

**C L I F F O R D**  
**C H A N C E**



**HKEX'S PROPOSED  
LISTING FRAMEWORK  
FOR SPACS**

**OCTOBER 2021**

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## HKEX'S PROPOSED LISTING FRAMEWORK FOR SPACS

### Comparative Table of HKEX's key SPAC proposals versus SPAC Regulation on the SGX versus SPAC Regulation on the NYSE and Nasdaq (together the "US Exchanges")

The below table sets out a high-level comparison of the proposed SPAC regime in Hong Kong set out in HKEX's [Consultation Paper](#) published on 17 September 2021, the regulations applying to the primary listings of SPACs in Singapore on the Mainboard of the SGX-ST, and the regulations applying to SPACs in the United States. Comments on HKEX's consultation are due by 31 October 2021.

#### I. PRE DE-SPAC TRANSACTION PROPOSALS

SPAC promoters / Suitability assessment factors of a SPAC	
	SPACs are typically formed by professional managers (i.e. SPAC promoters) who have private equity, corporate finance and/or relevant industry experience. SPAC investors rely on SPAC promoters' ability to identify a suitable target and negotiate terms for the de-SPAC transaction that will provide them with a return on their investment.
<b>HKEX's proposal</b>	<p>All SPAC promoters must meet suitability and eligibility requirements regarding character, experience and integrity, which will be assessed by reference to the background, experience, other business interests and any other information HKEX considers relevant. Each SPAC must have at least one SPAC promoter which is an SFC licensed firm (with Type 6 (advising on corporate finance) and/or Type 9 (asset management) licence(s)) holding at least 10% of the promoter shares.</p> <p>The majority of directors on the board of a SPAC must be officers (as defined under the Securities and Futures Ordinance (Cap. 571)) of the SPAC promoters (both licensed and non-licensed) representing the respective SPAC promoters who nominate them.</p>
<b>SGX</b>	The SGX provides a set of factors which it may, in its discretion, take into account in assessing the suitability of a SPAC for listing. The factors are similar to those set by the NYSE.
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq</u>: No corresponding requirement.</p> <p><u>NYSE</u>: Provides a list of factors that the NYSE may consider in determining the suitability of a SPAC listing.</p> <p>Ultimately, in the United States the SEC is the regulatory authority that reviews the SPAC's filings for legal and accounting issues, poses questions to the SPAC's management, and determines if the SPAC has complied with the SEC disclosure rules and the federal securities laws. The SEC issues guidance for investors to consider when evaluating a SPAC, but ultimately the authority does not vet the SPAC for suitability or riskiness, and mostly ensures that the SPAC's disclosures to investors are clear and balanced.</p>

<b>Investor suitability</b>	
The US Exchanges and SGX do not limit the subscription and trading of SPAC securities to professional investors.	
<b>HKEX's proposal</b>	<p>The subscription and trading of SPAC securities <b>prior to a de-SPAC transaction</b> would be limited to professional investors only (i.e. institutional professional investors and individual professional investors). A SPAC must distribute each of the SPAC shares and SPAC warrants to a minimum of 75 professional investors, of which 30 must be institutional professional investors.</p> <p>The trading restriction would <b>not</b> apply to the listed issuer resulting from the completion of a de-SPAC transaction (i.e. the successor company).</p> <p>An individual professional investor means a non-institutional professional investor, and includes any individual and corporate entity falling under the Securities and Futures (Professional Investor) Rules (Cap. 571D). Accordingly, it includes: (a) an individual having a portfolio of not less than HK\$8 million, (b) a trust corporation with total assets of not less than HK\$40 million; and (c) a corporation or partnership which have a portfolio of not less than HK\$8 million or total assets of not less than HK\$40 million.</p>
<b>SGX</b>	No such restriction.
<b>Nasdaq &amp; NYSE</b>	No such restriction.

