

HONG KONG CAPITAL MARKET UPDATES

AUGUST 2024

Temporary modifications to requirements for Specialist Technology Companies and De-SPAC Transactions

On 23 August 2024, the Securities and Futures Commission (SFC) and The Stock Exchange of Hong Kong Limited (HKEX) jointly announced temporary modifications to the requirements for Specialist Technology Companies under Chapter 18C of the Main Board Listing Rules (Ch 18C) and for De-SPAC Transactions¹ conducted by Special Purpose Acquisition Companies (SPACs) under Chapter 18B of the Main Board Listing Rules (Ch 18B).

The modifications will apply temporarily for a three-year period from 1 September 2024 to 31 August 2027. Prior to 31 August 2027, HKEX may review the requirements and conduct public consultation, if necessary. This newsletter summarises the key modifications to the requirements under the joint announcement published by the SFC and HKEX.

Key modifications

For Specialist Technology Companies under Ch 18C

1. Reduction in the minimum initial market capitalisation for listing

The minimum initial market capitalisation at the time of listing for a Specialist Technology Company under Main Board Rule 18C.03(3) will be reduced as follows:

- Commercial Companies² – From HK\$6 billion to HK\$4 billion
- Pre-Commercial Companies³ – From HK\$10 billion to HK\$8 billion

For De-SPAC Transactions conducted by SPACs under Ch 18B

1. Reduction in the minimum independent third-party investment required for a De-SPAC Transaction

The minimum independent third-party investment required for a De-SPAC Transaction will be reduced to **the lower of** the following amounts:

- a) the currently prescribed percentage of the negotiated value of the De-SPAC Target under Main Board Rule 18B.41 (as set out in the table on the next page); or
- b) **HK\$500 million in value.**

Highlights on the temporary modifications

- ▶ Reduction in the initial market capitalisation thresholds for Specialist Technology Companies
- ▶ Reduction in the minimum independent third-party investment required for a De-SPAC Transaction
- ▶ Alignment of the independence test for third-party investors in a De-SPAC Transaction with that for sophisticated independent investors in Specialist Technology Companies

¹ De-SPAC Transaction - the acquisition of, or a business combination with, a target of the De-SPAC Transaction (De-SPAC Target) by a SPAC that results in the listing of the Successor Company. The Successor Company is a listed issuer resulting from the completion of a De-SPAC Transaction.

² Commercial Company - A specialist technology company under Ch 18C that has met the revenue requirement of at least HK\$250 million for its most recent audited financial year at the time of listing.

³ Pre-Commercial Company - A specialist technology company under Ch 18C that has not met the revenue requirement at the time of listing.

This modification will trim the minimum independent third-party investment for De-SPAC Targets with negotiated values falling within the highlighted categories. More specifically, the minimum independent third-party investment will be lowered to HK\$500 million for those targets with a negotiated value above HK\$3.34 billion.

Negotiated value of the De-SPAC Target (NV)	Minimum third-party investment (% of NV)	Minimum third-party investment (in value)	
(A)	(B)	Min of (A) x (B)	Max of (A) x (B)
< HK\$2 billion	25%	Below HK\$500 million	
≥ HK\$2 billion but < HK\$5 billion	15%	HK\$300 million	HK\$750 million
≥ HK\$5 billion but < HK\$7 billion	10%	HK\$500 million	HK\$700 million
≥ HK\$7 billion	7.5%	HK\$525 million or above	

2. Alignment of the independence test for third-party investors with that of Specialist Technology Companies

The independence test for third-party investors in a De-SPAC Transaction set out in Main Board Rule 18B.40 will be aligned with that for sophisticated independent investors in Specialist Technology Companies under Ch 18C. This modification provides clearer criteria for determining an eligible independent third-party investor for the purpose of the Listing Rules. Specifically, it provides that:

- (1) an investor's independence is assessed at the time of signing the definitive investment agreement and up to the listing of the Successor Company¹; and
- (2) core connected persons, controlling shareholders and the founders of the SPAC or the De-SPAC Target will not be considered as independent third-party investors.

Implementation timeline for the temporary modifications

The temporary modifications to the listing requirements will be effective for a three-year period from 1 September 2024 to 31 August 2027. Prior to 31 August 2027, HKEX may review the requirements and conduct public consultation, if necessary.

The modified minimum initial market capitalisation for Specialist Technology Companies will apply to all listing applicants aiming to list under Ch 18C whose:

- a) expected listing date is on or after 1 September 2024; and
- b) relevant listing applications (including all renewals of such applications) are submitted on or before 31 August 2027.

The modified minimum independent third-party investment and independence requirements for third-party investors for De-SPAC Transactions will apply to all De-SPAC Transactions that are expected to be announced between 1 September 2024 and 31 August 2027.

For more details, please see the joint announcement published by the SFC and HKEX: [Link](#)

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