

Consultation Paper

# Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers



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You may submit written comments by completing the questionnaire which can be accessed via the link and QR code below:

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QR code:



Our submission enquiry number is (852) 2840-3844.

Respondents are reminded that the Exchange will publish responses on a named basis. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in Appendix III.

Submissions received during the consultation period by **31 December 2021** will be taken into account before the Exchange decides upon any appropriate further action and a consultation conclusions paper will be published in due course.

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## DEFINITIONS

TERM	DEFINITION
“1% Individual Limit”	The limit on Share Grants to an individual participant over any 12-month period, which, without shareholders’ approval, must not exceed 1% of the issued shares of the issuer (or, for a subsidiary scheme, its subsidiary)
“Advanced Mandate”	An advanced specific mandate approved by shareholders of an issuer for granting new shares under a share award scheme
“Connected Person”	A director, chief executive or substantial shareholder of the issuer or an associate of any of them
“Employee Participants”	Directors and employees of the issuer or any of its subsidiaries (including persons who are granted shares or options under the scheme as an inducement to enter into employment contracts with these companies)
“Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of HKEX
“HKEX”	Hong Kong Exchanges and Clearing Limited
“INEDs”	Independent non-executive directors
“Insignificant Subsidiary”	A subsidiary whose total assets, profits and revenue compared to that of the issuer group are less than: (a) 10% under the percentage ratios for each of the latest three financial years (or if less, the period since the incorporation or establishment of the subsidiary); or (b) 5% under the percentage ratios for the latest financial year
“Listing Rules” or “Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board unless otherwise stated)
“Related Entity Participants”	Directors and employees of the holding companies, fellow subsidiaries or associated companies of the issuer

TERM	DEFINITION
<b>“Scheme Mandate Limit”</b>	The limit on Share Grants under all Share Schemes of an issuer (or, for a subsidiary scheme, its subsidiary) approved by its shareholders, which must not exceed 10% of the issued shares of the issuer (or the subsidiary) at the date of the shareholders’ approval of the limit
<b>“Service Providers”</b>	Persons who provide services to the issuer group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the issuer group
<b>“Service Provider Sublimit”</b>	A sublimit under the Scheme Mandate Limit for Share Grants to Service Providers
<b>“share awards”</b>	New or existing shares granted under a share award scheme
<b>“Share Grants”</b>	In respect of an issuer’s Share Schemes, Share Grants refer to grants of share awards and/or share options to acquire new shares of the issuer In respect of a subsidiary’s Share Scheme, Share Grants refer to grants of share awards and/or options to acquire new or existing shares of the subsidiary
<b>“Share Schemes”</b>	Include share option schemes and share award schemes
<b>“Waiver Guide”</b>	<a href="#"><u>Guide on Applications for Waivers and Modifications of the Listing Rules issued by the Exchange</u></a>

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## EXECUTIVE SUMMARY

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1. This consultation seeks market views on our proposed Rule amendments in relation to Share Schemes of listed issuers and their subsidiaries.

### BACKGROUND

2. Generally, Share Schemes serve to reward and incentivize listed issuers' employees and service providers to contribute to the issuer on a longer term basis, and to align their interests with those of the issuers and their shareholders. They should be distinguished from other types of remuneration like salary or cash bonus due to their dilutive impact on public shareholders arising from issue of new shares. A large majority of issuers listed on the Exchange have adopted Share Schemes. These include share option schemes funded by issuance of new shares of the issuers, and share award schemes funded by new shares or existing shares of the issuers purchased on-market.
3. Chapter 17 of the Rules<sup>1</sup> currently applies to share option schemes of issuers and their subsidiaries, but not share award schemes. The purpose of this consultation is to consider amending Chapter 17 to also govern share award schemes. We also take this opportunity to review the current requirements of Chapter 17 and propose changes in specific areas to provide more flexibility to issuers and to improve the disclosure of Share Grants. Our proposals are summarised below:

### PROPOSALS

#### **Share Schemes involving issuance of new shares of listed issuers**

4. We propose to extend Chapter 17 to govern all Share Schemes involving grants of share awards and grants of options to acquire new shares of issuers. In other words, the requirements currently applicable to share option schemes would also apply to share award schemes funded by issuance of new shares (Proposal (A)).
5. We also propose to amend Chapter 17 as follows:
  - (a) Eligible participants (Proposal (B))

Define eligible participants of Share Schemes to include (i) Employee Participants; (ii) Related Entity Participants; and (iii) Service Providers as determined by the remuneration committee. Share Grants to a Related Entity Participant or a Service Provider must be approved by

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<sup>1</sup> Chapter 23 of GEM Rules

the remuneration committee with the reasons for the grants clearly disclosed;<sup>2</sup>

(b) Scheme mandate (Proposal (C))

- (i) Apply a Scheme Mandate Limit of not exceeding 10% of an issuer's issued shares to all Share Schemes of the issuer. This mandate may be refreshed by shareholders once every three years. Additional refreshments within a three year period must be approved by independent shareholders<sup>3</sup> of the issuer;<sup>4</sup>
- (ii) Require the issuer to set a Service Provider Sublimit and disclose the basis for determining the sublimit in its circular to shareholders. This sublimit must be separately voted on by shareholders;<sup>5</sup>
- (iii) Remove the current Rule requirement that the number of outstanding options should not exceed 30% of the issued shares from time to time;<sup>6</sup>

(c) Terms of grants (Proposals (D), (E) and (F))

- (i) Require a minimum vesting period of 12 months, unless a shorter vesting period is approved by the remuneration committee in respect of Share Grants made to Employee Participants specifically identified by the issuer;<sup>7</sup>
- (ii) Require performance targets and clawback mechanism for all Share Grants and disclosure of the same in grant announcements. If Share Grants are made without performance targets and/or a clawback mechanism, the grant announcement must disclose the remuneration committee's views as to why performance targets and/or a clawback mechanism is/are not required and how the Share Grants serve the purpose of the scheme;<sup>8</sup>
- (iii) Retain the current restriction on the exercise price of share options which must not be less than the market price of the shares at the time of grant. For grants of shares, we do not propose to impose a restriction on share grant price;<sup>9</sup>

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<sup>2</sup> Proposed Rule 17.03A

<sup>3</sup> The controlling shareholders of the issuer (or if there is no controlling shareholder, the executive directors and non-executive directors and chief executive of the issuer) and their associates must abstain from voting.

