingly executing larger SPAC IPOs and De-SPAC transactions, successfully taking public significant operating businesses in the process. The number of US-listed SPACs dramatically surged in 2020 and 2021, and entities such as Singapore Exchange Limited and the UK Financial Conduct Authority published consultation papers and conclusions to establish a SPAC listing framework in their jurisdictions in 2021.

## General Conditions for SPAC Listings

Under the SPAC Framework, SPAC listings on the Exchange will be subject to, amongst others, the key conditions as set out in the table below.

General Conditions for Listing of SPACs	
<b>Investor suitability</b>	Subscription and trading of a SPAC's securities must be restricted solely to professional investors
<b>Open market requirements</b>	<ul style="list-style-type: none"> <li>• Each share of a SPAC that is not a promoter share (SPAC Shares) and each warrant of a SPAC that is not a promoter warrant (SPAC Warrants) must be distributed to a minimum of 75 professional investors</li> <li>• 20 must be institutional professional investors</li> <li>• At least 75% of each of the SPAC Shares and SPAC Warrants must be distributed to institutional investors</li> </ul>
<b>Minimum SPAC share issue price</b>	A minimum of HK\$10 per share
<b>Minimum SPAC fundraising size</b>	At least HK\$1 billion from its listing
<b>Board lot size</b>	At least HK\$1 million for SPAC Shares
<b>Escrow account</b>	<ul style="list-style-type: none"> <li>• 100% of the gross proceeds of an initial public offering (IPO) should be held in a ring-fenced escrow account domiciled in Hong Kong in the form of cash or cash equivalents</li> <li>• Monies held in the escrow account can only be released to: <ul style="list-style-type: none"> <li>○ Meet redemption requests of the SPAC shareholders</li> <li>○ Return funds to SPAC shareholders upon liquidation / winding up</li> <li>○ Return funds to SPAC shareholders as a result of failure to consummate De-SPAC Transaction in accordance with the Listing Rules</li> </ul> </li> </ul>
<b>SPAC Promoter</b> (i.e., the person(s) who established and manage a SPAC)	<b>Character, experience, and integrity:</b> The Exchange must be satisfied as to the character, experience, and integrity of each SPAC Promoter and ensure that it meets the standard of competence commensurate with its position
	<b>Licensing:</b> At listing and on an ongoing basis for the lifetime of the SPAC, at least one SPAC Promoter must hold:

General Conditions for Listing of SPACs	
	<ul style="list-style-type: none"> <li>○ A Type 6 (advising on corporate finance) and/or Type 9 (asset management) licence from the SFC, and</li> <li>○ At least 10% of Promoter shares</li> </ul>
<b>SPAC Directors</b>	<ul style="list-style-type: none"> <li>● Must include at least two Type 6 or Type 9 SFC-licensed individuals (including one director representing the licensed SPAC Promoter)</li> <li>● Where a SPAC Promoter is an individual, that person must be a director of the SPAC</li> </ul>
<b>Material change in SPAC Promoters and SPAC Directors</b>	<p>A material change in any of the following will require to be approved by (i) a special resolution of shareholders at a general meeting within one month from the date of the material change and; (ii) the Exchange:</p> <ul style="list-style-type: none"> <li>● Any SPAC Promoter (alone or together with its close associates) that controls 50% or more of the Promoter Shares in issue</li> <li>● Any SPAC Promoter that holds the requisite SFC license</li> <li>● Eligibility or suitability of the SPAC Promoter referred to in the above</li> <li>● A director that holds the requisite SFC license</li> </ul> <p>This includes the departure or addition of SPAC Promoters, change in control of a SPAC Promoter, suspension or revocation of its SFC licence, breaches of laws bearing on integrity and/or competence of a SPAC Promoter, and any other changes that the Exchange considers to be material</p>
<b>Warrants</b>	<ul style="list-style-type: none"> <li>● Promoter Warrants and SPAC Warrants must be approved by the Exchange prior to issue or grants, and by the shareholders after a SPAC's initial offering</li> <li>● Promoter Warrants and SPAC Warrants must expire not less than one and not more than five years from the date of completion of the De-SPAC Transaction and must be convertible into further rights to subscribe for securities that expire less than one year or more than five years after the date of the completion of the De-SPAC Transaction</li> </ul>
<b>Promoter Warrants</b>	<ul style="list-style-type: none"> <li>● Must not be at a price that is less than 10% of the IPO price</li> <li>● Must not contain terms that are more favourable than those of SPAC Warrants</li> </ul>
<b>Dilution cap</b>	<ul style="list-style-type: none"> <li>● Promoter Shares issued to SPAC Promoters will not represent more than 20% of the total issued shares of the SPAC as at the listing date</li> <li>● If the Promoter Shares are convertible into SPAC Shares, such conversion shall be on a one-for-one basis only</li> <li>● SPAC Warrants and Promoter Warrants, if exercised immediately, must not exceed 50% of the number of shares in issue at the time such warrants are issued</li> </ul>

## De-SPAC Transaction Requirements

The Exchange imposes a number of requirements around De-SPAC Transactions, including the following:

De-SPAC Transaction Requirements											
<b>Application of new listing requirements</b>	Require to meet all new listing requirements (including IPO sponsor engagement to conduct due diligence, minimum market capitalisation requirements and financial eligibility tests)										
<b>Eligibility of De-SPAC targets</b>	Biotech companies, mineral companies, and weighted voting rights companies that meet the applicable requirements under Chapter 8A of the Listing Rules are eligible, but not Investment Companies (as defined by Chapter 21 of the Listing Rules)										
<b>Size of De-SPAC target</b>	A fair market value of at least 80% of funds raised by the SPAC from its initial offering (prior to any redemptions)										
<b>Independent third party investment</b>	<ul style="list-style-type: none"> <li>Must obtain funding from outside independent PIPE investors (restricted to professional investors only). The standard of independence will be consistent with the independence requirements applicable to independent financial advisers under the Listing Rules.</li> <li>Minimum percentage of independent PIPE investment depends on the negotiated value of the De-SPAC target: <table border="1" data-bbox="544 981 1420 1290"> <thead> <tr> <th>Minimum percentage of independent PIPE investment</th> <th>Negotiated De-SPAC Value</th> </tr> </thead> <tbody> <tr> <td>25%</td> <td>Below HK\$2 billion</td> </tr> <tr> <td>15%</td> <td>HK\$2 billion or more and less than HK\$5 billion</td> </tr> <tr> <td>10%</td> <td>HK\$5 billion or more and less than HK\$7 billion</td> </tr> <tr> <td>7.5%</td> <td>HK\$7 billion or more</td> </tr> </tbody> </table> </li> <li>Must include significant investment from sophisticated investors: <ul style="list-style-type: none"> <li>At least 50% of the independent PIPE investment must come from at least three sophisticated investors</li> <li>Each being an asset management firm with assets under management of at least HK\$8 billion or a fund of a fund size of at least HK\$8 billion</li> <li>A fund managed by a fund manager that has assets under management of at least HK\$8 billion would qualify as a sophisticated investor for this purpose</li> </ul> </li> </ul>	Minimum percentage of independent PIPE investment	Negotiated De-SPAC Value	25%	Below HK\$2 billion	15%	HK\$2 billion or more and less than HK\$5 billion	10%	HK\$5 billion or more and less than HK\$7 billion	7.5%	HK\$7 billion or more
Minimum percentage of independent PIPE investment	Negotiated De-SPAC Value										
25%	Below HK\$2 billion										
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<b>Shareholder approval</b>	A De-SPAC Transaction must be approved by the SPAC's shareholders. A shareholder with a material interest in the transaction must abstain from voting										
<b>Connected De-SPAC targets</b>	<ul style="list-style-type: none"> <li>Connected transaction rules would apply to De-SPAC Transactions</li> <li>Definition of "connected person" will include a SPAC Promoter, the SPAC</li> </ul>										

De-SPAC Transaction Requirements	
	directors and an associate of any of these parties
<b>Share redemptions</b>	<ul style="list-style-type: none"> <li>• Must provide a redemption option</li> <li>• Shareholders can redeem at no less than IPO price, to be paid out of the monies held in the escrow account</li> </ul>
<b>Forward-looking information</b>	<p>Existing requirements will be applied to any forward-looking statements in the listing document for a De-SPAC Transaction to the same standard as that required for an IPO, including but not limited to the following:</p> <ul style="list-style-type: none"> <li>• Sponsor confirmation that they have satisfied themselves that the profit forecast has been made by the directors after due and careful enquiry</li> <li>• Accountant confirmation that they have reviewed the accounting policies and calculations for the forecast</li> <li>• Profit forecast memorandum with principal assumptions, accounting policies, and calculations for the forecast must be submitted to the Exchange covering the same period as the profit forecast</li> </ul>
<b>Open market in successor company's shares</b>	<p>A Successor Company must ensure an adequate spread of holders of its shares of at least 100 shareholders, rather than the minimum 300 shareholder requirement normally required for a new listing. Current requirements will apply, meaning:</p> <ul style="list-style-type: none"> <li>• At least 25% of the total number of the issued shares of a Successor Company must at all times be held by the public</li> <li>• Not more than 50% of the securities of a Successor Company in public hands can be beneficially owned by the three largest public shareholders, as at the date of the Successor Company's listing</li> </ul>
<b>Lock-up periods</b>	<ul style="list-style-type: none"> <li>• SPAC Promoters will be locked up for 12 months following the completion of the De-SPAC Transaction, and the Promoter Warrants will not be exercisable during this period</li> <li>• Controlling shareholders of a Successor Company will also be subject to the customary 6 + 6 months lock-up similar to controlling shareholders following a new listing</li> </ul>
<b>De-SPAC Transaction deadline</b>	<p>A SPAC must:</p> <ul style="list-style-type: none"> <li>• Publish a De-SPAC announcement within 24 months of the date of listing (De-SPAC Announcement Deadline)</li> <li>• Complete the De-SPAC Transaction within 36 months of the date of listing (De-SPAC Transaction Deadline)</li> </ul> <p>Failure to meet either will result in immediate suspension of trading of the SPAC's securities, return of funds to shareholders, and delisting</p> <p>A SPAC can make a request for an extension of a De-SPAC Announcement Deadline or De-SPAC Transaction Deadline, provided that:</p>

## De-SPAC Transaction Requirements

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|  | <ul style="list-style-type: none"><li>• There is a valid reason for the request</li><li>• Shareholders' approval (by ordinary resolution) is obtained</li><li>• Such extension is subject to a maximum of six months</li></ul> |
|--|--|

## Application of Takeovers Code

The application of the mandatory general offer rules under the Takeovers Code will normally be waived in relation to a De-SPAC Transaction for an owner of the De-SPAC target who obtains 30% or more of the voting rights of the SPAC. In granting such a waiver, various factors will be considered, including (but not limited to) the following:

- The holdings of the owner of the De-SPAC target and parties acting in concert with it in the shares of the SPAC and any dealings by such persons during the SPAC period prior to the announcement of the De-SPAC Transaction
- Any relationship between the owner of the De-SPAC target and the SPAC Promoters and parties acting in concert with any of them

For the avoidance of doubt, where a third party (i.e., not the owner of the De-SPAC target) obtains control (or otherwise consolidates control by crossing the 2% creeper threshold), a mandatory general offer waiver will not be granted. A De-SPAC waiver application should be made to the Executive Director of the Corporate Finance Division of the SFC well in advance of the proposed De-SPAC Transaction. The Executive will be particularly concerned as to whether or not the owners of a De-SPAC Target or parties acting in concert with it acquire SPAC Shares prior to or during the course of the De-SPAC Transaction to influence the outcome of the approval of the De-SPAC Transaction.

