HKEx LISTING DECISION
Cite as HKEx-LD26-3 (June 2001)

[Streamlined and incorporated into the Guide for New Listing Applicants in January 2024]

Summary	
Name of Party	Company A - an applicant for new listing
Subject	Over-allotment option in initial public offering - whether it could exceed 15% of total number of shares initially available
Listing Rule	General principles
Decision	15% could not be exceeded

Summary of facts

Company A proposed to grant the underwriter in its initial public offering an over-allotment option whereby Company A could be required to issue a certain number of additional shares representing in aggregate more than 15% of the total number of shares initially available under the offering.

Company A enquired whether the proposed percentage would be acceptable to the Exchange.

Analysis

In an initial public offering, the Exchange would normally expect the number of additional shares which can be issued under an over-allotment option not to exceed in aggregate 15% of the total number of shares initially available under the offering.

The purpose of setting a modest upper limit (i.e. 15%) on the over-allotment option is to keep the uncertainty created by its potential dilution effect to within acceptable levels in the interests of maintaining an orderly market for new issuers.

Decision

The over-allotment option proposed by Company A would not be acceptable to the Exchange.