

Guidance on special purpose acquisition companies

I. Purpose

1. This letter provides guidance for special purpose acquisition companies (**SPAC(s)**) with, or seeking, a listing on the Exchange pursuant to MB Chapter 18B. The guidance is also set out in Chapter 2.4 of the [Guide for New Listing Applicants](#) (**Guide**).

II. Suitability of SPAC Promoters

Requirements

2. MB Rule 18B.10 provides that at listing of the SPAC and on an ongoing basis for the lifetime of the SPAC, the Exchange must be satisfied as to the character, experience and integrity of all SPAC Promoters and that each is capable of meeting a standard of competence commensurate with its position. For this purpose, a SPAC must ensure that:
 - (i) At listing and on an ongoing basis, at least one of its SPAC Promoters is a firm that holds a Type 6 (advising on corporate finance) and/or a Type 9 (asset management) licence issued by the SFC; and
 - (ii) It provides the Exchange with information that the Exchange requests in accordance with the Guide.
3. The Exchange will consider modifying or waiving the licenesing requirement under MB Rule 18B.10(1), on a case-by-case basis, if a SPAC Promoter has overseas accreditation issued by a regulatory authority that the Exchange considers to be equivalent to a Type 6 and/or Type 9 licence issued by the SFC. A SPAC seeking such modification or waiver must provide:
 - (i) Documentary evidence that the SPAC Promoter has obtained such accreditation; and
 - (ii) Details of the initial and ongoing requirements that the SPAC Promoter must fulfil for the purpose of this overseas accreditation and a comparison against the corresponding requirements for a Type 6 and/or Type 9 licence issued by the SFC.
4. A SPAC Promoter that does not hold the requisite SFC licence would be considered to have met the licenesing requirement under MB Rule 18B.10(1) if its controlling shareholder satisfies the requirement. This is subject to the conditions that:
 - (i) The SPAC demonstrates that sufficient safeguards and/or undertakings are put in place to ensure the SPAC Promoter's controlling shareholder's oversight of the SPAC Promoter's responsibilities; and
 - (ii) The SPAC Promoter's controlling shareholder gives an undertaking to the Exchange that they will ensure the SPAC Promoter's compliance with applicable Listing Rules.

5. MB Rules 18B.32 to 18B.34 would apply if there is a material change in such controlling shareholder.

Character, experience and integrity

6. The listing document should include the following information:

SPAC Promoter experience	<ul style="list-style-type: none"> (i) For each SPAC Promoter, its experience as a SPAC Promoter in other SPACs which it established/is interested in previously and/or currently, including its role, level of involvement, duration, and the names of such SPACs. (ii) For each of the SPACs referred to in (i): <ul style="list-style-type: none"> (a) Amount of funds raised at its initial offering; (b) Selection criteria (e.g. size and sector) of the De-SPAC Target; (c) Size and terms of the Promoter Shares; (d) Time that elapsed between the date of the SPAC's initial offering and the date of the completion of any De-SPAC Transaction; (e) Amount of funds raised from independent third party investment as part of any De-SPAC Transaction; (f) A summary of the De-SPAC Target that was the subject of any De-SPAC Transaction (e.g. sector and geographical location, market share, brief historical financial data and its management); (g) Salient terms of any De-SPAC Transaction, including valuation, conditions to completion and parties involved; (h) (1) Percentage of any redeeming SPAC shareholders in connection with any De-SPAC Transaction; (2) percentage of SPAC shareholders that voted against any De-SPAC Transaction; and (3) a summary of the impact of dilution to non-redeeming SPAC shareholders upon exercise of all SPAC Warrants and conversion of all Promoter Shares and all Promoter Warrants in the Successor Company; (i) Market capitalisation of the Successor Company following any De-SPAC Transaction; (j) Performance indicators of the Successor Company since any De-SPAC Transaction (absolute performance indicators and performance relative to that of relevant indexes); and (k) Whether the SPAC was liquidated and/or required to return its funds to SPAC shareholders.
---------------------------------	--