<b>Fund raising size / Minimum market capitalisation</b>	
<b>HKEX's proposal</b>	The funds expected to be raised by a SPAC from its initial offering must be at least HK\$1 billion (≈ US\$128 million).
<b>SGX</b>	A SPAC must have a minimum market capitalisation of S\$150 million (≈ US\$112 million), computed based on the IPO issue price and post-invitation issued share capital.
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq Global Market</u>: US\$75 million</p> <p><u>Nasdaq Capital Market</u>: US\$50 million</p> <p><u>NYSE</u>: US\$100 million</p> <p><u>NYSE American</u>: US\$50 million</p> <p>The US Exchanges offer tiers of listing standards that require companies to meet a set of criteria in conjunction. Such criteria may include minimum stockholder's equity, total value of market capitalisation, aggregate market value of publicly held shares, stock price, total assets or distribution. Some tiers require a higher market capitalisation than listed above and some tiers do not have a capitalisation requirement. Thus, the above figures represent the minimum market capitalisation amounts in the listing standards where this criterion is required.</p>

<b>Class shares structure / Promoter shares</b>	
<b>HKEX's proposal</b>	<p>SPAC shares and SPAC warrants are listed on the stock exchange.</p> <p>Promoter shares are a separate (unlisted) 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.</p> <p>Two proposed options for the trading of SPAC warrants: (a) only allow manual trades by requesting quotes from SPAC exchanged participant(s); or (b) in addition to manual trades, allow automatic matching of orders but with volatility control mechanism to prevent extreme price volatility by imposing a mandatory "cooling-off period" (during which trades could only occur within price limits) if the price deviates significantly from the price at which the warrant was traded five minutes ago.</p>
<b>SGX</b>	SPACs are not permitted to adopt dual class share structures at the time of the SPAC's IPO.
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq &amp; NYSE</u>: No corresponding requirement.</p> <p>In the United States, SPACs commonly adopt two classes of shares. The common stock included in the units sold to the public is sometimes classified as "Class A" common stock, typically representing 80% of the outstanding shares. Usually, the sponsor will pay a nominal amount, often around US\$25,000, for a number of "Class B" or "Class F" common stock, often called founder shares.</p>
<b>SPAC share issue price</b>	
<b>HKEX's proposal</b>	Require SPACs issue their SPAC shares at an issue price of HK\$10 or above.
<b>SGX</b>	Minimum issue price of S\$5 per share or unit for the securities offered for the SPAC IPO.
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq</u>: Minimum bid of US\$4 per share; unless other requirements are met then the minimum bid may be US\$2 or US\$3 per share.</p> <p><u>NYSE</u>: Minimum bid of US\$4 per share.</p>

Minimum investment by founders / promoters									
<b>HKEX's proposal</b>	At least one of the SPAC promoters satisfying suitability and eligibility requirements must be the beneficial holder of at least 10% of the promoter shares issued by the SPAC.								
<b>SGX</b>	<p>SGX requires the founding shareholders and the management team to subscribe for a minimum value of equity securities (based on the subscription price at IPO) in accordance with the following requirements:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Market capitalisation of the SPAC (S\$ million) ("M")</th> <th style="width: 40%;">Proportion of subscription</th> </tr> </thead> <tbody> <tr> <td><math>150 \leq M &lt; 300</math></td> <td>3.5%</td> </tr> <tr> <td><math>300 \leq M &lt; 500</math></td> <td>3.0%</td> </tr> <tr> <td><math>M \geq 500</math></td> <td>2.5%</td> </tr> </tbody> </table>	Market capitalisation of the SPAC (S\$ million) ("M")	Proportion of subscription	$150 \leq M < 300$	3.5%	$300 \leq M < 500$	3.0%	$M \geq 500$	2.5%
Market capitalisation of the SPAC (S\$ million) ("M")	Proportion of subscription								
$150 \leq M < 300$	3.5%								
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<b>Nasdaq &amp; NYSE</b>	<u>Nasdaq &amp; NYSE</u> : No corresponding requirement.								

Dilution cap	
<b>HKEX's proposal</b>	<p>Cap on promoter shares - 20% cap on the promoter shares out of the total number of shares the SPAC has in issue as at the IPO date, with further issuance of promoter shares of up to 10% after the de-SPAC transaction, subject to the successor company meeting set performance targets (i.e. earn-outs). Therefore, in aggregate, a total cap on the issue of promoter shares of 30% of the shares the SPAC has in issue as at the IPO date.</p> <p>Caps on warrants - a SPAC could only issue warrants that: (a) in total (i.e. SPAC warrants and promoter warrants) that would (upon exercise) result in up to 30% of the number of shares in issue at the time such warrants are issued; (b) have promoter warrants that would (upon exercise) result in up to 10% of the number of shares in issue at the time such warrants are issued; and (c) each warrant could only entitle the warrant holder to purchase up to one-third of a share upon its exercise.</p>
<b>SGX</b>	The extent of the aggregate equity interests in the SPAC acquired by the founding shareholders, management team and their associates at nominal or no consideration is generally permitted up to 20% of the issued share capital of the SPAC (on a fully diluted basis) immediately following closing of the IPO.
<b>Nasdaq &amp; NYSE</b>	<u>Nasdaq &amp; NYSE</u> : No corresponding requirement.

