



**Financial Reporting Webinar Series:**

# HKEX Listing Rules Update

**Wednesday, 26 January 2022**

# HKEX Consultation Conclusion of Corporate Governance Code

16 April 2021  
**Consultation Paper**

10 December 2021  
**Consultation Conclusion**

1 January 2022  
**Effective Date**



**Corporate Culture**



**Board Independence and Refreshment**



**Diversity**



**Nomination Committee**



**Communications with Shareholders**



**Other Enhancements**



**ESG Reporting**



**Code Structure**

# Board gender diversity across countries

Jurisdictions	% Women Directorships, 2020	% Women Directorships, 2019	% with Zero Women on Boards
France	<b>43.3</b>	44.3	0.0
UK	<b>34.3</b>	31.7	0.0
Australia	<b>34.0</b>	31.2	1.6
Canada	<b>31.3</b>	29.1	0.0
US	<b>28.2</b>	26.1	0.2
Netherlands	<b>25.5</b>	34.0	0.0
Germany	<b>25.2</b>	33.3	3.4
India	<b>16.6</b>	15.9	5.8
Mainland China	<b>13.0</b>	11.4	29.2
<b>Hong Kong SAR</b>	<b>12.7</b>	<b>12.4</b>	<b>37.0</b>
Japan	<b>10.7</b>	8.4	21.6

**Source: MSCI Women on Boards 2020 Progress Report**  
<https://www.msci.com/documents/10199/9ab8ea98-25fd-e843-c9e9-08f0d179bb85>

# HKEX Consultation Conclusion of Corporate Governance Code

## Diversity

### Key Proposals and Conclusions:



**No single gender board** (New Rule with a 3-year transition period for issuers)

*Note: Implementation Date for Single gender board issuers: 3-year transition (i.e. no later than 31 December 2024)  
for IPO applicants: effective for A1 submission filed on or after 1 Jul 2022*



**Mandatory numerical targets and timelines** for achieving gender diversity at both **board level** and **across the workforce** (New MDR)

Adopted at the board level, with modification to the requirements at the workforce (New Paragraph J of MDR)



**Review board diversity policy annually**(New CP)



**Amend the relevant forms** to include director's gender information (Diversity repository)

## Corporate Culture

### Key Proposals and Conclusions:



To require board to **set culture in alignment** with issuer's vision and strategy  
(Introduce CP)



To establish **anti-corruption** (new CP) and **whistleblowing** policies  
(Upgrade to CP)

# HKEX Consultation Conclusion of Corporate Governance Code

## Board Independence and Refreshment

### Key Proposals and Conclusions:



Have a **policy** to ensure board's **independent views** and **annual review** of its effectiveness (New CP)



No **equity-based remuneration** (e.g. share options or grants) with **performance-related elements** to INEDs (new Recommended Best Practices (RBP))



~~Independent shareholders' approval for re-election of a Long Serving INED~~

**Not Adopted**



**Additional disclosures** on factors considered, process and the board or NC's discussion in arriving at the determination that the Long Serving INED is still independent and should be re-elected (New CP)



**Appoint new INED** if all INEDs on board are Long Serving INEDs, and disclose the **length of tenure** of the Long Serving INEDs on a named basis in shareholders' circular (New CP)

## Nomination Committee

### Key Proposals and Conclusions:



Establish a **NC chaired** by an **INED** and comprising a majority of INEDs  
(Upgrade to Rule)

Adopted with modification to also allow board chairman as chair

# HKEX Consultation Conclusion of Corporate Governance Code

## ESG Reporting

### Key Proposals and Conclusions:



Elaborate the **linkage between CG and ESG** in the Corporate Governance Code and include **ESG risks** in the context of risk management under the Code (New Principle and CP)



Amend the Rules and the ESG Guide to require publication of **ESG reports** at the **same time** as publication of **annual reports**

# HKEX Consultation Conclusion of Corporate Governance Code



## Effective Dates



The effective date is **1 January 2022** and will apply to CG reports for financial year commencing on or after **1 January 2022** (except items specified below):