Investment management experience	<p>(i) Experience in the professional management of investments on behalf of third party investors and/or provision of investment advisory services to professional/institutional investors, including, for each role, a description of:</p> <p>(a) Its role and responsibilities;</p> <p>(b) The types and geographical coverage of investments managed, fund size, and the fund's investment objectives and policies; and</p> <p>(c) Performance indicators (e.g. net asset value of the managed funds, their absolute performance and relative performance compared to that of other major managed funds and indexes).</p>
Other experience	<p>(i) Other experience relevant to the role of SPAC Promoter for the SPAC seeking a listing (e.g. managing businesses in the sectors in which the SPAC aims to identify targets) with an explanation of how this experience is relevant to a SPAC Promoter role.</p>
Other information	<p>(i) Details of licences held (see paragraphs 2(i) and 3 above), including the year they were obtained and the granting institutions.</p> <p>(ii) Any business interests that compete or are likely to compete either directly or indirectly with the SPAC for prospective De-SPAC Targets with details of the nature of the competition¹.</p> <p>(iii) Any breaches of laws, rules and regulations and any other matters that have a bearing on the integrity and/or competence of the SPAC Promoter.</p>

7. A SPAC Promoter that can demonstrate the following experiences will be viewed favorably by the Exchange:
- (i) Managing assets with an average collective value of at least HK\$8 billion over a continuous period of at least three financial years; or
 - (ii) Holding a senior executive position (e.g. chief executive or chief operating officer) at an issuer that is or has been a constituent of the Hang Seng Index or an equivalent flagship index².
8. The factors set out in paragraphs 6 and 7 above are neither exhaustive nor binding. The Exchange will exercise its discretion on a case-by-case basis and adopt a holistic approach to determine whether it is satisfied with the suitability and eligibility of a SPAC Promoter.

III. Listing applications

9. A SPAC (for its initial listing) and a Successor Company (for a De-SPAC Transaction) must file a new application for listing in accordance with MB Chapter 9³.

¹ Existing requirements on competing interests under MB Rule 8.10, paragraph 27A of Appendix D1A to the Listing Rules, and Chapter 3.8 of the Guide on guidance of relationship with controlling shareholders will apply to SPACs, and "controlling shareholders" in those materials shall be deemed to include "SPAC Promoters".

² Including a well referenced index within a particular market. For example, S&P 500 (SPX), NASDAQ-100 Index (NDX) and Dow Jones Industrial Average (DJI) in the US, and FTSE 100 (UKX) in the UK.

³ See "Checklists and Forms for New Applicants" available on the [Exchange's website](#) for a list of documents required to be filed with the Exchange together with the respective listing application.

10. In respect of the prospectus and disclosure requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) **(C(WUMP)O)**:
- (i) A SPAC and a Successor Company should seek legal advice on the extent to which its listing document at initial listing and De-SPAC Transaction (as the case may be) must comply with the prospectus requirements of C(WUMP)O; and
 - (ii) The Exchange will view a De-SPAC Transaction as equivalent to an offering to the public and will vet the listing document issued for the De-SPAC Transaction on the basis that it must meet the prospectus disclosure requirements of C(WUMP)O in full.

IV. Stock marker

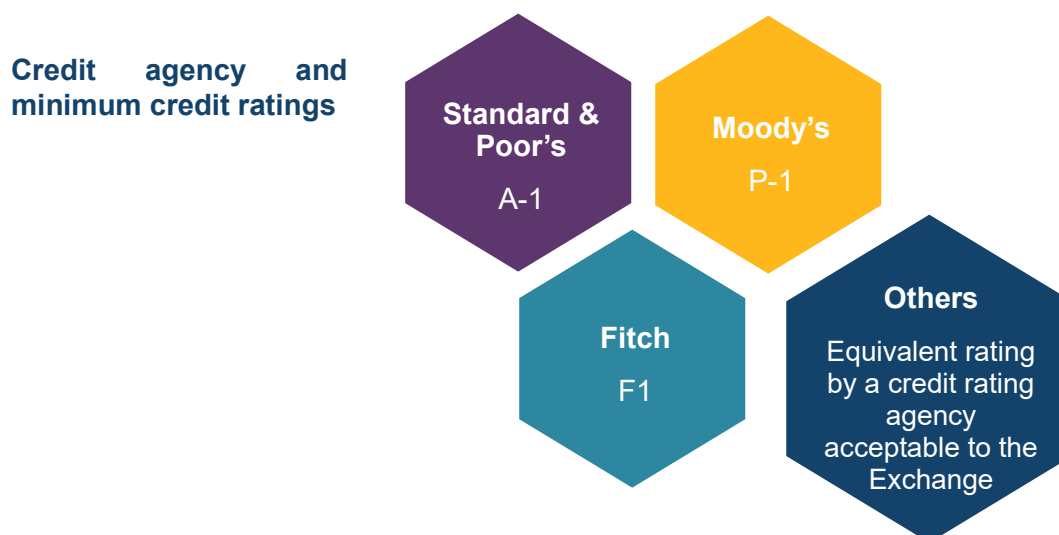
11. The listed securities of a SPAC will be assigned a special stock short name marker.

