



HKEX Introduces New Exemption to “Double Dipping” Restrictions

On 21 November 2023, the Stock Exchange of Hong Kong Limited (**HKEX**) published revised guidance letter [HKEX-GL85-16 \(HKEX Guidance Letter 85-16\)](#), introducing a new exemption that allows existing shareholders (including pre-IPO investors) (**Existing Shareholders**) and cornerstone investors to participate in “double dipping” in an IPO.

“Double dipping” refers to the act of an Existing Shareholder or a cornerstone investor of a new listing applicant subscribing for or purchasing additional securities during its IPO¹ and is prohibited under the Listing Rules unless one of the exemptions set out in HKEX Guidance Letter 85-16 applies. For example, prior to its revision, the guidance letter already allowed the HKEX to permit Existing Shareholders and their close associates to participate in an IPO where the conditions set out in paragraph 4.20 of HKEX Guidance Letter 85-16 (**Existing Shareholder Conditions**) are met.

Effective immediately, revised HKEX Guidance Letter 85-16 enables Existing Shareholders and/or their close associates and cornerstone investors of a new listing applicant to participate in double dipping (without meeting the Existing Shareholder Conditions) where the IPO meets new size exemption conditions.

Size Exemption Conditions under revised HKEX Guidance Letter 85-16

The new exemption allows Existing Shareholders and/or their close associates and cornerstone investors to subscribe for or purchase additional shares in an IPO if the following conditions are met at the time of the applicant’s listing:²

- the offer, excluding any over-allocation, has a total value of HK\$ 1 billion or more;
- the allocation to all Existing Shareholders and their close associates, whether as cornerstone investors or placees, does not exceed 30% of the total number of securities offered; and
- each director, chief executive, controlling shareholder and (for PRC issuers) supervisor of the listing applicant has confirmed that the offered securities are not allocated to them or their close associates under the exemption.

Where these size exemption conditions are met:

- Existing Shareholders and/or their close associates can participate in the IPO as placees or as cornerstone investors; and
- cornerstone investors can subscribe for or purchase additional shares as placees.

Waiver from the Size Exemption Conditions under revised HKEX Guidance Letter 85-16

In the event of potential allocations to Existing Shareholders or cornerstone investors who are core connected persons of the listing applicant under the Size Exemption Conditions, the Exchange will grant a waiver from compliance with Main Board Rule 9.09(b) (GEM Rule 12.11).³ These Rules prevent the core connected persons of a listing applicant dealing in its shares from four clear business days before the expected hearing date in the case of Main Board applicants (and from the time of submitting the listing application in the case of GEM applicants) until listing is granted.

A marked-up version of revised HKEX Guidance Letter 85-16 is available [here](#).

[1] HKEX. 21 November 2023. "[Exchange Implements IPO "Double Dipping" Reforms](#)".

[2] GL85-16 paragraph 4.28A.

[3] GL85-16 paragraph 4.28B.

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CHARLTONS
易周律師行

Hong Kong Office

Dominion Centre 12th Floor
43-59 Queen's Road East Hong Kong

enquiries@charltonslaw.com

www.charltonslaw.com
Tel: + (852) 2905 7888
Fax: + (852) 2854 9596