<sup>4</sup> Proposed Rules 17.03B and 17.03C

<sup>5</sup> Proposed Rules 17.03(3) and 17.03B(2)

<sup>6</sup> Note (2) to Rule 17.03(3)

<sup>7</sup> Proposed Rule 17.03(6)

<sup>8</sup> Proposed Rules 17.02(2)(b), 17.03(7), 17.06B(7) and 17.06B(8)

<sup>9</sup> Proposed Rule 17.03E (current Rule 17.03(9))

(d) Limit on large Share Grants to individual participant <sup>10</sup> (Proposal (G))

Require shareholders' approval for Share Grants to an individual participant in excess of the 1% Individual Limit;

(e) Limits on Share Grants to Connected Persons<sup>11</sup> (Proposal (G))

(i) Require approval by the remuneration committee (instead of INEDs) for all Share Grants to a Connected Person;

(ii) Where the grantee is a director (other than an INED) or the chief executive of the issuer, require independent shareholders' approval<sup>12</sup> for grants of share awards in excess of 0.1% of the issued shares of the issuer over any 12-month period; and

(iii) Where the grantee is an INED or a substantial shareholder of the issuer, require independent shareholders' approval<sup>13</sup> for Share Grants (including grants of share awards and options) in excess of 0.1% of the issued shares of the issuer over any 12-month period;

(f) Disclosure in grant announcements and financial reports<sup>14</sup> (Proposals (H) and (I))

Require disclosure of Share Grants by the issuer to the following participants to be made on an individual basis: (i) a Connected Person; (ii) a participant with Share Grants in excess of the 1% Individual Limit; and (iii) a Related Entity Participant or Service Provider with Share Grants in excess of 0.1% of the issuer's issued shares over any 12-month period;

Share Grants by the issuer to other Employee Participants, Related Entity Participants and Service Providers may be disclosed by category; and

(g) Disclosure of the work performed by the remuneration committee <sup>15</sup> (Proposal (J))

Require disclosure in the Corporate Governance Report of matters relating to Share Schemes reviewed and/or approved by the remuneration committee during the financial year;

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<sup>10</sup> Proposed Rule 17.03D

<sup>11</sup> Proposed Rule 17.04

<sup>12</sup> The grantee, his/her associates and all core connected persons of the issuer must abstain from voting.

<sup>13</sup> See footnote 12

<sup>14</sup> Proposed Rules 17.06A, 17.06B, 17.06C, 17.07 and 17.09

<sup>15</sup> Proposed Rule 17.07A

- (h) Other changes (Proposals (K), (L) and (M))
- (i) Modify the current requirement such that changes to the terms of share award or option granted must be approved by the remuneration committee and/or shareholders of the issuer if the initial grant of the share award or option requires such approval (as the case may be). The current Rules require shareholders' approval for any changes to the terms of option granted;<sup>16</sup>
  - (ii) Provide a waiver for a transfer of share awards or options to a vehicle (including a trust or a private company) for the benefit of the grantee and his/her family members (e.g. for estate planning or tax planning purposes), provided that such transfer would continue to meet the purpose of the scheme and other requirements of Chapter 17;<sup>17</sup> and
  - (iii) Clarify that the trustee holding unvested shares of a Share Scheme shall abstain from voting on matters that require shareholders' approval under the Rules. The issuer must also disclose the number of unvested shares held by the trustee of its Share Scheme in its monthly returns.<sup>18</sup>

6. The following tables summarise the proposed shareholders' approval and disclosure requirements for Share Grants by the issuer:

<b>Matters that require shareholders' approval</b>	
(1) Scheme Mandate Limit	<ul style="list-style-type: none"> <li>• <b>Shareholders' approval</b> for adoption, and refreshment every 3 years</li> <li>• <b>Independent shareholders' approval</b><sup>19</sup> for additional refreshment within a 3-year period</li> </ul>
(2) Service Provider Sublimit	
(3) Large Share Grants to individual participants	<ul style="list-style-type: none"> <li>• <b>Shareholders' approval</b> if Share Grants to an individual participant exceed the 1% Individual Limit</li> </ul>
(4) Grants to Connected Persons	<ul style="list-style-type: none"> <li>(a) <u>Grants to a director (other than an INEDs) or the chief executive of the issuer</u> <b>Independent shareholders' approval</b><sup>20</sup> if the share awards granted exceed 0.1% of issued shares over any 12-month period; or</li> <li>(b) <u>Grants to a substantial shareholder or INED of the issuer</u> <b>Independent shareholders' approval</b><sup>21</sup> if the Share Grants exceed 0.1% of issued shares over any 12-month period</li> </ul>

<sup>16</sup> Note (2) to proposed Rule 17.03(18)

<sup>17</sup> Note to proposed Rule 17.03(17)

<sup>18</sup> Proposed Rule 17.05A

<sup>19</sup> The controlling shareholders of the issuer (or if there is no controlling shareholder, the executive directors and non-executive directors and chief executive of the issuer) and their associates must abstain from voting

<sup>20</sup> The grantee, his/her associates and all core connected persons of the issuer must abstain from voting

<sup>21</sup> See footnote 20

Disclosure of Share Grants		Announ- cement	Annual report and interim report	Corporate governance report
(1) General	<ul style="list-style-type: none"> <li>• Disclosure of following information <u>by category of participants</u>:               <ul style="list-style-type: none"> <li>➢ Details of Share Grants (e.g. description of grantees, date of grant, number of options/ awards granted, vesting period, narrative description of the performance target, clawback mechanism)</li> <li>➢ Movement of share awards and options granted during the reporting period</li> <li>➢ Fair value of share awards and options at the time of grant and the accounting policy adopted</li> <li>➢ Number of share awards and options granted divided by the weighted average number of issued shares for the reporting period</li> </ul> </li> </ul>	√	√   √  √  √	
(2) Grants to any participant in excess of the 1% Individual Limit	<ul style="list-style-type: none"> <li>• Disclosure of information in item (1) above <u>on an individual basis</u></li> </ul>	√	√	
(3) Grants to Connected Persons	<ul style="list-style-type: none"> <li>• Disclosure of information in item (1) above <u>on an individual basis</u></li> <li>• The reason for the grant</li> <li>• The remuneration committee's views on why it is appropriate to approve the grant, the factors that it took into account and how the grant serves the scheme purpose</li> </ul>	√  √ √	√	√
(4) Grants to Service Providers	<ul style="list-style-type: none"> <li>• Disclosure of information in item (1) above <u>on an individual basis</u> if Share Grants to a Service Provider exceed 0.1% of issued shares over any 12-month period</li> <li>• The reasons for the grant, the nature of services provided and the duration of the relevant service contract</li> <li>• The remuneration committee's views on why it is appropriate to approve the grant, the factors that it took into account and how the grant serves the scheme purpose</li> <li>• The remuneration committee's confirmation that the service provider provided services on a continuing and recurring basis in its ordinary and usual course of businesses during the period which are material to the long term growth of the issuer group</li> </ul>	√  √  √	√    √	√