Marker for stock short name	
SPAC Shares	End with the marker "Z".
SPAC Warrants	End with the marker "Z Y Y M M" or "Z Y Y" (with YY representing the expiry year and MM representing the expiry month of the SPAC Warrants).

See [the Exchange's website](#) for details.

V. Funds in escrow account – cash equivalent

12. Proceeds from a SPAC's initial offering should be held in the form of cash or cash equivalent. Short-term securities issued by governments with the following minimum credit ratings are considered as cash equivalent for the purpose of MB Rule 18B.18:



VI. Financial information and accounting matters

13. The following information should be included in the “Financial Information” section of the listing document of a SPAC’s initial listing:

<p>Significant accounting policies and judgements</p>	<p>Significant accounting policies and judgements for SPAC transactions and material events that occurred subsequent to the balance sheet date, which have a significant effect on the amounts recognised in the financial statements and/or are relevant to an understanding of the financial information of the SPAC. The above should also be disclosed in the accountants’ report as required under the applicable accounting standards. In particular, in the context of the initial listing of the SPAC, those disclosures should also cover accounting policies for transactions entered into subsequent to the balance sheet date. This requirement also applies to a SPAC on an ongoing basis (e.g. in the audited financial statements of the SPAC’s annual report).</p> <p><i>Note: A SPAC with, or seeking, a listing on the Exchange is advised to consult its reporting accountants (and other professional advisers, as appropriate) to evaluate the accounting implications for complex areas arising from SPAC transactions (such as the issuance of shares and warrants) with reference to applicable financial reporting standards.</i></p>
<p>Pro forma net tangible assets/liabilities</p>	<p>Pro forma adjustments and notes regarding net tangible assets/liabilities as required under paragraph 21 of Appendix D1A to the Listing Rules, where appropriate, providing sufficient information in accordance with MB Rule 4.29 to illustrate the potential financial impact arising from a SPAC’s initial listing, including the accounting implications and effects of the shares and other financial instruments issued or to be issued by a SPAC.</p>
<p>Working capital sufficiency</p>	<p>A statement of working capital sufficiency required under MB Rule 8.21A, including the basis of the directors’ view on its working capital sufficiency as required under paragraph 36 of Appendix D1A to the Listing Rules, and the basis upon which the sponsor concurs with the directors’ view.</p> <p><i>Note: For the purpose of this requirement, the relevant cash flow forecast should focus on the working capital needed to cover the operating expenses prior to the De-SPAC Transaction and exclude any amounts of the initial offering proceeds that are subject to redemption or amounts that are expected to be used to fund a De-SPAC Transaction.</i></p>

VII. Sophisticated independent third party investors

14. For the purpose of MB Rule 18B.42, a SPAC must demonstrate that at least 50% of the value of the independent third party investment referred to in MB Rule 18B.41 is contributed by no fewer than three sophisticated investors. These investors must either be:
- (i) An asset management firm with assets under management of at least HK\$8 billion; or
 - (ii) A fund with a fund size of at least HK\$8 billion.
15. A fund managed by a fund manager that has assets under management of an amount that meets the threshold set out in paragraph 14 would qualify as a sophisticated investor.

16. The independent third party investments required under MB Rule 18B.41 and 18B.42 must have been committed by the time of the announcement of De-SPAC Transaction (**De-SPAC Announcement**).