## II. DE-SPAC TRANSACTION PROPOSALS

### Application of new listing requirements

After a SPAC is listed, the SPAC promoter will aim to identify a de-SPAC target and enter negotiations with its management on the terms of a de-SPAC transaction. Upon the successful completion of negotiations, the SPAC will enter into a letter of intent / term sheet on the terms of the de-SPAC transaction and seek approval of those terms from the boards and shareholders of both the SPAC and the de-SPAC target.

If the de-SPAC transaction is approved by SPAC shareholders, the company (i.e. the successor company) resulting from the transaction becomes a listed issuer in place of the SPAC. Usually, the de-SPAC transaction will result in the owners of the de-SPAC target becoming the successor company's controlling shareholders.

<b>HKEX's proposal</b>	All new listing requirements (including minimum market capitalisation requirements and financial eligibility tests) will apply to the successor company resulting from a de-SPAC transaction.
<b>SGX</b>	SGX requires that the successor company resulting from a de-SPAC transaction meet initial listing requirements.
<b>Nasdaq &amp; NYSE</b>	<u>Nasdaq</u> : requires that a successor company meet its full initial listing requirements. <u>NYSE</u> : a successor company must meet certain minimum share price, market capitalisation and shares in public hands requirements. NYSE will also assess the listing application to determine whether the transaction is a "backdoor listing". NYSE will apply its full initial listing requirements to the successor company if it determines this to be the case.

### Financial adviser / IPO sponsor

<b>HKEX's proposal</b>	A successor company must appoint at least one IPO Sponsor to assist it with its application for listing and to conduct due diligence. IPO Sponsor(s) must be formally appointed at least two months prior to the date of the listing application. SPAC will be required to submit a listing application upon the proposal of a de-SPAC transaction.
<b>SGX</b>	The SPAC must appoint a financial adviser, who is an issue manager for purposes of the SGX Listing Manual, to advise on the business combination. The financial adviser is expected to have regard to the due diligence guidelines issued by The Association of Banks in Singapore when conducting due diligence on the business combination.
<b>Nasdaq &amp; NYSE</b>	<u>Nasdaq &amp; NYSE</u> : No corresponding requirement.

<b>Eligibility / size of de-SPAC targets</b>	
<b>HKEX's proposal</b>	<p>The fair market value of a de-SPAC target should represent at least 80% of all the funds raised by the SPAC from its IPO (prior to any redemptions).</p> <p>An investment company (as defined by Chapter 21 of the Listing Rules) would not be an eligible de-SPAC target.</p> <p>Biotech companies and mineral companies would be eligible de-SPAC targets, so long they comply with the applicable new listing requirements. A SPAC could also become a successor company with a WVR structure through a de-SPAC transaction, as long as the de-SPAC target and the structure resulting from the de-SPAC transaction meet all applicable requirements of the HKEX Listing Rules.</p>
<b>SGX</b>	<p>SGX generally requires the fair market value of the de-SPAC target to be at least 80% of the proceeds held in trust.</p> <p>SGX expressly contemplates de-SPAC transactions involving life science companies and mineral, oil and gas companies.</p>
<b>Nasdaq &amp; NYSE</b>	<p>The US Exchanges generally require that the fair market value of the de-SPAC target to be at least 80% of the proceeds held in trust.</p> <p>No restrictions are imposed on the types of targets that a SPAC can approach, as long as the successor company fulfils applicable requirements.</p>

<b>Independent third party investment</b>	
<p>This requirement is to address the risk of artificial valuation of the de-SPAC target agreed between the SPAC promoter and the owners of the de-SPAC target. PIPE investments will provide a form of validation to investors.</p>	
<b>HKEX's proposal</b>	<p>Propose to mandate that a SPAC obtain funds from external independent PIPE investors for the purpose of completing the de-SPAC transaction. Investment from such investors must:</p> <ul style="list-style-type: none"> <li>(a) constitute at least 25% of the expected market capitalisation of the successor company (or at least 15%, if the successor company's expected market capitalisation at listing is over HK\$1.5 billion); and</li> <li>(b) result in at least one asset management firm or fund (with assets under management/fund size of at least HK\$1 billion) beneficially owning at least 5% of the issued shares of the successor company as at the date of the successor company's listing.</li> </ul>
<b>SGX</b>	<p>No mandatory requirement on independent PIPE. However, if a PIPE investment is absent for a de-SPAC transaction, an independent valuer will need to be appointed.</p>
<b>Nasdaq &amp; NYSE</b>	<p>No similar requirement. On the US Exchanges, the value of the de-SPAC transaction is determined by the SPAC's management, underwriters, and investors at a "fair market value".</p>