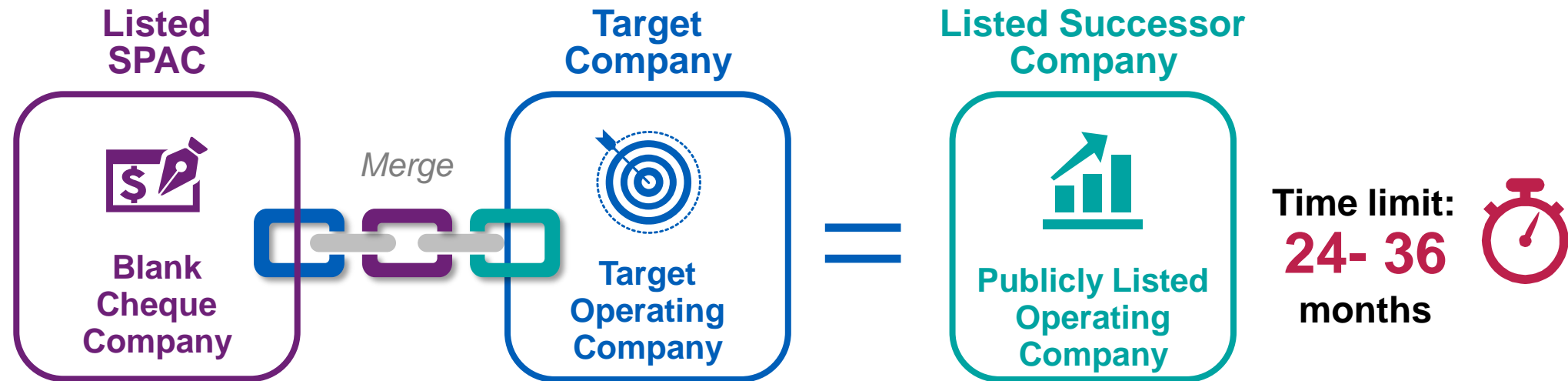
- ❖ **Effective Date for Long Serving INED**
  - Financial year commencing on or after **1 January 2023**
- ❖ **Effective Date for Board Gender Diversity**
  - no later than **31 December 2024**

# What is a SPAC?



## Special Purpose Acquisition Company

- No substantive operations before acquisition; focused on fundraising and executing investment strategy
- Holds no material assets other than cash and/or investments



# Development of HK SPAC Regime



# Key features of HK SPAC regime



## SPAC Promoters

Must meet **suitability and eligibility requirements**



## Investor suitability

Subscription and trading restricted to **Professional Investors** only



## Mandatory independent PIPE investment

Must be **Professional Investors** and meet the prescribed **minimum %** for validating the valuation of De-SPAC Target



## New Listing Requirements

The Successor Company must meet all **new listing requirements to the same extent as traditional IPO/RTO**

# Key accounting issues



## SPAC phases

- Shares, warrants and earn-outs: Share-based payment or financial instruments?
- Transaction costs

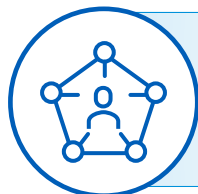


## De-SPAC phases

- De-SPAC merger: Business combination or not?
- Private investment in public entity (PIPE) investment: Part of or separate from merger?
- Earn-outs
- Modification of share awards
- Lapse of redemption options

# Revised Listing Regime for Overseas Issuers - Effective 1 January 2022

Key Listing Rule changes fall into three main categories:



**Streamlined requirements with a single set of shareholder protection standards**



**Greater flexibility for issuers to dual primary listings**



**Amendment of secondary listings for Greater China issuers without WVR**

# HKEX Consultation – Share Schemes of Listed Issuers

29 October 2021  
Consultation Paper

31 December 2021  
Consultation Period Ended

Shareholders' protection

Consistency

Transparency

 **Scope**

**Extend the coverage** of Chapter 17 to all share schemes (include share award schemes in addition to share option schemes)

 **Eligible Participants**

**Define eligible participants** to include (i) employee participants, (ii) related entity participants and (iii) service providers

 **Scheme Mandate**

Require issuers to **set scheme mandate limit** ( $\leq 10\%$  of issued shares of all share schemes) and **service provider sublimit** which may be **refreshed once every 3 years**

 **Grant Terms**

Require a **minimum vesting period of 12 months** and **clawback mechanism** and additional disclosure in the grant announcement

 **Grants to Individuals and Connected Persons**

**Revise the approval requirements** for share grants to (i) individual participants exceeding the 1% individual limit and (ii) Connected Persons

 **Disclosure**

Grants to people with greater influence on the issuer exceeding a prescribed threshold are subject to **disclosure on an individual basis** in the annual and interim report

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## Hong Kong Capital Markets Update

Analysis of the latest capital markets developments, including regulatory and transactional updates

Home > Services > Audit and Assurance > Capital markets services > Hong Kong Capital Markets Update

**CAPITAL MARKETS**

### Hong Kong Capital Markets Update – Issue 10, December 2021

HKEX's consultation conclusions on SPAC

**Paul Lau**  
Head of Professional Practice and Capital Markets  
KPMG in China  
[Email](#)

## STANDARD SETTING

### Special Purpose Acquisition Company

Accounting considerations for a Special Purpose Acquisition Company (SPAC)

JANUARY 2022

**CPA** Hong Kong Institute of Certified Public Accountants  
香港會計師公會

**HKEX**  
香港交易所

December 2021

## Corporate Governance Guide for Boards and Directors

# Webinar dates and topics for 2022

- **26 January – HKEX Listing Rules Update**
- **18 March – To be determined**
- **20 May – Interim reporting update: What's on the horizon**
- **10 June – To be determined**
- **29 July – To be determined**
- **2 September – IASB projects update**
- **18 November – To be determined**
- **16 December – Year-end reporting reminders**