VIII. De-SPAC Announcement

17. A De-SPAC Announcement must include the following information in addition to the requirements set out in MB Rules 18B.44 to 18B.48:
- (i) A description of all the independent third party investors referred to in MB Rule 18B.41, including the sophisticated investors referred to in paragraph 14, and the principal terms of their investments;
 - (ii) The identities of, and amounts committed by, the independent third party investors;
 - (iii) The negotiated value of the De-SPAC Target and the basis upon which such value was determined;
 - (iv) The board of directors' opinion confirming the satisfaction of the "fair market value" requirement in MB Rule 18B.39 and the basis of such opinion (in a form acceptable to the Exchange⁴); and
 - (v) The material terms of any earn-out rights referred to in Note 1 to MB Rule 18B.29(1).

IX. Participation by a SPAC Promoter in a SPAC's initial offering and De-SPAC Transaction

18. The Existing Shareholders Conditions referred to in Chapter 4.15 of the Guide are dis-applied to permit a SPAC Promoter to participate in: (1) an offering of SPAC Shares at the initial listing of a SPAC; and/or (2) the financing of a De-SPAC Transaction, subject to the below conditions:
- (i) The SPAC Promoter meets the definition of a Professional Investor;
 - (ii) The SPAC or the Successor Company (as the case may be) complies with all applicable open market requirements, including MB Rule 18B.05 or 18B.65 (as applicable);
 - (iii) The price and terms of subscription of shares by the SPAC Promoter must be substantially the same as, or are not more favourable to the SPAC Promoter, than those available to other investors who are investing in the SPAC or the Successor Company (as the case may be) at the same time as the SPAC Promoter, and any such participation increases the SPAC Promoter's "capital at risk" to align its interests more closely with the interest of ordinary shareholders;
 - (iv) The SPAC or the Successor Company (as the case may be) and the sponsor must confirm to the Exchange that no preferential treatment has been, nor will be, given to the SPAC Promoter other than the preferential treatment of assured entitlement; and

⁴ In assessing the above, the Exchange will adopt a holistic approach and take into account factors such as (i) the basis of the opinion, (ii) the negotiated value of the De-SPAC Target as agreed by parties; (iii) the sponsor's opinion; (iv) the amount committed by, and involvement of and validation by the independent third party investors; and (v) the valuation of comparable companies.

- (v) The participation is disclosed prominently in the listing document produced for the purpose of the SPAC's listing or the De-SPAC Transaction (as the case may be).

X. Forward purchase agreements

19. A SPAC may enter into a forward purchase agreement with the SPAC Promoters or other institutional investors before the initial listing of the SPAC, under which the purchaser would commit to subscribe, and the SPAC would commit to issue, equity in connection with the De-SPAC Transaction at a specified amount. It may also contain an option for the purchaser to subscribe for additional equity up to a specified amount, exercisable at the discretion of the purchaser.
20. As a SPAC Promoter would be a connected person of a SPAC⁵, any such forward purchase agreement entered into by the SPAC Promoter or its associate with a SPAC would constitute a connected transaction under the Listing Rules.
21. A SPAC wishing to apply for a modification or waiver of these Listing Rules for the purpose of entering into such a forward purchase agreement before the initial listing must provide the Exchange with full details of the proposed agreement at the earliest opportunity. The Exchange will consider such applications on a case-by-case basis and on the individual merits of each case.

XI. Loans granted by a SPAC Promoter to a SPAC

22. It is common for a SPAC to receive loans from its SPAC Promoter to meet the SPAC's working capital needs, normally through promissory notes.
23. The following table sets out the treatment of loans with terms that permit settlement by issuance of securities:

Terms of the loan	Treatment
Permit settlement (in full or in part) through conversion of the loan into SPAC securities at the discretion of the SPAC or SPAC Promoter	(i) This is prohibited to ensure that a SPAC Promoter is not able to avoid the risk of non-completion of a De-SPAC Transaction that is normally borne by the beneficial owners of SPAC securities.
Permit settlement by the issuance of the securities of the SPAC without discretion of the SPAC or SPAC Promoter	<p>Application of relevant requirements:</p> <p>(i) The terms of settlement must comply with all requirements relating to the issue of the relevant SPAC securities (e.g. restrictions on terms and issue price) as set out in MB Chapter 18B⁶.</p> <p>(ii) The SPAC securities to be issued to settle the loan will be counted in the relevant dilution cap⁷.</p>

⁵ See MB Rule 18B.01.