<b>Approval of the de-SPAC transaction</b>	
<b>HKEX's proposal</b>	<p>The de-SPAC transaction must be made conditional on approval by the SPAC's shareholders at a general meeting.</p> <p>A shareholder with a material interest in the de-SPAC transaction (i.e. the SPAC promoter(s) and their close associates) must abstain from voting, and if the de-SPAC transaction results in a change of control, any outgoing controlling shareholders of the SPAC and their close associates must not vote in favour of the de-SPAC transaction.</p>
<b>SGX</b>	<p>A de-SPAC transaction must be approved by (a) a simple majority of independent directors, and (b) by an ordinary resolution passed by shareholders. For purposes of voting on the business combination, the founding shareholders, the management team and their associates are not permitted to vote with shares acquired at nominal or no consideration prior to or at the IPO of the SPAC.</p> <p>Where the business combination is (a) an interested person transaction for purposes of the SGX Listing Manual or (b) entered into with the founding shareholders, members of the management team, and/or their respective associates, the shareholders' circular must contain an opinion from an independent financial adviser and the SPAC's audit committee stating that the terms of the transaction are on normal commercial terms and are not prejudicial to the interest of the SPAC and its minority shareholders.</p>
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq &amp; NYSE</u>: The business combination must be approved by a majority of the votes cast at the shareholder meeting under the applicable listing rules. Usually, the SPAC's management and founders contractually agree to waive their voting rights in the prospectus.</p> <p>Additionally, the SPAC must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934. The proxy statement is filed with the SEC and may be selectively, but not necessarily, reviewed. Directors and officers may face liability for false or misleading statements in the SPAC's proxy statement if they knew, or should have known, that the material contained false statements.</p>

### Shareholder redemption rights

**When seeking their approval of a proposed de-SPAC transaction, a SPAC will give SPAC shareholders the option of redeeming their shareholdings in the SPAC and receiving a *pro rata* amount of the funds held in the SPAC's trust account.**

<b>HKEX's proposal</b>	<p>SPAC shareholders must be given the option to redeem their shares prior to:</p> <ul style="list-style-type: none"> <li>(a) a de-SPAC transaction;</li> <li>(b) a material change in the SPAC promoters; and</li> <li>(c) any extension to the deadline for finding a suitable de-SPAC target.</li> </ul> <p>Only those SPAC shares voted against the relevant matter that is subject to the vote can be redeemed.</p>
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<b>SGX</b>	Independent shareholders (other than the founding shareholders, the management team and their respective associates) shall be entitled to redeem their ordinary shares and receive a <i>pro rata</i> portion of the amount held in the escrow account at the time of the business combination vote.
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq &amp; NYSE</u>: Public shareholders voting against a business combination must have the right to convert their shares of common stock into a <i>pro rata</i> share of the aggregate amount then in the deposit account.</p> <p>The US Exchanges only mandate redemption rights for dissenting shareholders. However, SPAC routinely grant redemption rights to all shareholders in their prospectuses, and such rights are irrespective of whether the shareholder voted for or against the de-SPAC transaction. In addition, a SPAC sponsor and the SPAC's officers and directors will typically waive redemption rights with respect to their founder shares (and any public shares they may purchase).</p>