## Return of Funds and Delisting

If any of the below circumstances arises, the Exchange will suspend the trading of a SPAC's securities and the SPAC must, within one month of such suspension, return to its shareholders the funds it raised at the initial offering by paying the monies held in the escrow account on a pro rata basis, upon which the Exchange will cancel the SPAC's listing, if the SPAC fails to:

- Announce or complete a De-SPAC Transaction within the De-SPAC Announcement Deadline or the De-SPAC Transaction Deadline respectively
- Obtain the requisite approvals for a material change in SPAC Promoters or SPAC Directors.

## Conclusion

The amendment to the Listing Rules as set out in the Consultation Conclusions and the Guidance Letter will come into effect on 1 January 2022. There are certain key differences between the SPAC Framework and the frameworks of other stock exchanges, including the limitation of SPAC investors to solely professional investors, and subjecting SPAC Promoters to additional licensing, suitability, and eligibility requirements. Nonetheless, we have already seen much excitement around the introduction of the SPAC Framework in Hong Kong. We welcome the opportunity to discuss the rules with any interested stakeholder.

See below an Appendix featuring a high-level comparison of the SPAC Framework in Hong Kong vs. the SPAC frameworks in the US, the UK, and Singapore.

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If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

**[Cathy Yeung](#)**

cathy.yeung@lw.com  
+852.2912.2622  
Hong Kong

**[Allen Wang](#)**

allen.wang@lw.com  
+852.2912.2692  
Hong Kong

**[Frank Sun](#)**

frank.sun@lw.com  
+852.2912.2512  
Hong Kong

**[Terris Tang](#)**

terris.tang@lw.com  
+852.2912.2719  
Hong Kong

**[Benjamin Su](#)**

benjamin.su@lw.com  
+852.2912.2728  
Hong Kong

**[Mandy Wong](#)**

mandy.wong@lw.com  
+852.2912.2682  
Hong Kong

**[Daying Zhang](#)**

daying.zhang@lw.com  
+852.2912.2635  
Hong Kong

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## Appendix

### HK SPAC Framework vs. US, UK, and Singapore SPAC Frameworks

	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
(A)	<b>CONDITIONS FOR LISTING</b>				
I.	<b>Investor Suitability</b>				
	Limited to professional investors only <sup>1</sup>  <b>Commentary:</b> Whilst on paper Hong Kong seems more restrictive, we have seen similar concerns raised in the US recently, as seen with the US House Committee on Financial Services by passing a proposal to prohibit brokers from facilitating transaction of or recommending SPAC securities to a person who is not an accredited investor (which is similar to the professional investor regime in Hong Kong)	<ul style="list-style-type: none"> <li>No restriction</li> <li>Retail investors allowed to participate in IPO</li> </ul>			
II.	<b>Arrangements to Ensure Marketing to and Trading by Professional Investors Only</b>				
	<ul style="list-style-type: none"> <li>A SPAC will be required to:               <ul style="list-style-type: none"> <li>Have a board lot size and subscription size of at least HK\$1 million for its SPAC Shares</li> <li>Demonstrate to the HKSE that intermediaries involved in selling securities for and on behalf of the SPAC should satisfy themselves that each placee is a professional investor</li> <li>Demonstrate to the HKSE that all other aspects of the structure of any SPAC securities offering preclude access by the public (other than professional investors)</li> </ul> </li> </ul>	Not applicable.			

<sup>1</sup> "Professional Investors" means (i) Individual: A portfolio of not less than HK\$8 million; (ii) Corporation or partnership: A portfolio of not less than \$8 million or total assets of not less than HK\$40 million; and (iii) Trust corporation: Total assets of not less than HK\$40 million



	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
III.	<b>Trading Arrangements - Separate Trading of SPAC Shares and SPAC Warrants</b>				
	Allow separate trading of SPAC Shares and SPAC Warrants from the date of initial listing to a De-SPAC Transaction	<ul style="list-style-type: none"> <li>Allowed and usually at the discretion of the unitholder to exchange SPAC units into SPAC Shares and SPAC Warrants 52 days after IPO, or sooner</li> </ul>		<ul style="list-style-type: none"> <li>Allowed</li> <li>Listing of stapled units are being considered by the UK Financial Conduct Authority (FCA)</li> </ul>	<ul style="list-style-type: none"> <li>Allowed</li> </ul>
IV.	<b>Open Market Requirements</b>				
	<ul style="list-style-type: none"> <li>Distribute each of SPAC Shares and SPAC Warrants to a minimum of 75 professional investors of which 20 must be institutional professional investors</li> <li>At least 75% of each of SPAC Shares and SPAC Warrants to institutional professional investors</li> <li>Not more than 50% of securities in public hands at the time of a SPAC's listing can be beneficially owned by the three largest public shareholders</li> <li>At least 25% of the SPAC's total number of issued shares and at least 25% of the SPAC's total number of issued warrants must be held by the public</li> </ul> <p><b>Commentary:</b> Hong Kong requires fewer investors than other jurisdictions but restricts to professional investors only</p>	1.1 million shares publicly held with a minimum of 300 public shareholders	<ul style="list-style-type: none"> <li>NASDAQ Global Market: (a) Standard 1 – 1.1 million unrestricted publicly held shares and at least 400 round lot holders, or (b) Standard 2 – 1.1 million unrestricted publicly held shares and at least 300 round lot holders</li> <li>NASDAQ Capital Market: 1 million unrestricted publicly held shares and at least 300 round lot holders</li> </ul>	No minimum threshold, but 10% public float is required	At least 25% of SPAC's issued shares to be held by at least 300 public shareholders
V.	<b>SPAC Share Issue Price</b>				
	HK\$10 or above	US\$4; typically SPACs have a unit issue price of US\$10	US\$4; typically SPACs have a unit issue price of US\$10	Not specified	S\$5