Disclosure of Share Grants		Announcement	Annual report and interim report	Corporate governance report
(5) Grants to Related Entity Participants	<ul style="list-style-type: none"> <li>Disclosure of information in item (1) above on <u>an individual basis</u> if Share Grants to a Related Entity Participant exceed 0.1% of issued shares over any 12-month period</li> <li>The reason for the grant</li> <li>The remuneration committee's views on why it is appropriate to approve the grant, the factors that it took into account and how the grant serves the scheme</li> </ul>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p>
(6) Grants to Employee Participants with a vesting period less than 12 months	<ul style="list-style-type: none"> <li>Disclosure of information in item (1) above <u>by category of participants</u></li> <li>The reason for adopting a shorter vesting period</li> <li>The remuneration committee's views on why a shorter vesting period is appropriate and how the grant serves the scheme</li> </ul>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p>
(7) Grants to participants without performance targets and/or clawback mechanism	<ul style="list-style-type: none"> <li>Disclosure of information in item (1) above <u>by category of participants</u></li> <li>The remuneration committee's views on why performance targets and/or clawback mechanism is/are not necessary and how the grant serves the scheme</li> </ul>	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p>

**Share Schemes funded by existing shares of listed issuers (Proposals (N) and (O))**

7. We propose to require disclosure of the terms of the scheme and details of the grants of existing shares consistent with that applicable to Share Schemes funded by issuance of new shares. The trustee holding unvested shares of a Share Scheme shall abstain from voting on matters that require shareholders' approval under the Rules, and the issuer must disclose the number of unvested shares held by the trustee of the scheme in its monthly returns.<sup>22</sup>

**Share Schemes of subsidiaries of listed issuers (Proposals (P) and (Q))**

8. We propose that:
- (a) Chapter 17 be amended to also govern subsidiaries' share award schemes that are funded by new or existing shares of the subsidiaries.<sup>23</sup>

<sup>22</sup> Proposed Rule 17.01(2)

<sup>23</sup> Proposed Rule 17.01(1)

- (b) In the case of a Share Scheme involving Share Grants by an Insignificant Subsidiary of an issuer, the adoption of the scheme and refreshment of scheme mandate may be exempt from the shareholders' approval requirement under Chapter 17, if (i) they are approved by the remuneration committee of the issuer; (ii) the scheme complies with other requirements of Chapter 17; and (iii) the subsidiary is, and remains to be, an Insignificant Subsidiary.<sup>24</sup>

### **Drafting amendments to Chapter 17**

9. We also propose drafting amendments to Chapter 17 to improve the clarity of the requirements (including re-arranging the sequence of certain requirements and deleting duplicative requirements).

### **TRANSITIONAL ARRANGEMENTS**

10. If our proposal to amend Chapter 17 is adopted, the new Rules would apply to new Share Schemes adopted on or after the effective date of the Rule amendments (**effective date**).
11. We propose the following transitional arrangements for existing Share Schemes that are valid as at the effective date:
- (a) For all existing Share Schemes (whether funded by new shares or existing shares), issuers would be required to comply with the new disclosure requirements from the effective date, including announcements of grants of share awards or share options under these schemes and disclosures in interim or annual reports published on or after the effective date.
- (b) For (i) share option schemes; and (ii) share award schemes with Advanced Mandates, which are still valid as at the effective date:
- The issuer may continue to grant share awards or share options only to eligible participants under the amended Chapter 17 after the effective date, subject to the following:
  - As regards share option schemes - when the issuer refreshes the scheme mandate of its existing schemes, it must follow the amended Chapter 17 and where appropriate, amend the terms of its existing schemes.
  - As regards share award schemes with Advanced Mandates – no further refreshment of the scheme mandate is allowed.

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<sup>24</sup> Proposed Rule 17.10

- (c) For share award schemes involving grants of new shares under general mandate, the issuer may continue to grant share awards to eligible participants under the amended Chapter 17 up to the date of the first annual general meeting after the effective date. Thereafter, the issuer should amend the terms of the schemes to comply with the amended Chapter 17.

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## CHAPTER 1: INTRODUCTION

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12. The Exchange reviews its Listing Rules from time to time to ensure that they address developments in the market and are consistent with international best practices, and represent acceptable standards which help promote investor confidence.
13. Currently, about 79% of listed issuers have adopted share option schemes and 14% have share award schemes.<sup>25</sup>
14. Chapter 17 governs share option schemes but not share award schemes. This chapter was last amended in 2000 when share option schemes were commonly used for incentive purposes. We consider that Chapter 17 should be amended to provide a consistent framework to govern Share Schemes in view of the increasing adoption of share award schemes.

### Current Rules and practices relating to Share Schemes

#### *Share option schemes*

15. Chapter 17 imposes specific requirements on share option schemes of listed issuers and their subsidiaries. It governs certain terms of the schemes:
  - (a) The total number of new shares that may be issued upon exercise of options to be granted under all share option schemes of the issuer is limited to 10% of its issued shares as at the date of shareholders' approval of the limit<sup>26</sup>. The Rules provide a "refreshment" mechanism whereby shareholders can "refresh" the scheme mandate limit at any time, up to 10% of the issued shares as at the date of approval of the "refreshment". In addition, shareholders may approve any specific grants of options to identified participants.
  - (b) The issuer must identify the categories of eligible participants in its scheme document. However, there is no restriction on who may be eligible participants.
  - (c) The exercise price of options must not be lower than the market price of the shares at the time of grant.
  - (d) There are limits on grants of options to individual participants and connected persons.

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<sup>25</sup> Based on issuers' disclosure in annual reports for the financial year ended between January and December 2019

<sup>26</sup> This is also subject to a limit that no further options may be granted if the number of options outstanding exceeds 30% of issued shares.

