CityLinkers 連城集團 Group

HONG KONG NEW LISTING REGIME FOR SPECIAL PURPOSE ACQUISITION COMPANIES (SPAC)

Highlights

SPAC regime effective 1 January 2022

- At least one SPAC Promoter is an SFC-licensed firm holding at least 10% of the Promoter Shares.
- SPAC investors are restricted to Professional Investors.
- A SPAC must raise at least HK$1 billion from its initial offering.
- The listed issuer resulting from the De-SPAC Transaction must meet all new listing requirements.
- The SPAC must obtain independent third party investment of at least 7.5% to 25% of the negotiated value of the De-SPAC Target for completing the De-SPAC Transaction. Such third party investors must be Professional Investors. At least 50% of such investment must come from at least three Sophisticated Investors.
- De-SPAC Transaction must be announced and completed within 24 months and 36 months of the SPAC listing respectively

A SPAC is a type of shell company that raises funds through its listing for the purpose of acquiring a business (a “De-SPAC Target”) at a later stage (a “De-SPAC Transaction”) within a pre-defined time period after listing.

Key features of the new listing regime for SPACs

Before De-SPAC

- The subscription and trading of a SPAC's securities are restricted to Professional Investors[1] only prior to the De-SPAC Transaction.
- A SPAC's securities must be distributed to at least 75 Professional Investors, of whom at least 20 must be IPI and such IPI must hold at least 75% of the SPAC securities to be listed.
- SPAC Promoter[2] must meet rigorous suitability and eligibility requirements, and with at least one being an SFC Type 6/Type9-licensed firm holding at least 10% of the Promoter Shares.[3] The Exchange will consider modifying or waiving the SFC licensing requirement on a case-by-case basis (e.g. accept SPAC Promoters with overseas accreditation that is equivalent to an SFC Type 6/Type9 license).
- A SPAC's board must include at least two SFC Type 6/Type 9-licensed individuals (including one director representing the licensed SPAC Promoter).
- Promoter Shares are capped at 30% of the SPAC's total issued shares at listing.
- SPAC Warrants[4] plus Promoter Warrants[5] are capped at 50% of the SPAC's total issued shares at the time such warrants are issued.
- A SPAC must raise at least HK$1 billion from its initial offering.
- The stock short names of SPAC Shares[6] will end with the marker "Z".

De-SPAC

- The listed issuer resulting from the completion of a De-SPAC Transaction (a "Successor Company") must meet all new listing requirements (including IPO Sponsor engagement to conduct due diligence, minimum market capitalisation requirements and financial eligibility tests).
- The fair market value of a De-SPAC Target should represent at least 80% of the funds raised by the SPAC from its initial offering.
- The SPAC must obtain independent third party investment ("independent PIPE Investment") of at least 7.5% to 25% of the negotiated value of the De-SPAC Target for the purpose of completing the De-SPAC Transaction. The PIPE investors must be Professional Investors.
- At least 50% of the independent PIPE Investment must come from at least three Sophisticated Investors.[7]
- The De-SPAC Transaction must be approved by SPAC shareholders at a general meeting (excluding SPAC Promoter and other shareholders with a material interest).
- SPAC Shareholders must be given the option to redeem their shares prior to: (a)De-SPAC Transaction; (b)a material change in SPAC Promoters[8] and/or SPAC Directors; and (c)any extension of deadline for finding a suitable De-SPAC Target.
- The Successor Company's shares must be held by at least 100 Professional Investors (instead of 300 shareholders normally required) at the time of listing.
- The De-SPAC Transaction must be announced and completed within 24 months and 36 months from the date of the SPAC's listing respectively, with an extension of up to 6 months subject to the SPAC shareholders' and the Exchange's approval.

