



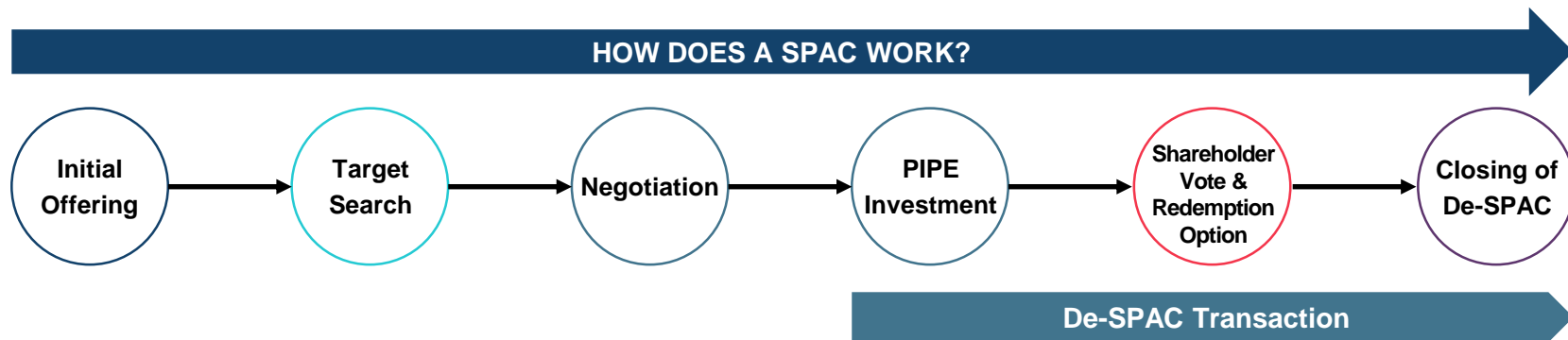
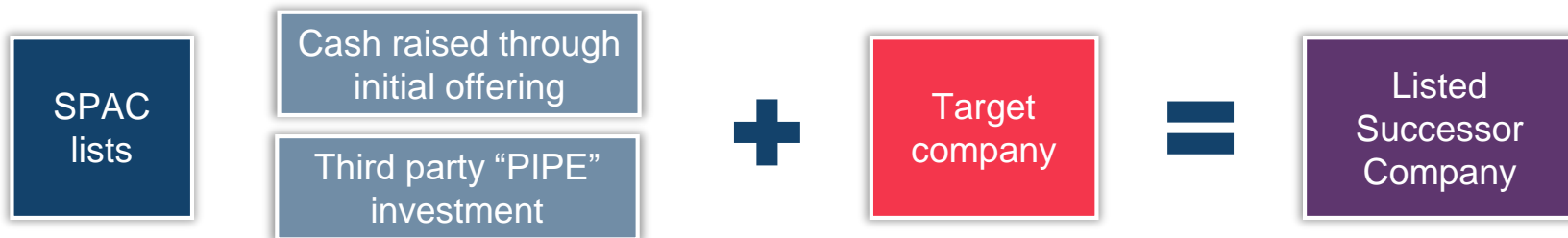
CONSULTATION PAPER ON SPECIAL PURPOSE ACQUISITION COMPANIES

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HKEX
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What is a Special Purpose Acquisition Company (“SPAC”)?



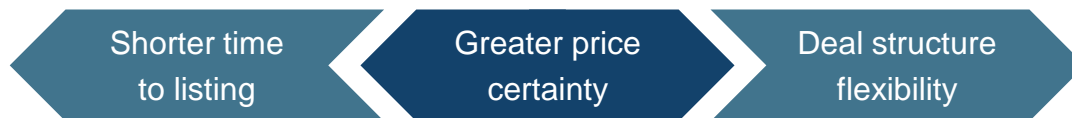
Proposals for a SPAC Regime in Hong Kong

HKEX's proposal seeks to strike balance between:



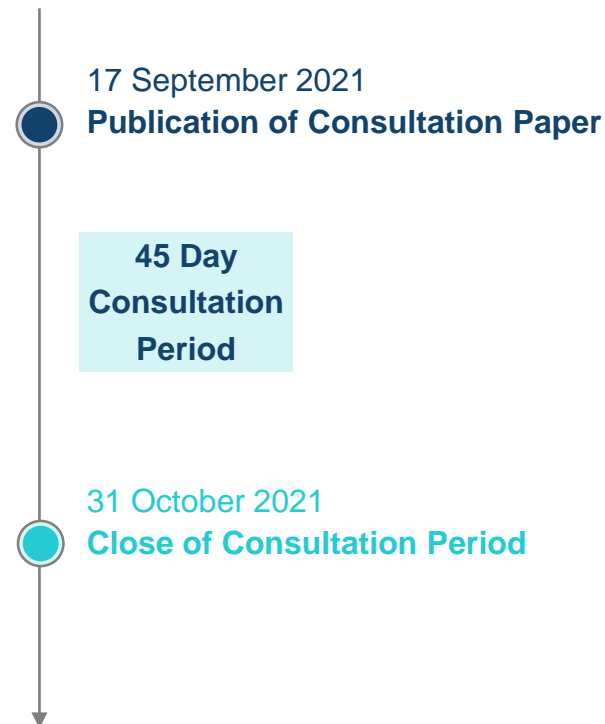
RATIONALE:

To provide an attractive alternative to a traditional IPO



APPROACH:

Only SPACs with experienced and reputable SPAC Promoters that seek good quality De-SPAC Targets



Proposed Safeguards

Before De-SPAC

De-SPAC Transaction

Liquidation and De-listing



SUBJECT	KEY PROPOSALS
Investor Suitability	<ul style="list-style-type: none">• Subscription and trading of SPAC's securities restricted to Professional Investors only, which include:<ul style="list-style-type: none">○ Institutional Professional Investors; and○ Non-institutional Professional Investors (including individuals with a portfolio of at least HK\$8 million)• Successor Company's¹ securities would be freely transferable amongst all investor types

1. A Successor Company is the listed issuer resulting from the completion of a De-SPAC Transaction.



Proposed Safeguards

Before De-SPAC

De-SPAC Transaction

Liquidation and De-listing

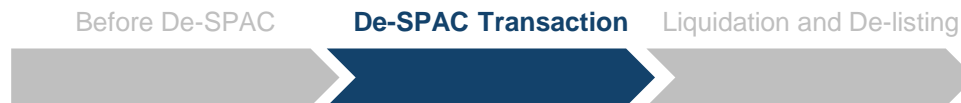


SUBJECT	KEY PROPOSALS
SPAC Promoters¹	<ul style="list-style-type: none"> • Must meet rigorous suitability and eligibility requirements • One must be an SFC licensed firm² holding <u>at least 10%</u> of Promoter Shares³
Promote Size	<ul style="list-style-type: none"> • Shares can be issued at nominal value to a SPAC Promoter up to <u>30%</u> of the SPAC's total shares at initial offering date
Dilution Cap	<ul style="list-style-type: none"> • <u>30%</u> cap on dilution from the exercise of warrants
Fund Raising Size	<ul style="list-style-type: none"> • A SPAC must raise <u>at least HK\$1 billion</u> from its initial offering

1. SPAC Promoters are professional managers, usually with private equity, corporate finance and/or industry experience, who establish and manage a SPAC. They are also known as "SPAC sponsors" in the US.
2. Firms with a Type 6 (advising on corporate finance) and/or a Type 9 (asset management) license issued by the Securities and Futures Commission.
3. Promoter Shares are shares of a separate class to the ordinary listed SPAC shares that are convertible into the ordinary listed SPAC shares, issued by a SPAC exclusively to a SPAC Promoter at nominal consideration as a financial incentive to establish and manage the SPAC.



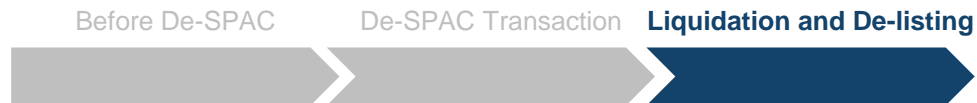
Proposed Safeguards



SUBJECT	KEY PROPOSALS
New Listing Requirements	<ul style="list-style-type: none"> • Successor Company must meet all new listing requirements (including all financial eligibility tests)
Independent Third Party Investment	<ul style="list-style-type: none"> • Mandatory independent PIPE investment of at least <u>15 to 25%</u> of Successor Company's expected market capitalisation to back-up Successor Company's valuation
Shareholder Vote	<ul style="list-style-type: none"> • De-SPAC Transaction conditional on shareholder approval at a general meeting (excluding SPAC Promoter and other shareholders with a material interest)
Redemption Option	<ul style="list-style-type: none"> • SPAC Shareholders must be given the option to redeem their shares prior to: <ol style="list-style-type: none"> a) De-SPAC Transaction; b) Change of SPAC Promoter; and c) Any extension of deadline for finding a suitable De-SPAC Target



Proposed Safeguards



SUBJECT	KEY PROPOSALS
Return of Funds to Shareholders	<ul style="list-style-type: none">• Mandatory liquidation of SPAC and return of <u>100%</u> of funds raised (plus accrued interest) to SPAC Shareholders if the SPAC is unable to:<ul style="list-style-type: none">(a) announce a De-SPAC Transaction within <u>24 months</u>; or(b) complete a De-SPAC Transaction within <u>36 months</u>• Automatic de-listing of SPAC following liquidation



Q & A