**Lock-up / transfer restrictions after the de-SPAC transaction**

<b>HKEX's proposal</b>	<p>SPAC promoter lock-up - a restriction on the disposal of their holdings in the successor company (including promoter shares and promoter warrants) in the period ending 12 months from the date of completion of the de-SPAC transaction.</p> <p>Controlling shareholder lock-up - could not dispose of its holdings in the first six months of the successor company's listing and could not dispose of its holdings in the second six months following the successor company's listing if this would result in it ceasing to be a controlling shareholder.</p>
<b>SGX</b>	<p>The SGX imposes moratorium requirements on all equity securities of the SPAC held by the founding shareholders, the management team and their respective associates, commencing on the date of listing up to and including the completion date of the business combination.</p> <p>Following the business combination, all equity securities of (a) the founding shareholders and the management team of the SPAC and their respective associates, and (b) the controlling shareholders of the resulting issuer and their associates, and the executive directors of the resulting issuer with an interest in 5% or more of the issued share capital, will be subject to moratorium requirements in accordance with the SGX Listing Manual from the completion date of the business combination.</p>
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq &amp; NYSE</u>: No such requirement. The federal securities laws subject shareholders to lockup periods after the IPO under Rule 701(g) and SEC Rule 144.</p> <p>Typically, the prospectus contractually places transfer restrictions on the class of shares held by the founders (founders shares). Common restrictions prevent the transferring of founder shares before the earliest of the following (a) one year after the de-SPAC transaction, (b) the common shares' closing price equals \$12/share for a period of time, (c) the date after the de-SPAC when another event is completed that allows shareholders to exchange shares for cash, securities or property (such as a liquidation, merger, or share exchange).</p>

<b>Open market in successor company's securities</b>	
<b>HKEX's proposal</b>	<p>The successor company must ensure that its shares are held by at least 100 shareholders (rather than the 300 shareholders normally required) to ensure an adequate spread of holders in its shares.</p> <p>The successor company must meet the requirements that:</p> <ul style="list-style-type: none"> <li>(a) 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; and</li> <li>(b) 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>The public float requirements will apply on an ongoing basis.</p>
<b>SGX</b>	<p>At least 25% of a SPAC's total number of issued shares must be held by not less than 300 public shareholders at the time of the SPAC listing on the SGX-ST.</p>
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq Global Market and NYSE</u>: At least 400 round lot holders must be holding 1.1 million shares.</p> <p><u>Nasdaq Capital Market</u>: At least 300 round lot holders must be holding 1 million shares.</p> <p>Previously, Nasdaq required that SPACs have 50% of their round lot holders holding unrestricted securities with at least US\$2,500 in value. The SEC approved removing this restriction in February 2021.</p> <p>The SEC has also rejected the NYSE's 2018 proposal to lower the amount of round lot shareholders to 100 and to give the listing companies a 30-day grace period after listing, in order to comply with this requirement.</p>

### III. ESCROW ACCOUNT, LIQUIDATION AND DE-LISTING

Permitted time frame for completing a de-SPAC transaction	
<b>HKEX's proposal</b>	If a SPAC is unable to announce a de-SPAC transaction within 24 months, or complete one within 36 months, the SPAC must liquidate and return 100% of the funds it raised (plus accrued interest) to its shareholders. HKEX will then de-list the SPAC.
<b>SGX</b>	<p>The SPAC must complete a business combination within a time frame of 24 months from the date of listing. Where the SPAC has entered into a legally binding agreement for a business combination before the end of the 24-month period, the SPAC shall have up to 12 months from the relevant deadline to complete the business combination, subject to fulfilment of certain prescribed conditions.</p> <p>Other than the extension circumstance above, the SPAC must apply to SGX for an extension of time to complete the business combination and specifically obtain the approval of a majority of at least 75% of the votes cast by shareholders at a general meeting to be convened, in accordance with requirements under the SGX Listing Manual.</p>
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq</u>: Within 36 months of the effectiveness of its IPO registration statement, or such shorter period that the company specifies in its registration statement, the SPAC must complete one or more business combinations.</p> <p><u>NYSE</u>: The SPAC will be liquidated if no business combination has been consummated within a specified time period, not to exceed three years.</p> <p>In practice, all SPACs contractually agree to complete a de-SPAC transaction within 18-24 months, and many SPACs complete the transaction far before the designated time limit. The prospectus will stipulate if extensions to the time limit are allowable and, if so, how extensions are proposed and approved. The US Exchanges are rarely involved in this process.</p>

Minimum percentage of the IPO proceeds held in an escrow account	
Typically, proceeds raised in a SPAC offering (after fees and expenses in connection with the offering) are held in an interest-bearing trust account until the de-SPAC transaction is completed, or until the SPAC liquidates.	
<b>HKEX's proposal</b>	<p>100% of the gross proceeds of a SPAC's IPO must be held in a ring-fenced trust account located in Hong Kong.</p> <p>These funds held in trust must not be released other than to: (a) meet redemption requests of SPAC shareholders that have elected to redeem their SPAC shares; (b) complete a de-SPAC transaction or (c) return funds to SPAC shareholders.</p>
<b>SGX</b>	At least 90% of the gross proceeds raised from its IPO must be deposited in an escrow account. The escrow account should be opened with, and operated by, an independent escrow agent which is part of a financial institution licensed and approved by the Monetary Authority of Singapore.