- Grants of options to any individual participant in excess of 1% of issued shares over a 12-month period require approval by shareholders;
  - Grants of options to a director, chief executive or substantial shareholder of an issuer (or an associate of any of them) require approval by independent directors; and
  - Grants of options to an INED or a substantial shareholder of an issuer (or an associate of any of them) in excess of 0.1% of issued shares and HK\$5 million in value over a 12-month period must be approved by independent shareholders.
- (e) **Disclosure** - Grants of options to a director, chief executive or substantial shareholder of an issuer (or an associate of any of them) must be disclosed in announcements on a named basis. Details of grants to other grantees are disclosed by category. In addition, issuer must disclose the terms of the scheme and details of the movement of options granted in its financial reports.

#### *Share award schemes*

16. Currently, about 14% of listed issuers have adopted share award schemes, which are either funded by shares purchased on-market and/or new shares.
17. The existing Rules do not govern share award schemes. Issuance of new shares under share award schemes of issuers are subject to the general requirements governing issuance of securities under Chapter 13 of the Rules<sup>27</sup>. Issuers may (i) seek approval from shareholders for a specific grant of new shares at a general meeting; or (ii) grant new shares under a general mandate approved by shareholders (**general mandate**).
18. The Exchange has in specific cases allowed an additional mandate (i.e. additional to the general mandate) for grants of new shares (**Advanced Mandate**) under share award schemes, having considered the dilution effect on existing shareholders and the issuers' specific circumstances<sup>28</sup>.
19. Grants of new shares to connected persons under share award schemes must also be approved by independent shareholders under Chapter 14A, regardless of the size of the grant.

<sup>27</sup> Chapter 17 of GEM Rules

<sup>28</sup> The Exchange has published Listing Decisions [LD40-2](#) and [LD40-3](#) (2004) setting out two instances where one issuer sought an annual mandate of about 2% while the other issuer sought a 10% mandate for the life of the scheme, subject to an annual limit of 3%. While the cases described in these Listing Decisions relate to new listing applicants, the Exchange has also allowed individual listed issuers to obtain an Advanced Mandate for grant of new shares under share award schemes.

20. Share award schemes funded by existing shares of issuers do not require shareholders' approval as they do not involve issuance of new shares and therefore would not result in a dilution of shareholders' interests in the issuers. In formulating the proposals, we do not consider it is necessary to subject these schemes to the same requirements as Share Schemes that are funded by new shares of issuers.

### **Purpose of this consultation**

21. The purpose of this consultation is to consider amending Chapter 17 to also govern share award schemes. We have also reviewed the current requirements of Chapter 17 and propose changes in specific areas, for example, the definition of eligible participants and the requirements for refreshments of scheme mandate, to align them with the purpose of Share Schemes and improve the disclosure. We also propose additional disclosure requirements on Share Schemes funded by existing shares to align the disclosure for all Share Schemes.
22. Chapter 2 sets out a detailed discussion of our proposals and the consultation questions.
23. A summary of the proposed changes and applicable Rules are set out in Appendix I. The proposed amendments to the Rules are set out in Appendix II.
24. Unless otherwise stated, Rules cited in this paper refer to the Main Board Rules. The proposals apply equally to the GEM Rules.

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## **CHAPTER 2: PROPOSALS AND CONSULTATION QUESTIONS**

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25. This chapter discusses the proposals and the rationale for the proposed Rule amendments.

### **I. Share Schemes Funded by Issuance of New Shares of Listed Issuers**

(A) *Should Chapter 17 govern share award schemes funded by issue of new shares of listed issuers*

26. Generally, Share Schemes serve to reward and incentivize employees and service providers to contribute to the issuer on a longer term basis, and align their interests with those of the issuers and their shareholders. They should be distinguished from other types of remuneration like salary or cash bonus due to their dilutive impact on public shareholders. As discussed in chapter 1, Chapter 17 currently provides a framework that governs share option schemes only. It gives directors the flexibility to grant share options to scheme participants while protecting shareholders from excessive dilution by setting a scheme mandate limit and restrictions on certain terms of grants.

27. We propose to extend Chapter 17 to also govern share award schemes funded by issue of new shares, subject to modifications proposed in this paper.

28. The proposal seeks to establish a consistent regulatory framework for all Share Schemes funded by new shares. Currently, issuers must seek shareholders' approval for each grant of new shares at general meeting or issue new shares under a general mandate. While the Exchange has in specific cases allowed issuers to obtain an Advanced Mandate for grants of new shares, they were assessed on a case by case basis given the lack of Rules governing share award schemes. The proposal would provide more clarity to issuers and investors, and consistent treatment for all Share Schemes.

29. The proposal is in line with other markets (such as Australia, Canada, Malaysia, the PRC, Singapore, the UK and the US) which apply one set of rules to govern all Share Schemes funded by issue of new shares.

**Q1. Do you agree with the proposal to amend Chapter 17 to also govern share award schemes involving the grant of new shares of listed issuers? Please provide reasons for your views.**

(B) Eligible participants

30. Chapter 17 requires an issuer to disclose in the scheme document the categories of eligible participants of a share option scheme and the basis of determining their eligibility.<sup>29</sup> Currently, there is no restriction on the categories of eligible participants.
31. We propose to define “eligible participants” of Share Schemes to include directors and employees of the issuer or any of its subsidiaries (including persons who are granted shares or options under the scheme as an inducement to enter into employment contracts with these companies) (collectively, **Employee Participants**).
32. We propose that “eligible participants” of Share Schemes shall also include other persons who provide services to the issuer group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the issuer group (**Service Providers**) as determined by the remuneration committee. The issuer must clearly identify the categories of Service Providers and the criteria for determining a person’s eligibility in the scheme document. Share Grants to a Service Provider must be approved by the issuer’s remuneration committee with the reasons for the grants clearly explained in the grant announcements.<sup>30</sup>
33. We are mindful of the issuers’ need for flexibility as companies’ hiring practices and organisational structures may vary and Service Providers may contribute to the long term growth of the issuers’ businesses. Issuers should be allowed to make Share Grants to these Service Providers under justifiable circumstances. Under the proposal, Service Providers would be confined to persons who provide services to the issuer group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the issuer group, for example, persons who work for the issuers as independent contractors but the continuity and frequency of their services are akin to those of employees, and advisors to biotech companies, or consultants providing services on a contract basis for specific projects or in a locale where the issuer has no presence. For the avoidance of doubt, they should exclude financial advisors or placing agents providing fundraising or M&A services, or consultants providing professional services to the issuer.