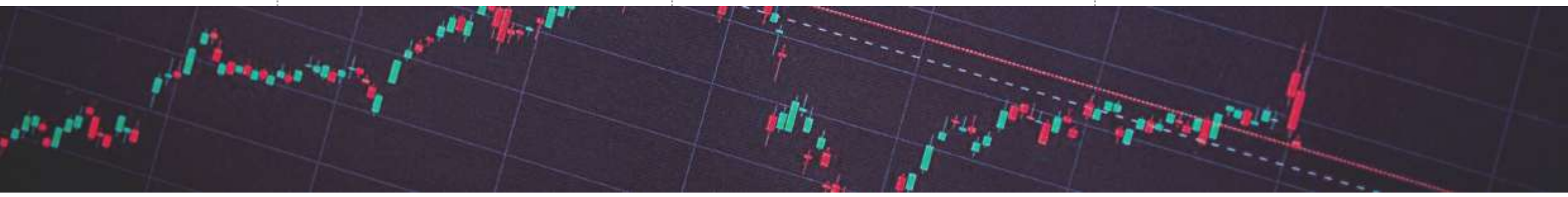
1. Professional Investors – (i) "Institutional Professional Investors" or (ii) "Non-Institutional Professional Investors" who are persons falling under paragraph (j) of the definition of "professional investor" in section 1 of Part 1 of Schedule 1 to the SFO.
2. SPAC Promoter - A professional manager, usually with private equity, corporate finance and/or industry experience, who establish and manage a SPAC. Also known as a "SPAC sponsor" in the US.
3. Promoter Share - a share of a separate class to SPAC Shares issued by a SPAC exclusively to a SPAC Promoter at nominal consideration as a financial incentive to establish and manage the SPAC. A SPAC must not apply to list Promoter Shares.
4. SPAC Warrant - a warrant that provides the holder with the right to purchase a share that is not a Promoter Warrant.
5. Promoter Warrant - a warrant of a separate class to SPAC Warrants issued by a SPAC exclusively to a SPAC Promoter. A SPAC must not apply to list Promoter Warrants.
6. SPAC Share - a share of a SPAC that is not a Promoter Share.
7. Sophisticated Investor – as defined by the Exchange in guidance published on the Exchange's website, as amended from time to time. As of the date of the consultation conclusion dated 17 December 2021, Sophisticated Investors must either be: (a) an asset management firm with assets under management of at least HK$8 billion; or (b) a fund with a fund size of at least HK$8 billion.
8. SPAC Director - includes any person who occupies the position of a director of a SPAC, by whatever name called.

Key listing requirements for SPAC in Hong Kong compared to United States and Singapore

Set out below is a comparison of the key listing requirements for SPAC in Hong Kong against the corresponding requirements in the United States and Singapore:

Before De-SPAC Transaction

	Hong Kong (Main Board)	US (NYSE and NASDAQ)	Singapore (Main Board of SGX)
Investor suitability	• Subscription and trading of a SPAC's securities are restricted to Professional Investors only prior to • De-SPAC Transaction. This restriction would not apply to the Successor Company, whose securities would be freely transferable amongst all investor types.	• No restriction. Retail investors allowed to participate in IPO.	• No restriction. Retail investors allowed to participate in IPO.
Open market requirements	• SPAC's securities must be distributed to at least 75 Professional Investors, of whom at least 20 must be IPI and such IPI must hold at least 75% of the SPAC securities to be listed. • Other existing open market requirements apply, including at least 25% of the SPAC's total number of issued shares (and 25% of the SPAC's total number of issued warrants) are held by the public and not more than 50% of the securities in public hands be beneficially owned by the three largest public shareholders.	NYSE: • ≥300 "round lot" holders and 1.1 million publicly- held shares NYSE American: • ≥400 public shareholders and 1 million publicly-held shares; or • ≥800 public shareholders and 500,000 publicly-held shares NASDAQ Capital Market: • ≥ 300 "round lot" holders and 1 million publicly-held shares NASDAQ Global Market: • ≥ 400 "round lot" holders and 1.1 million publicly- held shares No specified percentage of public float for all market segment.	• 25% of SPAC's issued shares to be held by at least 300 public shareholders



Before De-SPAC Transaction

	Hong Kong (Main Board)	US (NYSE and NASDAQ)	Singapore (Main Board of SGX)

SPAC Promoters	• Must meet rigorous suitability and eligibility requirements.
	• At least one SPAC Promoter is an SFC Type 6/Type 9-licensed firm* holding at least 10% of Promoter Shares.
	* The Exchange will consider modifying or waiving the SFC licensing requirement on a case- by- case basis (e.g. accept SPAC Promoters with overseas accreditation that is equivalent to an SFC Type 6/Type 9 license)
		• Experience and/or track record is one of the factors in assessing the suitability of a SPAC for listing for NYSE.
		• No specified licensing/ qualification requirement and minimum equity participation requirement.
			• The suitability of a SPAC for listing includes:
			  ◦ Track record and repute of the founding shareholders; and
			  ◦ Experience and expertise of the management team
			• No specified licensing/ qualification requirement.
			• At least 2.5% to 3.5% of a SPAC's market capitalisation at the time of listing is held by SPAC Promoters and SPAC directors in aggregate.