	The amount placed in the escrow account cannot be drawn except for the purpose of the business combination, on liquidation of the SPAC or certain other circumstances set out in the SGX Listing Manual.
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq &amp; NYSE</u>: At least 90% of the IPO proceeds (NYSE specifies "gross proceeds"), together with the proceeds of any other concurrent sales of the SPAC's equity securities, must be held in a trust account controlled by an independent custodian until consummation of a business combination. Such account should be maintained by an "insured depository institution", as that term is 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>However, the market practice in the United States is that SPACs deposit 100% of the gross proceeds from the IPO into the trust account, thus offering increased investor protection by assuring that shareholders choosing to exercise their rights to redeem shares will receive the full IPO price paid, rather than the lesser amount guaranteed by US Exchanges' regulations.</p>

**Permitted investments for escrowed funds**

<b>HKEX's proposal</b>	The gross proceeds of the SPAC's IPO must be held in the form of cash or cash equivalents such as bank deposits or short-term securities issued by governments with a minimum credit rating of (a) A-1 by S&P; (b) P-1 by Moody's Investors Service; (c) F1 by Fitch Ratings; or (d) an equivalent rating by a credit rating agency acceptable to HKEX.
<b>SGX</b>	Until the completion of a qualifying business combination, the SPAC may invest the escrowed funds in "permitted investments", being investments in cash or cash equivalent short-dated securities of at least A-2 rating (or an equivalent).
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq &amp; NYSE</u>: No corresponding requirement.</p> <p>The escrow account typically invests in money market funds or short-term U.S. government securities. SPACs generally invest the proceeds in relatively safe, interest-bearing instruments, but there is no rule requiring that the proceeds only be invested in those types of instruments. SPACs often use the interest on trust account investments to pay taxes.</p> <p>Theoretically, a SPAC on a US Exchange could invest its escrowed funds in more risky asset classes, though the SPAC would be subject to other restrictions under the Investment Company Act. Generally, when more than 40% of a company's assets are invested in certain types of instruments, the company may meet the Investment Company Act's definition of an "investment company," and therefore be subject to registration and additional regulation.</p>

<b>Events which may result in potential liquidation</b>	
<b>HKEX's proposal</b>	<p>If a SPAC fails to (a) announce / complete a de-SPAC transaction within the deadlines that apply (including any extensions granted to those deadlines); or (b) obtain the requisite shareholder approval for a material change in SPAC promoters within one month of the material change, HKEX will suspend the trading of a SPAC's securities and the SPAC must, within one month of such suspension, return to its shareholders (excluding holders of the promoter shares), on a <i>pro rata</i> basis, 100% of the funds it raised at its IPO, at the price at which its shares were issued, plus accrued interest.</p> <p>After returning these funds to its shareholders, the SPAC must be liquidated. HKEX will automatically cancel the listing of a SPAC upon the completion of its liquidation.</p>
<b>SGX</b>	<p>Prior to completion of a business combination, in the event a material change occurs in relation to the profile of the founding shareholders and/or the management team which may be critical to the successful founding of the SPAC and/or successful completion of the business combination, the SPAC shall seek approval of a majority of at least 75% of the votes cast by independent shareholders at a general meeting to be convened for the continued listing of the SPAC on the SGX. For the purpose of voting on the continued listing of the SPAC, the founding shareholders, the management team, and their associates, are not considered as independent. The SGX has discretion in determining whether such an "event of material change" has arisen.</p>
<b>Nasdaq &amp; NYSE</b>	<p><u>Nasdaq &amp; NYSE</u>: No corresponding requirement.</p> <p>The potential for such changes will likely be disclosed to investors in the SPAC's prospectus as a risk factor. Typically, the election and removal of directors, unless otherwise indicated in the bylaws, is determined by the board of directors. Generally, a majority vote by shareholders is required to approve mergers, share issuances, and changes to the bylaws.</p>

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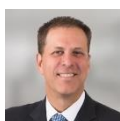
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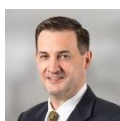
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