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<sup>29</sup> Rule 17.03(2)

<sup>30</sup> Proposed Rule 17.03A

34. As an additional safeguard, we propose that Share Grants to a Service Provider must be approved by the remuneration committee and the issuer must disclose the reasons for the grants and how they would serve the purpose of the Share Scheme (i.e. how the grants would align the grantees' interests with those of the issuer and its shareholders). Other proposed safeguards include: (i) to restrict Share Grants to Service Providers to a Service Provider Sublimit approved by shareholders; and (ii) to require disclosure on an individual basis for Share Grants to a Service Provider of over 0.1% of the issued shares over any 12-month period. See Proposals (C) and (H) below.
35. Additionally, we propose that "eligible participants" of Share Schemes shall also include directors and employees of related entities (i.e. the holding companies, fellow subsidiaries or associated companies of the issuer) (**Related Entity Participants**). Share Grants to Related Entity Participants must be approved by the issuer's remuneration committee with the reasons for the grants clearly explained in the grant announcements.<sup>31</sup>
36. Some stakeholders have expressed the view that issuers should have the flexibility to make Share Grants to directors and employees of related entities as their contributions may enhance the long term value of the issuer group. They consider that there may be arrangements where related entities have close collaborative relationships with the issuer and their employees make material contributions to the performance or development of the issuer's business, or where the issuer group and its related entities may form part of an ecosystem where the actions of the related entities bring mutual benefits to the group at large.<sup>32</sup>
37. On the other hand, there are views that directors are required by law to act in the best interests of the entity whose board they sit on, and no other. While there may be situations where the interests of a related entity are aligned with that of a listed issuer, this is unlikely to be true in every situation and, where there is a misalignment of interests, the directors of the related entity would be required to act in the interests of the related entity, and not the listed issuer. Whether a director or employee of a related entity that is not owned by the issuer falls within the intended scope of Chapter 17 (given its regulatory objectives) depends on the facts and circumstances and will vary from case to case.
38. If Related Entity Participants are not to be a separate class of eligible participants, then on an individual case basis depending on the circumstances, these participants may be (i) Service Providers and be

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<sup>31</sup> Proposed Rule 17.03A

<sup>32</sup> For example, an issuer engaging in e-commerce business may enter into cooperative arrangements with its related entities who provide e-payment and financial services to consumers and merchants under the issuer's e-commerce platform; or a related party may supply key electronic components and technical support to a telecommunication equipment manufacturer on a long term basis.

subject to the additional requirements (see paragraph 34); or (ii) where the grant of shares fall outside the purpose of the Share Schemes and where the board of a listed issuer has concluded that it is in the interest of the listed issuers to grant share options or share awards to the directors or employees of a related entity, such grants may be made by way of a general mandate or a specific mandate.

39. Other markets impose varying degrees of restrictions on participants of Share Schemes.
  - (a) Malaysia and the PRC limit scheme participants to directors and employees of the issuer group. The UK and Singapore allow employees and directors of the issuer's holding company group <sup>33</sup> as scheme participants and Singapore also allows employees and directors of an associated company under the control of the issuer. Both jurisdictions do not specifically provide for grants to be made to service providers.
  - (b) Australia, Canada and the US, on the other hand, allow participants such as service providers, consultants and contractors. Australia also allows employees or directors of a related entity<sup>34</sup> of the issuer while Canada allows grants to be made to an insider (for example, a substantial shareholder) of the issuer and the directors and officers of the insider. In the US, we have noted some listed companies adopting share schemes that include employees of parent companies or associated companies as scheme participants.
40. In Australia and Canada, there are brightline criteria <sup>35</sup> for service providers/contractors to be eligible participants of Share Schemes. Our proposal does not impose brightline criteria for Service Providers. Issuers would have the flexibility to determine the eligibility criteria for Service Providers based on their business needs, which must be clearly disclosed in the circulars and approved by the remuneration committees.

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<sup>33</sup> In Singapore, eligible participants may include employees and directors of an issuer's holding company group only if they have contributed to the success and development to the listed issuer group.

<sup>34</sup> "Related entity" is not specifically defined in the rules.

<sup>35</sup> The Canadian listing rules require service providers to have rendered services for 12 months or more. In Australia, ASIC Regulatory Guide 49 requires contractors who work a pro-rata equivalent of 40% or more of a comparable full-time position.

- Q2. Do you agree with the proposed definition of eligible participants to include directors and employees of the issuer and its subsidiaries (including persons who are granted shares or options under the scheme as an inducement to enter into employment contracts with these companies)? Please provide reasons for your views.**
- Q3. Do you agree with the proposal that eligible participants shall include Service Providers, subject to additional disclosure and approval by the remuneration committee? Please provide reasons for your views.**
- Q4. Do you agree with the proposal that eligible participants shall include Related Entity Participants, subject to additional disclosure and approval by the remuneration committee? Please provide reasons for your views.**

(C) Scheme mandate

41. Chapter 17 limits grants of share options from all share option schemes of an issuer to 10% of its total issued shares<sup>36</sup>. Issuers may seek approval from shareholders to refresh the scheme mandate at any time,<sup>37</sup> provided that options outstanding do not exceed the 30% of the issued shares.<sup>38</sup> Since the 10% scheme limit can be refreshed multiple times, an issuer can effectively issue options over and above 10% of its total issued shares.

(i) *Limit on scheme mandate*

42. We propose to apply the 10% Scheme Mandate Limit to all Share Schemes involving issuance of new shares. This mandate may be refreshed by approval of shareholders once every three years. Additional refreshments within a three year period must be approved by independent shareholders<sup>39</sup> of the issuer.<sup>40</sup>

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<sup>36</sup> Under the current Rules, where the issuer conducts a share consolidation or subdivision, the number of new shares that may be issued in respect of options granted under the scheme mandate will be automatically adjusted to maintain the same percentage to the total number of issued shares. This would also apply to grants of new shares under Proposal (A).

<sup>37</sup> Issuers may also seek specific shareholders' approval for granting options to participants that are specifically identified before such approval is sought. Such grants would not be counted as part of the scheme mandate. This would also apply to grants of new shares under Proposal (A).