SPAC Directors	• A SPAC's Board must include at least two SFC Type 6/Type 9- licensed individuals (including one director representing the licensed SPAC Promoter).
	• Existing requirements regarding independent non- executive directors (INEDs) on the board apply, i.e. require at least three INEDs on the board and that INEDs represent at least one-third of the board.
		• Existing corporate governance independence requirements apply, including:
		  ◦ a majority of directors on the board must be independent; and
		  ◦ all directors in a SPAC's audit committee must be independent.
			• A majority of directors in board committees (including the respective chairmen) must be independent.

Before De-SPAC Transaction

	Hong Kong (Main Board)	US (NYSE and NASDAQ)	Singapore (Main Board of SGX)
Promote size	• Promoter Shares are capped at 30% of the SPAC's total issued shares at listing.	• Not specified. Promoter Shares normally represent 20% of SPAC's outstanding shares at IPO closing.	• Promoter Shares capped at 20% of the SPAC's total issued shares at listing.
Dilution cap from exercise of warrants and exercise price of warrants	• The dilution from the exercise of warrants is capped at 50% of the SPAC's total issued shares at the time such warrants are issued. • Minimum exercise price of warrants must be set at least a 15% premium to the issue price of SPAC shares.	• Not specified. • Exercise price of warrants is typically set at US$11.5 per share.	• No more than 50% on a SPAC's post-invitation issued share capital with respect to the conversion of warrants. • Exercise price of warrants must not be lower than the price of the ordinary shares offered for the IPO.
Fund raising size	• A SPAC must raise at least HK$1 billion from its initial offering.	• No minimum fund-raising size, but require to have a minimum market capitalisation of: ◦ NYSE American and NASDAQ Capital Market: US$50 million ◦ NASDAQ Global Market: US$75 million ◦ NYSE: US$100 million	• No minimum fund raising size, but require a SPAC to have a minimum market capitalisation of S$150 million.

Key listing requirements for SPAC in Hong Kong compared to United States and Singapore

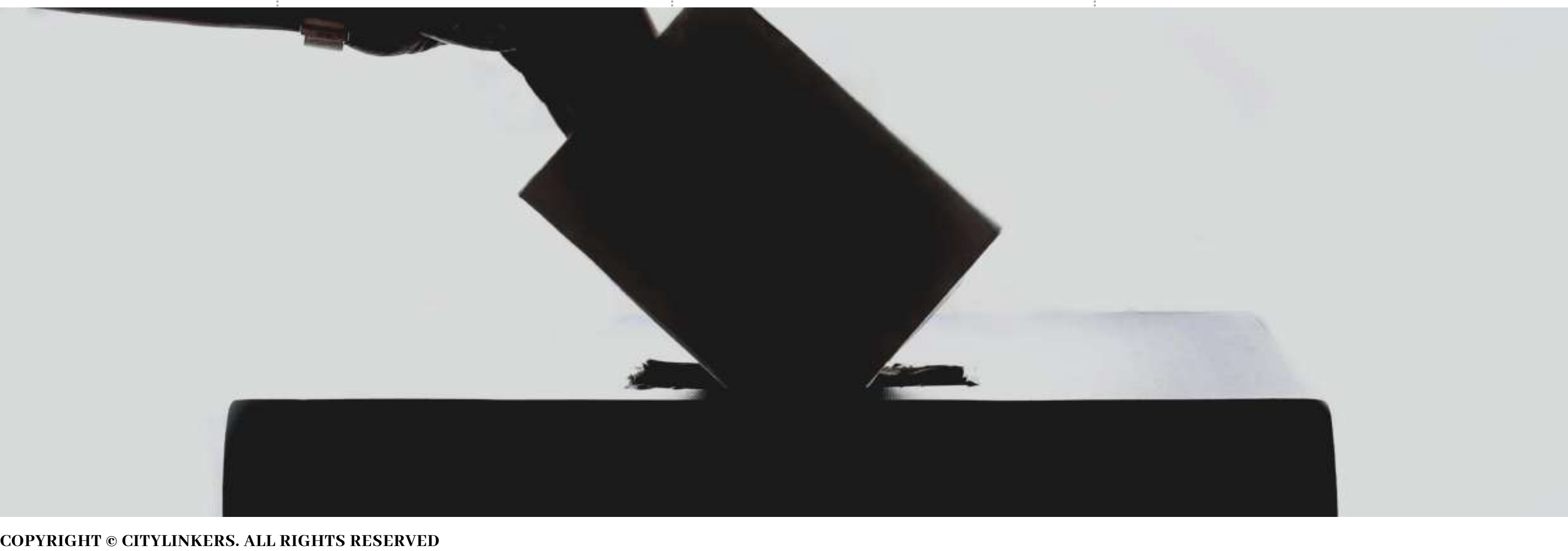
Set out below is a comparison of the key listing requirements for SPAC in Hong Kong against the corresponding requirements in the United States and Singapore:

De-SPAC Transaction

<table>
<tr><th></th><th>Hong Kong
(Main Board)</th><th>US
(NYSE and NASDAQ)</th><th>Singapore
(Main Board of SGX)</th></tr>
<tr><td>New listing requirements</td><td>Successor Company must meet ALL new listing requirements (including IPO Sponsor engagement to conduct due diligence, minimum market capitalisation requirements and financial eligibility tests).</td><td>NYSE: Successor Company must meet minimum share price, market capitalisation and shares in public hands requirements. Apply full initial listing requirements if determined to be a “back door listing”.
NASDAQ: Successor Company must meet full initial listing requirements applicable to market segments.</td><td>Successor Company must meet initial listing requirements.</td></tr>
<tr><td>Size of the De-SPAC Target</td><td>Fair market value ≥80% of the funds raised by the SPAC from its initial offering.</td><td>Fair market value ≥80% of the proceeds held in trust.</td><td>Fair market value ≥ 80% of the proceeds held in trust.</td></tr>
<tr><td>Independent Third Party Investments</td><td>Mandatory independent PIPE Investment with the following size thresholds relative to the negotiated value of a De- SPAC Target (“NV”):
<table><tr><th>NV (HK$ in billion)</th><th>Minimum independent PIPE Investment as a % of NV</th></tr><tr><td><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>≥7</td><td>7.5%</td></tr><tr><td>>10</td><td>Waiver to be considered on a case- by- case basis</td></tr></table>
The PIPE investors must be Professional Investors.
At least 50% of the independent PIPE Investment must come from at least three Sophisticated Investors.</td><td>Not specified.</td><td>Not specified; but require an independent financial adviser to be appointed in the absence of a PIPE investment.</td></tr>
</table>

De-SPAC Transaction

	Hong Kong (Main Board)	US (NYSE and NASDAQ)	Singapore (Main Board of SGX)
Shareholder vote	• De-SPAC Transaction conditional on shareholder approval at a general meeting (excluding SPAC Promoter and their close associates; and other shareholders with a material interest and their close associates).	• Mandatory if a De-SPAC Transaction involves one of the following share issuances: ∘ issuance of more than 20% of issued share capital; ∘ issuance resulting on 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; or ∘ issuance resulting in a change of control of the issuer. • SPAC Promoters are generally allowed to vote.	• Requires approval by a majority of a SPAC's shareholders (including SPAC's founding shareholders, management team and their respective associates in respect of their holdings of SPAC Shares).
Share redemptions	• SPAC Shareholders must be given the option to redeem their shares prior to: a. De-SPAC Transaction; b. A material change in SPAC Promoters and/or SPAC Directors; or c. any extension of deadline for finding a suitable De-SPAC Target.	• If a general meeting is held, public shareholders voting against the De-SPAC Transaction must be entitled to share redemption. • If a general meeting is not held, all shareholders must be entitled to share redemption. • In practice, SPAC Promoters are contractually refrained from exercising their redemption rights (whether in respect of Promoter Shares or SPAC Shares).	• All independent shareholders are allowed to redeem.



De-SPAC Transaction

	Hong Kong (Main Board)	US (NYSE and NASDAQ)	Singapore (Main Board of SGX)
Open market requirements	• The Successor Company's shares must be held by at least 100 Professional Investors (instead of 300 shareholders normally required) at the time of listing. • Other existing open market requirements apply, including at least 25% of the Successor Company's total number of issued shares are held by the public and not more than 50% of the securities in public hands be beneficially owned by the three largest public shareholders.	NYSE: • ≥400 "round lot" holders and 1.1 million publicly- held shares NYSE American / NASDAQ Capital and Global Market: • Same requirements for listing of SPACs set out above No specified percentage of public float for all market segments.	• Public float between 12% and 25% (depending on issuer's market capitalisation); and • ≥500 shareholders
De-SPAC Transaction deadline	• Announce and complete within 24 months and 36 months from the SPAC listing respectively. • Allow extension up to 6 months subject to shareholders' and Exchange's approval.	• Complete within 36 months from IPO without further extension (Typically, SPACs voluntarily set 24 months).	• Complete 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. • 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.