⁶ Including MB Rules 18B.07, 18B.22, 18B.30 and 18B.31.

⁷ MB Rules 18B.23 (with respect to warrants) and 18B.29 (with respect to Promoter Shares).

Terms of the loan	Treatment
	(iii) The SPAC Promoter that will receive the SPAC securities to be issued to settle the loan is required to comply with the conditions set out in paragraph 18 above (if applicable).

24. As a SPAC Promoter is a connected person of a SPAC⁸, loans granted by SPAC Promoters to a SPAC would be subject to the connected transaction requirements of MB Chapter 14A:
- (i) If the loan will not be settled by the securities of the SPAC, such a loan will be fully exempt from the connected transaction requirements only if such financial assistance is (a) conducted on normal commercial terms or better; and (b) not secured by the assets of the ~~listed issuer's group~~ SPAC⁹; or
 - (ii) If the loan will be settled by the securities of the SPAC, such a loan will be subject to compliance with all applicable connected transaction requirements under MB Chapter 14A, including the requirements relating to independent shareholders' approval¹⁰. The ~~listed issuers are~~ SPAC is also reminded to consider other Listing Rules implications (including those of MB Chapters 13 and 15) in relation to the issuance of such securities.

XII. Additional connected transaction requirements

25. If a De-SPAC Transaction is a connected transaction under MB Chapter 14A, a SPAC must comply with the applicable requirements in MB Chapter 14A as well as the additional connected transaction requirements under MB Rule 18B.56.
26. Where a De-SPAC Transaction constitutes a connected transaction solely by virtue of MB Rule 14A.28, the Exchange will consider waiving the additional requirements under MB Rule 18B.56 provided that (i) all shareholders of the De-SPAC Target are not connected persons of the SPAC and are independent of the SPAC and its connected persons¹¹; and (ii) a substantial shareholder of the De-SPAC Target will, as a result of the De-SPAC Transaction, become a controller or an associate of a controller of the Successor Company.
27. For the avoidance of doubt, the Exchange will continue to apply the applicable connected transaction requirements under MB Chapter 14A in such circumstances, and the SPAC must appoint an independent financial adviser to make recommendations to the independent board committee and shareholders on the De-SPAC Transaction. The additional requirements under MB Rule 18B.56 also apply to a De-SPAC Transaction that may confer benefits on connected persons through their interests in the entities involved in the transaction.

⁸ MB Rule 18B.01.

⁹ See MB Rule 14A.90.

¹⁰ See MB Rules 14A.36 to 14A.39.

¹¹ The SPAC should confirm that (i) all shareholders of the De-SPAC Target are not connected persons of the SPAC and are independent of the SPAC and its connected persons; and (ii) there is no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) between any shareholders of the De-SPAC Target and any connected persons of the SPAC with respect to the De-SPAC Transaction.

XIII. Trustee or custodian

28. MB Rule 18B.17 is to ensure that sufficient protections are placed around the funds raised by SPACs, so that they are available to return to shareholders who choose to redeem their shares or to return to shareholders if and when the SPAC is liquidated. ~~For the avoidance of doubt, if the monies~~ If the funds held in the escrow account are required to be returned to the SPAC shareholders, the trustee/custodian ~~is required to~~ should remit them to the SPAC shareholders directly.
29. A trustee or custodian that operates the escrow account of a SPAC must possess the qualifications and comply with the general obligations¹² below:

Qualifications



- (i) Accepted by the SFC in respect of existing Collective Investment Schemes authorised by the SFC. ~~For example, a custodian/trustee that has been accepted by the SFC in respect of a REIT authorised by the SFC will be considered as having the qualifications required under MB Rule 18B.17.~~
- (ii) Based in Hong Kong as the escrow account is required to be domiciled in Hong Kong under MB Rule 18B.16.
- (iii) Independent of the SPAC and its connected persons, including the SPAC Promoters.