<sup>38</sup> Notes (1) and (2) to Rule 17.03(3)

<sup>39</sup> The controlling shareholders of the issuer (or if there is no controlling shareholder, the executive directors and non-executive directors and chief executive of the issuer) and their associates must abstain from voting.

<sup>40</sup> Proposed Rules 17.03B and 17.03C

43. Grants of new shares under share award schemes are usually made at nil consideration and thus have a more dilutive effect to shareholders compared to grants of share options. We therefore consider it necessary to modify the requirements for refreshment of scheme mandate to limit additional shareholders' dilution. The proposal would give minority shareholders the right to veto repeated refreshments within a three year period to safeguard their interests. It would also bring the requirements for refreshment of scheme mandate in closer alignment with that for refreshment of general mandate which requires independent shareholders' approval<sup>41</sup>.
44. The proposal would effectively allow Share Grants up to a maximum of 10% of the issued shares in three years, with an annual average of about 3.3% (assuming no refreshment within the three year period)<sup>42</sup>. This is comparable to the annual average of Advanced Mandate of 2% to 3% described in the Listing Decisions LD40-2 and LD40-3 (see paragraph 18).
45. In comparison, the listing rules in Canada and the US do not impose a scheme mandate limit but allow shareholders to approve the number of shares issuable under the scheme. Other markets impose stricter limits. For example, the scheme mandate limit in the PRC is 10% of the shares in issue at the time of shareholders' approval; Singapore and Malaysia limit Share Grants to 15% of the shares in issue from time to time; and the UK industry guideline<sup>43</sup> limits Share Grants to 10% of issued shares in any rolling 10 year period.
46. The proposed Scheme Mandate Limit would apply to all Share Schemes involving issuance of new shares. We acknowledge there may be circumstances where issuers make large Share Grants as part of their remuneration strategies to incentivize and retain talents. In these instances, we may consider granting waivers from the Scheme Mandate Limit, taking into account factors such as the necessity of the proposed mandate, the industry norms and the criteria for granting shares under the mandate.<sup>44</sup>
47. Under the current Rules, the number of **outstanding options** is limited to 30% of issued shares. This is intended to prevent significant overhang in the issuers' shares from time to time but does not govern the number of options that can be issued under the schemes. In our experience this 30% limit has

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<sup>41</sup> See footnote 39

<sup>42</sup> Of the issuers with share option schemes in 2019, about 7% had refreshed their scheme mandates for more than one time in the three year period.

<sup>43</sup> This refers to the "Principles of Remuneration" issued by The Investment Association.

<sup>44</sup> In the Exchange's guidance letter [GL97-18 \(2018\)](#) Guidance for new applicants in the internet technology sector or that have internet-based business models, it was noted that companies in these sectors often place greater emphasis on retaining and incentivizing talented persons in order to develop their businesses. This is often achieved through the grant of share options. Accordingly, it was stated that the Exchange would consider favourably granting waivers from, among others, the scheme mandate limit and individual limits of 10% and 1% for share option schemes. This waiver would be granted on a case by case basis, provided that the applicant is able to demonstrate the necessity for a higher cap and provide clear criteria for granting share options under the scheme.

little or no practical effect given the 10% scheme mandate limit imposes a stricter restriction, it is uncommon for issuers to have outstanding share options of 30% at any time. We propose to remove the 30% limit from the Rules.

*(ii) Sublimit on grants to Service Providers*

48. We propose to require the issuer to set a sublimit within the Scheme Mandate Limit on Share Grants to Service Providers (**Service Provider Sublimit**) and disclose the basis for determining the sublimit in its circular to shareholders. The sublimit (including any refreshment) must be separately voted on by shareholders.<sup>45</sup>
49. This proposal provides an additional safeguard against excessive dilution arising from Share Grants to Service Providers. We believe that it would be appropriate for an issuer's remuneration committee to determine the Service Provider Sublimit based on the issuer's business needs and remuneration policy, and this should be clearly disclosed to allow shareholders to make an informed voting decision.

**Q5. Do you agree with the proposal to allow the scheme mandate to be refreshed once every three years by obtaining shareholders' approval? Please provide reasons for your views.**

**Q6. Do you agree with the proposal to allow the scheme mandate to be refreshed within three years from the date of the last shareholders' approval by obtaining independent shareholders' approval? Please provide reasons for your views.**

**Q7. Do you agree with the proposal to remove the 30% limit on outstanding options? Please provide reasons for your views.**

**Q8. Do you agree with the proposal to require a sublimit on Share Grants to Service Providers? Please provide reasons for your views.**

*(D) Minimum vesting period for Share Grants*

50. Chapter 17 currently does not have specific requirements on vesting period.
51. We propose to require a minimum vesting period of 12 months, unless a shorter vesting period is approved by the remuneration committee in respect of Share Grants made to Employee Participants specifically identified by the issuer. In these circumstances, the grant announcement should disclose, by

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<sup>45</sup> Proposed Rules 17.03(3) and 17.03B(2)

category of participants, the quantity of the Share Grants, the approved vesting period, the reasons for adopting a shorter vesting period, and an explanation from the remuneration committee as to why such arrangement is appropriate and how the Share Grants (including the terms of the grants) serve the purpose of the scheme.<sup>46</sup>

52. Some stakeholders took the view that issuers should have the flexibility to make Share Grants with no or a much shorter vesting period to serve a particular purpose, for example, as rewards for past services provided. However, this may not serve the purpose of Share Schemes which is to incentivize the grantees to contribute to the long term growth of the issuer. The proposal takes this into account, as the vesting period may be shortened by exception only if Shares Grants are made to Employee Participants specifically identified by the issuer, and under justifiable circumstances. An example would be where the grants would be subject to clawback if the grantees were to leave the employment of the issuer before a minimum service period.
53. Other markets also require minimum vesting period, for example, the PRC requires a minimum vesting period of 12 months, and Singapore provides that options may be exercisable after one year from the date of grant (or two years if the options are granted at a discount). In the UK, the industry guideline<sup>47</sup> recommends a vesting period of three years and the corporate governance code requires a total vesting and holding period of five years for share awards to executive directors.