Key changes to the proposals

Set out below is a summary of the key differences between the proposals and the requirements to be implemented:

<table>
<tr><th></th><th>Proposals</th><th>Changes to the proposals</th></tr>
<tr><td>Alignment of Voting with Redemption</td><td>

- SPAC shareholders must only be able to redeem SPAC Shares if they vote against a De-SPAC Transaction.

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- Proposals replaced with strengthened Independent PIPE Investment requirements (see below) to provide a stronger regulatory check on the terms and valuation of the De- SPAC Transaction.

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<tr><td>Mandatory Independent PIPE Investment</td><td>

- <u>Size of Independent PIPE Investment</u>
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.
- <u>Significant Sophisticated Investment</u>
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.

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- <u>Size of Independent PIPE Investment</u>
Replaced by staggered Independent PIPE Investment size thresholds relative to the negotiated value of a De-SPAC Target (NV):

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<tr><th>NV (HK$ in billion)</th><th>Minimum independent PIPE Investment as a % of NV</th></tr>
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</table>

- The PIPE investors must be Professional Investors
- <u>Significant Sophisticated Investment</u>
Replaced by a requirement that at least 50% of the Independent PIPE Investment (stated above) must come from at least three Sophisticated Investors.

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<tr><td>SPAC initial listing open market requirement</td><td>

- A SPAC's securities must be distributed to a minimum of 30 Institutional Professional Investors.

</td><td>

- Proposal adopted, but the minimum number of Institutional Professional Investors required is reduced to 20.

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<tr><td>Dilution Cap on Warrants</td><td>

- 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).
- SPACs must not issue SPAC Warrants or Promoter Warrants that entitle the holder to more than a third of a share upon their exercise.
- SPACs must not issue Promoter Warrants that, if immediately exercised (whether or not such exercise is permissible), result in the issue of shares of a number that is greater than 10% of the number of shares in issue at the time such warrants are issued.

</td><td>

- Overall Warrant Cap increased to 50%.
- More prominent disclosure on the dilutive effect of all warrants required.
- No separate cap on the warrant to share ratio and on Promoter Warrants.

</td></tr>
</table>

Key changes to the proposals

Set out below is a summary of the key differences between the proposals and the requirements to be implemented:

	Proposals	Changes to the proposals
SPAC Directors	• 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 SFC-licensed individuals (including one director representing the licensed SPAC Promoter).
SPAC Promoter licensing requirement	• At least one SPAC Promoter must be a firm that holds: (a) a Type 6 /Type 9 license issued by the SFC; and (b) at least 10% of the Promoter Shares.	• The Exchange will consider granting waiver on a case-by-case basis (for example, to accept a SPAC Promoter if they have overseas accreditation that is equivalent to an SFC Type 6 and/or Type 9 license).
Accountant's report for listing of SPAC	• Exempt SPAC from including a history of financial results in the accountant's report of its listing document produced as a new applicant.	• Proposal not adopted. The SPAC has to present an accountant's report on its historical financial information in its listing document produced as a new applicant.

About CityLinkers

CityLinkers Group (“we” or “CityLinkers”), is a group of companies, specialized in providing services of all aspects, including accounting, auditing, tax, company secretarial, compliance, fund raising, corporate finance, financial advisory, internal control, listing consultancy, risk management and trust administration.

Established in 2011, CityLinkers has assisted over 3,000 companies located in Hong Kong, China and other countries to date.

Our team comprises of former executives of multinational companies and listed companies, certified public accountants, chartered tax accountants, appraisers and financial analysts. CityLinkers have teams with a total of over 100 members in Hong Kong and established branch offices established in strategic locations such as Shanghai, Shenzhen, Hangzhou and Singapore.

With our member firms registered under the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Institute of Singapore Chartered Accountants (“ISCA”), we are able to provide auditing services in both locations. We are also accredited by the HKICPA to provide professional training to their members.

We have also established long term cooperation with other professional parties such as lawyers in Hong Kong and the PRC, sponsors and appraisers, in order to offer a comprehensive range of services to our clients in the areas of listing advisory, due diligence, restructuring and corporate finance.

Why CityLinkers

CityLinkers’s support and outsourced expertise allows you to focus on what you do best – driving results and achieving your business objectives.

CityLinkers offers a wide breadth of capabilities and expertise, with bespoke solutions to match client needs and budgets. Our team is made up of well-trained company secretaries, accountants, investor service experts, lawyers and business consultants whose professionalism and integrity are the backbone of our business.

Our clients are served to support, manage and nurture their teams with speed and efficiency. Our applications are also highly scalable, which allows us to serve a diversified portfolio of both local and international organizations, from newly-set up private enterprises, to multi-nationals.

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10th ANNIVERSARY

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