	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
VI.	<b>SPAC Fundraising Size</b>				
	<p>At least HK\$1 billion at the time of listing</p> <p><b>Commentary:</b> The minimum SPAC fundraising size is relatively high compared to that of the US and Singapore, to ensure that only good quality SPACs will be listed</p>	<p>No minimum fundraising size, but a SPAC must have a minimum market capitalisation of US\$100 million; the SPAC must also have market value of publicly held shares of US\$80 million</p>	<p>No minimum fund raising size, but a SPAC must have a minimum market capitalisation of:</p> <ul style="list-style-type: none"> <li><i>NASDAQ Global Market:</i> (a) Standard 1 – US\$75 million; must also have market value of publicly held shares of US\$20 million, or (b) Standard 2 – US\$100 million; must also have a market value of publicly held shares of US\$80 million</li> <li><i>Nasdaq Capital Market:</i> US\$50 million; must also have market value of publicly held shares of US\$15 million</li> </ul>	<p>&gt;= £100 million in terms of aggregate gross cash proceeds raised and a minimum market capitalization of £30 million</p>	<p>No minimum fundraising size, but a SPAC must have a minimum market capitalisation of S\$150 million</p>
VII.	<b>Warrants</b>				
	<ul style="list-style-type: none"> <li>Must meet existing requirements</li> <li>Must expire not less than one and not more than five years from the date of completion of a De-SPAC Transaction</li> <li>Must not be convertible into further rights to subscribe for securities which expire less than one year or more than five years after the date of the completion of a De-SPAC Transaction</li> <li>Minimum exercise price that represents at least a 15% premium to the issue price of SPAC Share</li> <li>Exercisable only after the completion of a De-SPAC Transaction</li> </ul>	<ul style="list-style-type: none"> <li>Initial listing requirements for warrants must be met</li> <li>Exercise price typically US\$11.50 per share</li> <li>Typically exercisable on the later of 30 days after the completion of a De-SPAC Transaction or 12 months from the date of the SPAC IPO</li> <li>Typically expire on the earlier of the fifth anniversary from completion of a De- SPAC Transaction or the date of redemption by the SPAC</li> </ul>	<ul style="list-style-type: none"> <li>Must meet listing requirements</li> <li>Terms of SPAC Warrants must be disclosed in the SPAC's prospectus</li> </ul>	<ul style="list-style-type: none"> <li>Must meet existing requirements</li> <li>Exercise price &gt;= the price of SPAC Share IPO issue price</li> <li>Must not be exercisable prior to the completion of a De-SPAC Transaction</li> <li>Must not have an entitlement to liquidation distribution and redemption</li> </ul>	

	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
	<b>Commentary:</b> This more restrictive approach is intended to address the potential volatility of Warrant prices				<ul style="list-style-type: none"> <li>Must expire on the earlier of: (a) the maximum tenure under the issuance terms as stated in the prospectus; or (b) the maximum permitted time frame for completion of a De-SPAC Transaction</li> </ul>
<b>(B)</b>	<b>SPAC PROMOTERS AND DIRECTORS</b>				
<b>I.</b>	<b>SPAC Promoters</b>				
	<i>Suitability and eligibility</i>				
	The HKSE must be satisfied as to the character, experience, and integrity of each SPAC Promoter and must be satisfied that each SPAC Promoter is capable of meeting a standard of competence commensurate with their position  <b>Commentary:</b> The HKSE has imposed this additional requirement to ensure that only good quality SPAC Promoters are allowed to form SPACs.	SPAC Promoters' experience and/or track record is one of the factors in the assessment of the suitability of a SPAC for listing	Not specified	Not specified	The suitability of a SPAC for listing includes: <ul style="list-style-type: none"> <li>Track record and repute of the founding shareholders</li> <li>Experience and expertise of the management team</li> </ul>
	<i>Minimum equity participation</i>				
	The SPAC Promoter that holds the requisite SFC licence (see below regarding licensing / qualification requirements) must hold at least 10% of the Promoter Shares	Not specified	Not specified	Not specified	2.5% to 3.5% of a SPAC's market capitalisation at the time of listing held by SPAC Promoters and SPAC directors in aggregate
	<i>Licensing / qualification requirements</i>				
	<ul style="list-style-type: none"> <li>At listing and on an ongoing basis, at least one SPAC Promoter must hold a Type 6 (advising on corporate finance) and/or a Type 9 (asset management) license issued by the SFC</li> </ul>	Not specified	Not specified	Not specified	Not applicable.