**For more details and access to our webinar series:**

**<https://home.kpmg/cn/en/home/services/audit/ifrs-news/financial-reporting-webinar-series.html>**

# Speakers



**Paul Lau**

Partner, Audit  
Head of Capital Markets and  
Professional Practice  
KPMG China

E paul.k.lau@kpmg.com



**Louis Lau**

Partner  
Capital Markets Advisory Group  
KPMG China

E louis.lau@kpmg.com



**Alva Lee**

Partner  
Head of Governance, Risk and  
Compliance Services  
KPMG China

E alva.lee@kpmg.com



**Serene Seah-Tan**

Partner  
Department of Professional Practice  
KPMG China









E serene.seah-tan@kpmg.com





# Appendix

# Key features of HK SPAC regime -SPAC

 <b>Investor suitability</b>	The subscription for and trading of a SPAC's securities are <b>restricted to Professional Investors* only</b> .
 <b>Trading arrangements</b>	<b>Separate trading of SPAC Shares</b> (short names ending with "-Z") and <b>SPAC Warrants</b> (short names ending with "Z Y Y M M" or "Z Y Y", with YY and MM representing expiry year and expiry month respectively).
 <b>Open market requirements</b>	A <b>minimum of 75 Professional Investors</b> , of which <b>at least 20</b> are <b>Institutional Professional Investors</b> and <b>at least 75%</b> of SPAC securities must be <b>distributed to Institutional Professional Investors</b> upon SPAC IPO.
 <b>SPAC Share issue price and fund-raising size</b>	The <b>SPAC Share issue price</b> must be <b>HK\$10</b> or above and the <b>SPAC IPO</b> must <b>raise at least HK\$1 billion</b> .
 <b>SPAC Promoters</b>	<b>Must meet suitability and eligibility requirements</b> with <b>at least one Promoter</b> being a firm that holds (i) a <b>SFC Type 6/9 license</b> (waiver may be granted <b>on case-by-case basis</b> ) and (ii) <b>at least 10%</b> of the <b>Promoter Shares</b> .
 <b>SPAC Directors</b>	The <b>SPAC board</b> must have <b>at least two directors</b> who are <b>Type 6/9 SFC-licensed individuals</b> (including <b>one director representing the SFC-licensed SPAC Promoter</b> ).
 <b>Dilution cap on Promoter Shares &amp; earn-out rights</b>	A <b>cap</b> on issue of Successor Company shares from <b>Promoter Shares &amp; earn-out rights</b> at <b>30%</b> of the <b>total number of all shares in issue</b> at the SPAC IPO date.
 <b>Dilution cap on warrants and minimum exercise price</b>	A <b>cap on warrants in aggregate</b> at <b>50%</b> of the <b>total number of shares in issue</b> at the warrant issue date, with the <b>minimum exercise price</b> set <b>at least 15% premium</b> to the <b>issue price</b> of <b>SPAC Shares</b> .

\* "Professional Investor" refers to an Institutional Professional Investor or a Non-Institutional Professional Investor. "Institutional Professional Investor" refers to investors that fall under paragraphs (a) to (i) of "professional investor" in Section 1 of Part 1 of Schedule 1 to the SFO. "Non-Institutional Professional Investor" refers to investors that fall under paragraphs (j) of "professional investor" in Section 1 of Part 1 of Schedule 1 to the SFO.

# Key features of HK SPAC regime - De-SPAC Transaction



## Full application of New Listing Requirements

The Successor Company must meet all new listing requirements **to the same extent as traditional IPO/RTO**.



## Size of De-SPAC Target

The **fair market value** of the De-SPAC Target should be **at least 80% of funds raised** by the SPAC **from the SPAC IPO (prior to any redemption)**.

Must be **Professional Investors** and constitute a **minimum percentage** of the **negotiated value of De-SPAC Target** (see table below), of which **at least 50%** must come **from at least three Sophisticated Investors\***.

Negotiated value of De-SPAC Target ("NV")	Minimum independent PIPE investment (as % of NV)
< HK\$2 billion	25%
>= HK\$2 billion but < HK\$5 billion	15%
>= HK\$5 billion but < HK\$7 billion	10%
>= HK\$7 billion	7.5%
> HK\$10 billion	Below 7.5% (on case-by-case basis)



## Mandatory independent PIPE investment

**Must be approved by SPAC shareholders** at a general meeting with **SPAC Promoters** and **shareholders with a material interest** in the transaction **abstaining from voting**.



## Shareholder vote on De-SPAC Transaction

**Must be given to SPAC shareholders** in the vote on (i) a material change in SPAC Promoters; (ii) a De-SPAC Transaction; and (iii) extension of completion deadline. **No alignment of voting with redemption** is required.



## Redemption option of SPAC Shares



## Completion deadline

**Must be announced within 24 months** and **completed within 36 months** from the SPAC listing date.

\* "Sophisticated Investor" is defined as an asset management firm with assets under management of at least HK\$8 billion or a fund with a fund size of at least HK\$8 billion. A fund managed by a fund manager that has assets under management of at least HK\$8 billion would also qualify as a Sophisticated Investor for this purpose.



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