**Q9. Do you agree with the proposal to require a minimum of 12-month vesting period? Please provide reasons for your views.**

**Q10. Do you agree with the proposal that Share Grants to Employee Participants specifically identified by the issuer may vest within a shorter period or immediately if they are approved by the remuneration committee with the reasons and details disclosed? Please provide reasons for your views.**

*(E) Performance targets and clawback mechanism*

54. Chapter 17 currently requires an issuer to set out in the scheme documents any performance targets attached to Share Grants or a negative statement.<sup>48</sup> There is no specific disclosure requirement relating to a clawback mechanism where an issuer may recover or withhold any shares or options

<sup>46</sup> Proposed Rules 17.03(6) and 17.06B(6)

<sup>47</sup> This refers to the "Principles of Remuneration" issued by The Investment Association.

<sup>48</sup> Rule 17.03(7)

granted to a participant in the event of serious misconduct, a material misstatement in the issuer's financial statements or other special circumstances.

55. We propose that:

- (a) The scheme document must also describe the clawback mechanism or where there is no clawback, a negative statement.<sup>49</sup>
- (b) The grant announcement must contain (i) a narrative description of the performance targets attached to the Share Grants (including the target levels and performance-related measures, such as earnings per share or total shareholder return), the rationale for adopting these performance targets and the method for assessing whether they are satisfied; and (ii) the clawback mechanism.<sup>50</sup>
- (c) If Share Grants are made without performance targets and/or a clawback mechanism, the circular for approving the scheme and the grant announcement must contain the remuneration committee's views on why performance targets and/or a clawback mechanism is/are not necessary and how the grants serve the purpose of the scheme.<sup>51</sup>

56. The proposal would enable shareholders to assess how the Share Grants serve to promote the interests of the issuers. This also reflects international market practices on the disclosure of executive compensation and remuneration policies. They generally require disclosure of performance measures and clawback on remuneration to directors and/or key management personnel in annual remuneration reports under their corporate governance codes or corporate laws.

57. If an issuer has concerns about disclosing any specific details which are confidential and commercially sensitive, we will consider a waiver case by case with reference to the general principles set out in the Waiver Guide. In these circumstances, the issuer must provide a meaningful discussion of the performance targets attached to the Share Grants to enable shareholders to make an informed assessment.

***Q11. Do you agree with the proposed disclosure requirements relating to (a) performance targets; and (b) clawback mechanism? Please provide reasons for your views.***

<sup>49</sup> Proposed Rule 17.03(19)

<sup>50</sup> Proposed Rules 17.06B(7) and 17.06B(8)

<sup>51</sup> Proposed Rules 17.02(2)(b), 17.06B(7) and 17.06B(8)

(F) Exercise price or share grant price

58. Under Chapter 17, the exercise price of share options must be not less than market price of the underlying shares at the time of grant.<sup>52</sup> We will retain this requirement.<sup>53</sup>
59. We do not propose to impose any restriction on the grant price of shares under share award schemes. This is consistent with the market practices that share awards are usually granted at nil consideration. Other markets (other than the PRC<sup>54</sup>) do not have restrictions on the share grant price.

**Q12. Do you agree that it is not necessary to impose a restriction on the grant price of shares under share award schemes? Please provide reasons for your views.**

(G) Restrictions on large Share Grants to individual participants and Share Grants to Connected Persons

60. The following table summarizes the current and proposed requirements for large Share Grants to an individual participant and Share Grants to an eligible participant who is a director, chief executive or substantial shareholder of the issuer or an associate of any of them (a “**Connected Person**”):

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<sup>52</sup> Rule 17.03(9)

<sup>53</sup> Proposed Rule 17.03E

<sup>54</sup> The rules in the PRC require the minimum grant price to be 50% of the market price.

Grantee	Current Rules		Proposals
	Share option schemes <sup>55</sup>	Share award schemes <sup>56</sup>	For all Share Schemes <sup>57</sup>
Individual grantee	<ul style="list-style-type: none"> <li>Shareholders' approval for grants of options in excess of 1% of issued shares<sup>58</sup> over a 12-month period</li> </ul>	<ul style="list-style-type: none"> <li>No specific limit (<i>share awards involving new shares are granted under general mandate or specific mandate</i>)</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' approval is required if the grants of share awards and share options in aggregate exceed 1% of issued shares over any 12-month period ("<b>1% Individual Limit</b>")</li> </ul>
Director (other than an INED), or chief executive	<ul style="list-style-type: none"> <li>Approval by INEDs</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' approval for <u>any</u> grant of share awards involving new shares</li> </ul>	<p>(a) Subject to (b), approval by the remuneration committee</p> <p>(b) Independent shareholders' approval<sup>59</sup> is required if the grants of share awards will cause the share awards granted to exceed 0.1% of issued shares over any 12 month period</p>
Eligible participant who is a substantial shareholder	<ul style="list-style-type: none"> <li>Approval by INEDs (excluding any INED who is the grantee)</li> </ul>		<p>(a) Subject to (b), approval by the remuneration committee</p> <p>(b) Independent shareholders' approval<sup>62</sup> is required if the grants of share awards and share options in aggregate exceed 0.1% of issued shares over any 12-month period</p>
INED	<ul style="list-style-type: none"> <li>Independent shareholders' approval<sup>60</sup> for grants of options in excess of 0.1% of issued shares<sup>61</sup> and \$5 million over a 12-month period</li> </ul>		

<sup>55</sup> Rules 17.03(4), 17.04 and 14A.92

<sup>56</sup> Chapter 14A

<sup>57</sup> Proposed Rules 17.03D, 17.04 and 14A.92

<sup>58</sup> The percentage threshold is determined with reference to (i) the total number of shares issued and to be issued in respect of all options and share awards granted to the grantee in any 12-month period; and (ii) the number of shares of the issuer in issue at the time of the proposed grant.

<sup>59</sup> All core connected persons, the grantee and his/her associates must abstain from voting.

<sup>60</sup> See footnote 59

<sup>61</sup> See footnote 58

<sup>62</sup> See footnote 59

### *Share Grants to an individual grantee*

61. Currently, grants of options to an individual under Chapter 17 are subject to shareholders' approval if the number of shares covered by the grants exceed 1% of the shares in issue over any 12-month period.<sup>63</sup> In other words, option grants that total 1% or less in any 12-month period will not require shareholders' approval. There is no explicit requirement for the voting shareholders to be independent.
62. Currently, grants of share awards can only be made with a general or specific mandate from shareholders. We are proposing to extend the same accommodation for share option grants to grants of share awards, including grants to a Connected Person (see paragraph 65 below).

