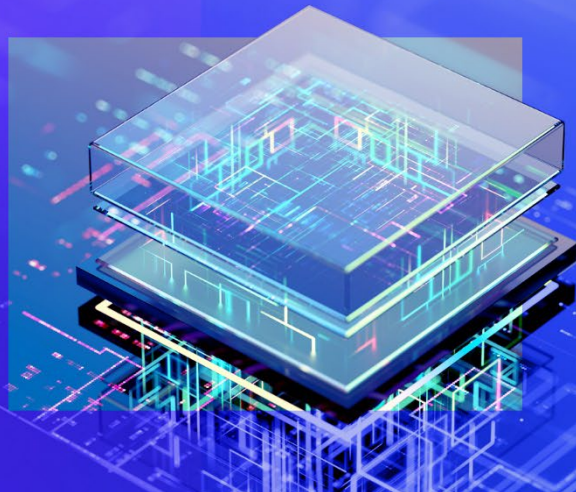


Hong Kong Capital Markets Update

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Temporary modification of the requirements for Specialist Technology Companies and De-SPAC Transactions

On 23 August 2024, the Stock Exchange of Hong Kong Limited (the “Exchange”) and the Securities and Future Commission (the “SFC”) made a joint announcement¹ in relation to temporary modifications (the “Modifications”) to certain requirements for the listing of Specialist Technology Companies and De-SPAC Transactions. The Modifications will apply temporarily for a fixed period of three years from 1 September 2024 to 31 July 2027.

Summary of Modifications

Specialist Technology Companies

- (1) Reduction in market capitalisation threshold at the time of listing
- **Commercial Companies**²: reduce from HK\$6 billion to **HK\$4 billion**; and
 - **Pre-Commercial Companies**³: reduce from HK\$10 billion to **HK\$8 billion**

De-SPAC Transactions

- (1) Reduction in minimum independent third party investment
- Modified to **lower of**:
 - (i) the currently prescribed percentage of the **negotiated value**⁴ of the De-SPAC Target; or
 - (ii) **HK\$500 million**.
- (2) Independence requirements for third party investors
- Align with the **Sophisticated Independent Investors** (SIIs) definition⁵ for Specialist Technology Companies, such that:
 - (i) independence will be determined as at the date of the signing of the definitive agreement for the relevant investment in the De-SPAC Transaction, and up to listing of the successor company;
 - (ii) the following persons will **not** be considered as independent third party investors:
 - a. core connected persons of SPAC or De-SPAC target, except for substantial shareholder that is considered a core connected person only because of the size of shareholding;
 - b. controlling shareholders of SPAC or De-SPAC target;
 - c. founders of De-SPAC target and their respective close associates; and
 - (iii) the Exchange retains the discretion to deem any other person to be not independent based on the facts and circumstances of an individual case.

¹ Joint announcement, https://www.hkex.com.hk/News/Regulatory-Announcements/2024/240823news?sc_lang=en

² A Commercial Company is a Specialist Technology Company that has revenue of at least HK\$250 million for its most recent audited financial year (the “Commercialisation Revenue Threshold”).

³ A Pre-Commercial Company is a Specialist Technology Company that has not met the Commercialisation Revenue Threshold at the time of listing.

⁴ Negotiated value of the de-SPAC target is set out in paragraph 41 of Chapter 18B of the Main Board Listing Rules.

⁵ Definition of SIIs, including the qualification and independence requirements are set out in Chapter 2.5 of the Guide for New Listing Applicants.

Background

In response to recent market conditions and to provide a viable listing pathway for new economy companies with high growth potential, after taking into account the Exchange's experience gained from handling Specialist Technology Companies' listing applications and De-SPAC Transactions since the introduction of both listing regimes, the Exchange and SFC have jointly announced the Modifications on 23 August 2024.

Time limit for the Modifications

The Modifications will apply temporarily for a fixed period of three years from 1 September 2024 to 31 August 2027 (the "Implementation Period"). Prior to 31 August 2027, the Exchange may review the requirements and conduct public consultation, if necessary.

Specialist Technology Companies

The modified initial market capitalisation thresholds will apply to all listing applicants under Main Board Chapter 18C that meet the following criteria:

- (a) the expected date of listing is on or after the start of the Implementation Period (i.e. 1 September 2024); and
- (b) the relevant listing applications (including all renewals of such applications) that are submitted on or before the end of the Implementation Period (i.e. 31 August 2027).

De-SPAC Transactions

The modified independent third party investment threshold and independence requirements for third party investors will apply to all De-SPAC Transactions that are expected to be announced during the three-year Implementation Period.

Guidance materials

In tandem with the above Modifications, the Exchange has published amendments to its Guide for New Listing Applicants⁶, the guidance letter HKEX-GL113-22⁷ and the frequently asked questions on SPACs⁸ in order to align the definition of SIIIs.

⁶ Guide for New Listing Applicants, https://en-rules.hkex.com.hk/sites/default/files/net_file_store/DOC_2.pdf

⁷ The guidance letter HKEX-GL113-22, https://en-rules.hkex.com.hk/sites/default/files/net_file_store/gl113-22_markup.pdf

⁸ The frequently asked questions on SPACs, https://en-rules.hkex.com.hk/sites/default/files/net_file_store/faq-14.3_SPAC.pdf

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