	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
	<ul style="list-style-type: none"> <li>HKSE will consider modifying or waiving the SPAC Promoter licensing requirement, on a case-by-case basis, if a SPAC Promoter has overseas accreditation that is equivalent to an SFC Type 6 and/or Type 9 licence</li> </ul>				
	<i>Material change of SPAC Promoters and SPAC Directors</i>				
	Approved by a special resolution of shareholders at a general meeting within one month from the date of the material change and approved by the HKSE	Not specified	Not specified	Not specified	<ul style="list-style-type: none"> <li>Require approval by a special resolution of independent shareholders, failing which a SPAC will be liquidated and delisted</li> </ul>
<b>II.</b>	<b>SPAC Directors</b>				
	<ul style="list-style-type: none"> <li>Existing requirements for directors as set out in the Listing Rules apply</li> <li>The board of a SPAC must include at least two Type 6 or Type 9 SFC-licensed individuals (including one director representing the licensed SPAC Promoter)</li> <li>If a SPAC Promoter is an individual, that person must be a director of the SPAC</li> </ul> <p><b>Commentary:</b> There is heightened focus on ensuring that the SPAC Promoters take responsibility for the actions of the SPAC</p>	Existing corporate governance independence requirements apply, including: <ul style="list-style-type: none"> <li>A majority of directors on the board must be independent</li> <li>All directors in a SPAC's audit committee must be independent</li> </ul>	A majority of directors in the SPAC's audit committee (including the chairman) must be independent	A majority of directors in board committees (including the respective chairmen) must be independent	

	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
(C)	<b>CONTINUING OBLIGATIONS</b>				
I.	<b>Funds Held in Trust</b>				
	<p>100% of gross SPAC IPO proceeds to be:</p> <ul style="list-style-type: none"> <li>Held in a ring-fenced escrow account in Hong Kong (operated by trustee/custodian in accordance with the qualifications as set out in Code of Unit Trusts and Mutual Funds administered by the SFC)</li> <li>In the form of cash or cash equivalents. The Exchange considers short-term securities issued by governments with a minimum credit rating of A-1 by S&amp;P, P-1 by Moody's Investors Service, F1 by Fitch Rating, or an equivalent rating by a credit agency acceptable to HKSE as cash equivalent for the purpose of this rule</li> </ul>	<p>At least 90% of gross SPAC IPO proceeds to be held in a trust account controlled by an independent custodian</p>	<p>At least 90% of gross SPAC IPO proceeds to be held in a trust account maintained by an independent trustee, an escrow account maintained by an "insured depository institution" (as defined in Section 3(c)(2) of the Federal Deposit Insurance Act), or in a separate bank account established by a registered broker or dealer</p>	<p>100% of gross SPAC IPO proceeds to be ring-fenced (in an escrow or trust account) save that part of funds can be retained to fund the SPAC's operations</p>	<p>90% of gross SPAC IPO proceeds to be:</p> <ul style="list-style-type: none"> <li>Held in a trust account by an independent escrow agent (a licensed financial institution approved by the Monetary Authority of Singapore)</li> <li>Invested in cash or cash equivalent short dated securities of at least an A-2 rating</li> </ul>
II.	<b>Promoter Shares and Promoter Warrants</b>				
	<i>Restriction on transfer disposal</i>				
	<ul style="list-style-type: none"> <li>Only SPAC Promoter will be able to beneficially hold Promoter Shares and Promoter Warrants at listing and thereafter</li> <li>Cannot transfer the legal ownership of any Promoter Shares or Promoter Warrants to a person other than the person to whom they were originally issued.</li> </ul>	<ul style="list-style-type: none"> <li>Promoter Shares: Subject to contractual transfer restrictions, and their resale must be registered under the Securities Act (unless otherwise exempted)</li> <li>Promoter Warrants: Typically contractually restricted from transfer or disposal until 30 days after the completion of a De-SPAC Transaction, and their resale must be registered under the Securities Act (unless otherwise exempted)</li> </ul>	Not specified	<p>Shareholding (direct or indirect) held by founding shareholders, the management team, and the controlling shareholders of the SPAC and their respective associates are restricted from transfer / disposal from the date of listing until the completion of a De- SPAC Transaction</p>	
III.	<b>Trading Halts and Suspensions</b>				
	<p>A SPAC would be required to apply for a trading halt if it reasonably believes or it is reasonably likely that confidentiality may have been lost in respect of inside information regarding De-SPAC Transaction negotiations</p>	<p>Apply existing trading halt policy if a SPAC is unable to maintain confidentiality with</p>	<p>Apply existing trading halt policy if a SPAC is unable to maintain confidentiality</p>	<p>A "rebuttable presumption" of suspension does not apply upon a De-SPAC Announcement if a SPAC</p>	<p>Apply suspension /trading halt policy if a SPAC is unable to maintain</p>

	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
		regards to business negotiations	with regards to business negotiations	<p>meets certain criteria with respect to:</p> <ul style="list-style-type: none"> <li>• Fund raising size (see (A)-VI “SPAC Fund Raising Size” above)</li> <li>• Gross proceeds held in escrow (see (C)-I “Funds Held in Trust” above)</li> <li>• De-SPAC Transaction Deadline (See (E)-I “Deadlines” below)</li> <li>• Providing clear disclosure of the structure and arrangements of the SPAC</li> <li>• Board approval for a De-SPAC Transaction (excluding board members who are conflicted in relation to the target)</li> <li>• Shareholder approval for a De-SPAC Transaction (See (D)-VI “Shareholder Vote on De-SPAC Transactions” below)</li> <li>• In the case of a sponsor conflict in relation to the target, the SPAC board is to give a fair and reasonableness statement which reflects advice from an appropriately qualified and independent advisor (See (D) - VII “De-SPAC Transactions Involving</li> </ul>	confidentiality with regards to business negotiations