Obligations



- (i) Take into its custody or under its control the property of the SPAC in the escrow account referred to in MB Rule 18B.16 in accordance with MB Rules 18B.16 to 18B.20.
- (ii) Register cash and registrable assets in the name of or to the order of the trustee/custodian.
- (iii) Be liable for the acts and omissions of nominees, agents and delegates in relation to assets forming part of the property of the SPAC in the escrow account¹³.
- (iv) For an escrow account to be ring-fenced under MB Rule 18B.16, ~~S~~segregate the property of the SPAC in the escrow account from the property of:
- (a) The SPAC and its core connected persons;
- (b) The trustee/custodian and any nominees, agents or delegates throughout the custody chain; and
- (c) Other clients of the trustee/custodian and nominees, agents or delegates throughout the custody chain, unless held in an omnibus account with adequate safeguards in line with international standards and best practices to ensure that the property of the SPAC in the escrow account is properly recorded with frequent and appropriate reconciliations being performed.

¹² These are consistent with paragraphs 4.5 and 4.6 of Chapter 4 of the Code on Unit Trusts and Mutual Funds, as amended from time to time. For the avoidance of doubt, the obligations set out in paragraph 29 are the only obligations applicable to the trustee or custodian regarding the operation of the escrow account of a SPAC under MB Rule 18B.17.

¹³ Nominees, agents and delegates can be appointed for the custody and/or safekeeping of the property of the SPAC in an escrow account as long as these entities are subject to prudential regulation and supervision by authorities such as The Hong Kong Monetary Authority. Such nominees, agents or delegates can be unaffiliated with the trustee/custodian.

- (v) Put in place appropriate measures to verify ownership of the property of the SPAC in the escrow account.
- (vi) Take reasonable care to ensure that:
 - (a) Any payments or distributions from the escrow account are carried out in accordance with MB Rules 18B.19 and 18B.20;
 - (b) The investment limitations set out in MB Rule 18B.18 (including paragraph 12 of this letter in relation to “cash equivalents”) are complied with; and
 - (c) The cash flows of the escrow account are properly monitored.
- (vii) Exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any nominees, agents and delegates appointed for the custody and/or safekeeping of the property of the SPAC in the escrow account; and be satisfied that the nominees, agents and delegates retained remain suitably qualified and competent on an ongoing basis to provide the relevant services.
- (viii) Exercise due skill, care and diligence in discharging its obligations and duties appropriate to the nature of the escrow account.
- (ix) Establish clear and comprehensive escalation mechanisms to deal with potential breaches ~~of the Listing Rules and the Guide~~ detected in the course of discharging its obligations and report material breaches¹⁴ to the Exchange in a timely manner.
- (x) Update the SPAC and report to the Exchange (either directly or via the SPAC) any material issues or changes that may impact its eligibility/capacity to act as a trustee/custodian of the escrow account.

Change of trustee/custodian



- (i) A SPAC must appoint a new trustee/custodian as soon as possible (in any case, no later than one month) after it becomes aware that the existing trustee/custodian is or will become ineligible to act as a trustee/custodian for the escrow account for the purpose of MB Rule 18B.17.
- (ii) The appointment of a new trustee/custodian must be subject to the prior approval of the Exchange.
- (iii) A trustee/custodian must not retire except upon the appointment of a new trustee/custodian. The retirement of the trustee/custodian should take effect at the same time as when the new trustee/custodian takes up office.

Undertaking



- (i) Prior to its appointment, a trustee/custodian must enter into an undertaking with the Exchange to comply with the “Obligations” section and point (iii) under “Change of trustee/custodian” section in this table.

¹⁴ The trustee/custodian is expected to inform the Exchange promptly of any material breach of the Listing Rules and this letter in relation to the operation of the escrow account that has come to its knowledge, which has not been otherwise reported to the Exchange by the SPAC. An example of “material breach” includes acquisition of securities which fall outside the scope of cash equivalents for the purpose of MB Rule 18B.18 as set out in paragraph 12 of this letter, including material breaches in relation to the operation of the escrow account (e.g. acquisitions of securities which fall outside the scope of cash equivalents for the purpose of Rule 18B.18 as set out in paragraph 12 of this letter.

Important note:

This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Division on a confidential basis for an interpretation of the Listing Rules, or this letter.