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				Connected Targets" below) <ul style="list-style-type: none"> <li>Redemption option for SPAC shareholders (See (D)-IX "Share Redemptions" below)</li> </ul>	
<b>(D)</b>	<b>DE-SPAC TRANSACTION REQUIREMENTS</b>				
<b>I.</b>	<b>Application of New Listing Requirements</b>				
	<i>Initial listing requirement applicable for a Successor Company</i>				
	Must meet all new listing requirements (including minimum market capitalisation requirement, financial eligibility tests, and management continuity and ownership continuity requirements) <p><b>Commentary:</b> This proposal is similar to the approach taken in the US, the UK, and Singapore, in order to deter SPACs from circumventing the quantitative and qualitative criteria applicable to a new listing. However, this may be more stringent than the US regime, particularly NASDAQ, which allows companies seeking listing to choose from a wider range of financial eligibility tests and three different choices of segments.</p>	Must meet initial listing requirements with respect to minimum share price, market capitalization, market value of publicly held shares, and open market requirements set out in (D)-X "Open Market in Successor Company's Shares" (number of publicly held shares and number of public holders) <p>Apply full initial listing requirements if determined to be a "back door listing"</p>	Must meet full initial listing requirements applicable to market segments	Must meet initial listing requirements applicable to the listing category (premium or standard)	Must meet initial listing requirements
	<i>Appointment of IPO Sponsor</i>				
	Required to appoint at least one IPO Sponsor <p><b>Commentary:</b> IPO sponsor (and the diligence that they have to undertake) is one of the key features in an HK listing on the HKSE, which is not present in the US listing regime</p>	Not required (no equivalent of "IPO Sponsor regime" in the US)		Required if a Successor Company is to be listed under the premium listing category	Appointment of a financial adviser (i.e. an accredited issue manager equivalent to an IPO Sponsor) is required

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II.	<b>Eligibility of De-SPAC Targets</b>				
	Biotech and mineral companies are eligible. Expressly exclude Chapter 21 investment companies	No restrictions imposed on the types of de- SPAC targets, so long as new listing requirements described above are met	No restrictions imposed on the types of De-SPAC targets, so long as the new listing requirements described above are met	No restrictions imposed on the types of De-SPAC targets, so long as the new listing requirements described above are met	Expressly contemplate De-SPAC Transactions involving life sciences companies and mineral, oil, and gas companies
III.	<b>Size of De-SPAC Target</b>				
	Fair market value representing at least 80% of funds raised by the SPAC from its initial offering (prior to any redemption)	Fair market value >=80% of the net assets held in trust (net of amounts distributed to management for working capital purposes and excluding the amount of any deferred underwriting discount held in trust)	Fair market value >=80% of the value of the deposit account (excluding deferred underwriters fees and taxes payable on the income earned on the deposit account)	Not specified	Fair market value >=80% of the proceeds held in trust
IV.	<b>Independent Third Party Investment</b>				
	<p>Mandatory outside independent PIPE investment which must:</p> <ul style="list-style-type: none"> <li>• Be professional investors only</li> <li>• Minimum independent PIPE investment as a percentage of the negotiated De-SPAC value depends on the different sizes of the De-SPAC Target</li> <li>• Must include significant investment from independent sophisticated investors, meaning at least 50% of the independent PIPE must come from at least three sophisticated investors, each being an asset management firm with assets under management of at least HK\$8 billion or a fund of a fund size of at least HK\$8 billion. A fund managed by a fund manager that has assets under management of at least HK\$8 billion would qualify as a sophisticated investor for this purpose</li> </ul> <p><b>Commentary:</b> Validation by independent third parties is expected to support the valuation of De-SPAC Target and level of investor interest in the Successor Company</p>	Not specified		Not specified	Not specified; but require an independent financial adviser to be appointed in the absence of a PIPE investment



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<b>V.</b>	<b>Dilution Cap</b>				
	Prohibit SPAC from issuing: <ul style="list-style-type: none"> <li>Promoter Shares that represent more than 20% of the total number of shares the SPAC has in issue at listing</li> <li>Warrants, in aggregate that, if immediately exercised, result in the issue of shares of a number that is greater than 50% of the number of shares in issue at the time such warrants are issued</li> </ul>	<ul style="list-style-type: none"> <li>No specific requirements for dilution or Promoter Shares</li> <li>Promoter Shares normally represent 20% of SPAC's outstanding shares at IPO closing</li> <li>The Securities Exchange Commission's Division of Corporation Finance has provided guidance in CF Disclosure Guidance: Topic No. 11 regarding disclosure considerations for SPACs, including considerations with respect to Promoter Shares</li> </ul>		Dilution effects on ordinary shareholders from securities held by the directors, sponsors or founding shareholders, or from new securities issued or to be issued as part of the De-SPAC Transaction must be disclosed	<ul style="list-style-type: none"> <li>Dilution cap of no more than 50% on a SPAC's post-invitation issued share capital (including Promoter Shares) with respect to the conversion of warrants issued by the SPAC in connection with the SPAC IPO</li> <li>Promoter Shares capped at 20% of the SPAC's total issued shares at listing</li> </ul>
<b>VI.</b>	<b>Shareholder Vote on De-SPAC Transactions</b>				
	Requires approval by SPAC's shareholders at a general meeting (written approval will not be accepted in lieu of a general meeting)	<ul style="list-style-type: none"> <li>Generally requires approval by a majority of public shareholders</li> <li>Mandatory if a De-SPAC Transaction involves one of the following:               <ol style="list-style-type: none"> <li>Issuance of more than 20% of issued share capital</li> <li>Issuance resulting in an increase in outstanding common shares or voting power of 5% or more, if any director, officer, or substantial shareholder has individually 5%, or collectively, 10% interest or more in the target</li> <li>Issuance resulting in a change of control of the issuer</li> </ol> </li> </ul> SPAC Promoters are generally allowed to vote		Requires approval by a majority of public shareholders, excluding a SPAC's founding shareholder(s), SPAC sponsor(s) or directors	Requires approval by a majority of a SPAC's shareholders (including the SPAC's founding shareholders and management team and their respective associates in respect of their holdings of SPAC Shares)

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<b>VII.</b>	<b>De-SPAC Transactions Involving Connected Targets</b>				
	<p>Chapter 14A requirements apply with respect to a De-SPAC Transaction that is a connected transaction under Chapter 14A of the Listing Rules. In addition, such SPAC must:</p> <ul style="list-style-type: none"> <li>Demonstrate minimal conflict of interest exists</li> <li>Support its claim that the transaction would be on arm's length</li> <li>Include an independent valuation of the transaction in the circular for approving the De-SPAC Transaction</li> </ul>	<ul style="list-style-type: none"> <li>Interest in de-SPAC targets held by the SPAC Promoters, directors, officers or their affiliates should be disclosed in the prospectus and Proxy Statement</li> <li>If related party transaction rules apply, the SPAC audit committee or independent directors should conduct a review and oversight</li> </ul>		<ul style="list-style-type: none"> <li>A "fair and reasonable" statement made by the board with an advice of an qualified and independent adviser should be published in sufficient time ahead of the voting of a De-SPAC Transaction, where any of the SPAC directors have a conflict of interests in a de-SPAC target (or its subsidiary)</li> </ul>	<ul style="list-style-type: none"> <li>Existing requirements in relation to interested person transaction apply.</li> <li>Potential conflict of interests of SPAC Promoters, SPAC directors, and their respective associates, as well as the measures to mitigate such conflicts, should be disclosed in the listing document and circular.</li> </ul>
<b>VIII.</b>	<b>Share Redemptions</b>				
	<i>Amount entitled</i>				
	<ul style="list-style-type: none"> <li>An amount per SPAC Share which must be not less than the price at which the SPAC Shares were issued at the initial offering</li> <li>Provide shareholders with opportunities to redeem all or part of their shareholders in the following circumstances <ul style="list-style-type: none"> <li>A material change in the SPAC Promoter or SPAC Director</li> <li>A De-SPAC Transaction</li> <li>A proposal to extend the De-SPAC Announcement Deadline or the De-SPAC Transaction Deadline (see "Deadlines" below).</li> </ul> </li> <li>No redemption limit</li> </ul>	<ul style="list-style-type: none"> <li>A pro rata share of the aggregate amount held in trust (net of taxes payable and amounts distributed to management for working capital purposes)</li> <li>A redemption limit of no lower than 10% of the SPAC Shares sold at IPO permitted</li> </ul>		<p>A fixed amount or fixed pro rata share of the ring-fenced cash proceeds, less a SPAC's pre-agreed running costs</p>	<ul style="list-style-type: none"> <li>A pro rata portion of the amount held in trust at the time of the De-SPAC Transaction (net of interest and income earned thereon which may be applied for administrative expenses in connection with the SPAC IPO, working capital expenses and related expenses for identifying and completing a De-SPAC Transaction)</li> <li>Drawdown of escrowed funds in exceptional circumstances is subject to the</li> </ul>

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					<p>respective approvals by a special resolution of all SPAC shareholders and the SGX</p> <ul style="list-style-type: none"> <li>A redemption limit of no lower than 10% of the SPAC's issued shares at listing permitted</li> </ul>
<b>IX.</b>	<b>Forward-Looking Information</b>				
	<p>Must meet existing requirements that are applicable to listing document, including but not limited to the following:</p> <ul style="list-style-type: none"> <li>Sponsor confirmation that they have satisfied themselves that the profit forecast has been made by the directors after due and careful enquiry</li> <li>Accountant confirmation that they have reviewed the accounting policies and calculations for the forecast</li> <li>Profit forecast memorandum with principal assumptions, accounting policies, and calculations for the forecast must be submitted to the Exchange covering the same period as the profit forecast</li> </ul>	<p>There is uncertainty around whether a "safe harbour" would be available for SPACs to include forward-looking information in SEC filings for a De-SPAC Transaction</p>		<p>No liability safe harbour for forward-looking information (although this is currently the subject of UK government consultation). Must meet existing requirements set out in Prospectus Regulation (with respect to profit forecasts, these must be clear and unambiguous and contain a statement setting out the principal assumptions upon which the issuer has based its forecast).</p>	<p>Must comply with statutory obligations and existing listing rule requirements, which require the following disclosures to be included in a De-SPAC Transaction circular:</p> <ul style="list-style-type: none"> <li>A report from a financial adviser confirming that it is satisfied that the forecast has been stated after due and careful enquiry;</li> <li>Details of the principal assumptions (including commercial assumptions) upon which the forecast is based</li> <li>Confirmation from the Successor Company's auditors that they have reviewed the bases and assumptions, accounting policies and calculations for the forecast</li> </ul>

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<b>X.</b>	<b>Open Market in Successor Company's Shares</b>				
	<ul style="list-style-type: none"> <li>At least 25% of the total number of issued shares of a Successor Company must at all times be held by the public</li> <li>Not more than 50% of the securities of a Successor Company in public hands can be beneficially owned by the three largest public shareholders</li> </ul>	>= 400 "round lot" holders and 1.1 million publicly-held shares	Same requirements for listing of SPACs set out in (A)-IV "Open Market Requirements" above	<ul style="list-style-type: none"> <li>10% public float requirement</li> <li>No minimum shareholder distribution requirement</li> </ul>	<ul style="list-style-type: none"> <li>Public float between 12% and 25% (depending on issuer's market capitalisation); and</li> <li>&gt;=500 shareholders</li> </ul>
<b>XI.</b>	<b>Lock-up Periods</b>				
	<ul style="list-style-type: none"> <li>SPAC Promoter is subject to a 12-month lock up period from the date on the completion of the De-SPAC Transaction and require that terms of Promoter Warrants state that the Promoter Warrants are not exercisable during this period</li> <li>Controlling shareholder of Successor Company is subject to the existing requirement under the Listing Rules regarding disposal by controlling shareholder</li> </ul>	<p>Not a rule requirement;</p> <p>In practice, a lock-up period of 6-12 months or longer upon completion of the De-SPAC Transaction, with certain early release mechanisms</p>		In practice, the SPAC sponsors would be subject to a lock-up period (typically 12 months) upon completion of the De-SPAC Transaction	Depending on which quantitative criteria a Successor Company is able to meet, a lock-up period of at least six months and up to 12 months upon completion of the De- SPAC Transaction
<b>(E)</b>	<b>DE-LISTING CONDITIONS</b>				
<b>I.</b>	<b>Deadlines</b>				
	<i>De-SPAC Announcement Deadline</i>				
	<ul style="list-style-type: none"> <li>Within 24 months of the date of its listing</li> <li>Can make request to HKSE for an extension, with valid reasons, providing that it has obtained an approval by way of ordinary resolution from its shareholders at general meeting (subject to a maximum of 6 months extension period)</li> </ul>	Not specified			
	<i>De-SPAC Transaction Deadline</i>				
	<ul style="list-style-type: none"> <li>Within 36 months of the date of its listing</li> </ul>	<ul style="list-style-type: none"> <li>Within 36 months from IPO without further extension</li> </ul>		<ul style="list-style-type: none"> <li>Within 24 months from IPO, subject to an</li> </ul>	<ul style="list-style-type: none"> <li>Within 24 months from IPO, subject to an</li> </ul>

	HK SPAC regime	US (NYSE)	US (NASDAQ)	UK (Main Market of LSE)	Singapore (Main Board of SGX)
	<ul style="list-style-type: none"> <li>Can make request to HKSE for an extension, with valid reasons, providing that it has obtained an approval by way of ordinary resolution from its shareholders at general meeting (subject to a maximum of 6 months extension period)</li> </ul> <p><b>Commentary:</b> The deadlines are intended to address not rushing the SPAC Promoter to engage in a sub-optimal SPAC Transaction, and at the same time imposing as short as possible time to limit the period within which any issues associated with cash companies can occur.</p>	<ul style="list-style-type: none"> <li>Typically, SPACs voluntarily set 24 months from the IPO before a De-SPAC transaction is consummated with an option for extension</li> </ul>		<ul style="list-style-type: none"> <li>extension of up to 12 months to be approved by public shareholders</li> <li>Can further be extended for 6 months (without shareholder approval) under limited circumstances</li> </ul>	<ul style="list-style-type: none"> <li>extension of up to 12 months to be approved by SPAC shareholders with a special resolution and SGX</li> <li>If a binding agreement in respect of a De-SPAC Transaction has been entered into by the end of the 24-month period, shareholder approval is not required for time extension</li> </ul>
<b>II.</b>	<b>Liquidation and De-listing</b>				
	<i>De-listing and/or liquidation in the event of failure to meet the De-SPAC Transaction Deadline</i>				
	De-listing: Expressly required	De-listing and liquidation expressly required	De-listing expressly required	<ul style="list-style-type: none"> <li>De-listing: the issuer would be expected to seek a cancellation of listing in the event of a liquidation. The FCA has the power to cancel a listing if it is satisfied there are special circumstances that preclude normal regular dealings (e.g., if the securities are suspended in the event of / following a liquidation)</li> <li>Liquidation: Expressly required</li> </ul>	De-listing and liquidation: Expressly required
	<i>Entitlement to liquidation distribution</i>				
	Shareholders will receive the monies held in the escrow account	NYSE expressly excludes SPAC Promoters from participating in the distribution	Not specified, but practice is for public shareholders to be entitled to redemption of shares for cash equal to	Public shareholders will receive gross IPO proceeds, excluding proceeds to fund pre-	SPAC shareholders must receive the amount held in trust at the time of the liquidation distribution, net

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		<p>in respect of their Promoter Shares:</p> <ul style="list-style-type: none"> <li>• Held prior to the IPO; or</li> <li>• Purchased in any private placement in conjunction with the IPO, including the Promoter Shares underlying any Promoter Warrants</li> </ul> <p>NYSE also expressly requires that underwriters of the IPO must agree to waive their rights to any deferred underwriting discount deposited in the trust account in the event the SPAC liquidates prior to the completion of a De-SPAC Transaction.</p>	<p>their pro rata share of the amount in the deposit account (net of certain expenses)</p>	<p>agreed SPAC's running costs</p>	<p>of taxes payable and direct expenses related to the liquidation distribution and inclusive of any interest and income accrued, on a pro rata basis</p>