### *Share Grants to Connected Persons*

63. Currently all grants of options to a Connected Person require approval by INED (excluding an INED who is a grantee). Under the proposal, all Share Grants to Connected Persons will be approved by the remuneration committee instead of INEDs<sup>64</sup>. This is in line with the Corporate Governance Code<sup>65</sup> requiring remuneration committees to be accountable to shareholders for the issuers' policy on remuneration of directors and senior management. In the case of a WVR issuer, we propose to make clear that the Corporate Governance Committee should also make a recommendation on any Share Grants to a WVR beneficiary under Rule 8A.30. This is because a WVR beneficiary is in a position to control the issuer's board given his/her superior voting rights, and there is a potential conflict of interest as the Share Grants would be made to the WVR beneficiary by the board.
64. Currently, any grant of share awards to a Connected Person constitutes a connected transaction under Chapter 14A and must be approved by independent shareholders regardless of the size of the grant<sup>66</sup>. In this regard, we are proposing to introduce a new de minimis exemption for grants of new share awards to Connected Persons.
65. Under our proposal, independent shareholders' approval will be required if a proposed grant of share awards to a director (who is not an INED) or a chief executive will cause the share awards granted to the individual to exceed 0.1% of issued shares in any 12-month period. In other words, grants of share awards that total 0.1% or less in any 12-month period will not require independent shareholders' approval. The proposal represents a relaxation of the current shareholder approval requirements on grants of share awards

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<sup>63</sup> Note to Rule 17.03(4)

<sup>64</sup> Proposed Rule 17.04

<sup>65</sup> Code Provision B.1.2 under the Corporate Governance Code in Appendix 14 to the Rules

<sup>66</sup> Rule 14A.36.

to Connected Persons.<sup>67</sup>

66. The proposal seeks to strike a balance between protecting shareholders from excessive dilution, and providing flexibility for the issuer to structure the remuneration package with reference to its corporate goals and objectives.
67. As the proposal would require all core connected persons<sup>68</sup> to abstain from voting<sup>69</sup> in favour of any grant of share awards to a director (who is not an INED) or a chief executive in excess of the 0.1% limit, minority shareholders may protect their interests in the issuer by rejecting material grants to the Connected Persons. The proposal would also require disclosure of all Share Grants to Connected Persons on an individual basis, including the remuneration committee's views on the grants.

#### *Share Grants to INEDs or substantial shareholders*

68. Where the grantee is (a) an INED or (b) a substantial shareholder, independent shareholders' approval will be required whenever a proposed grant of share awards or share options will cause the aggregate number of shares covered by all Share Grants (including both grants of share awards and share options) to the individual in any 12-month period to exceed 0.1% of the issued shares. The proposal represents a relaxation of the current shareholder approval requirements on grants of share awards to Connected Persons.

#### *Share Grants to controlling shareholders*

69. Unlike substantial shareholders, controlling shareholders are normally in a position to control the board and there is a view that all grants of share awards to controlling shareholders should be subject to independent shareholders' approval. We are proposing to extend the new de minimis exemption for grants of share awards to Connected Persons to controlling shareholders such that they are subject to the same requirements as applicable to substantial shareholders (see paragraph 68 above).
70. As discussed in a separate consultation paper issued in April 2021, the Exchange proposed that, as a recommended best practice under the proposed revised Corporate Governance Code, INEDs should not be given equity-based remuneration (e.g. options or awards) with performance-related elements. This is because performance-based remuneration may lead to bias

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<sup>67</sup> Rule 14A.92(3)

<sup>68</sup> A core connected person includes a director, chief executive or substantial shareholder of the issuer or any of its subsidiaries, or a close associate of any of them. In the case of a WVR issuer, a WVR beneficiary or any vehicle through which such beneficiary holds shares carrying weighted voting rights is deemed to be a core connected person of the issuer (if such person does not otherwise meet the definition of core connected person under Rule 1.01).

<sup>69</sup> This is a more restrictive measure compared to the requirements under Chapter 14A where only persons with material interest (generally the grantees and their associates) are required to abstain from voting.

in INEDs' decision and compromise their objectivity and independence. Accordingly, Share Grants to INEDs should be subject to a higher level of scrutiny. Similarly, substantial shareholders are normally in a position to control or exert significant influence over the issuer's board, and hence Share Grants to such persons should also be subject to a higher level of scrutiny.

71. As part of the proposal, we would remove the current HK\$5 million de minimis threshold for grants of options to INEDs or substantial shareholders as such monetary threshold cannot meaningfully reflect the extent of dilution on an issuer.

***Q13. Do you agree with the proposal to apply the 1% Individual Limit to Share Grants (including grants of shares awards and share options) to an individual participant? Please provide reasons for your views.***

***Q14. Do you agree with the proposal to require approval from the remuneration committee instead of INEDs for all Share Grants to Connected Persons? Please provide reasons for your views.***

***Q15. Do you agree with the proposal to relax the current shareholder approval requirement for grants of share awards to a director (who is not an INED) or a chief executive set out in paragraph 65 above? Please provide reasons for your views.***

***Q16. Do you agree with the proposal to also relax the current shareholder approval requirement for grants of share awards to an INED or substantial shareholder of the issuer set out in paragraph 68 above? Please provide reasons for your views.***

***Q17. Do you agree with the proposal to relax the current shareholder approval requirement for grants of share awards to a controlling shareholder of the issuer set out in paragraph 69 above? Please provide reasons for your views.***

***Q18. Do you agree with the proposal to remove the HK\$5 million de minimis threshold for grants of options to an INED or substantial shareholder of the issuer? Please provide reasons for your views.***

*(H) Announcements of Share Grants*

72. Under Chapter 17, an issuer must disclose details of option grants (including the date of grant, the number of options granted, the exercise price, the market price of the issuer's shares on that date, and the option period) by way of announcement. Disclosure of grants to a Connected Person must be made on an individual basis.

73. We propose that Share Grants by an issuer to the following persons should be disclosed on an individual basis:
- (a) a Connected Person<sup>70</sup>;
  - (b) a Related Entity Participant or Service Provider with Share Grants in excess of 0.1% of the issuer's issued shares over any 12-month period;  
or
  - (c) any other participant with Share Grants in excess of the 1% individual limit<sup>71</sup>.

Share Grants to other participants can be disclosed in aggregate by category. The Exchange may require the issuer to submit a list of grantees and the movements of shares and options granted to each grantee from time to time.<sup>72</sup>

74. Under the proposal, the grant announcement<sup>73</sup> must contain the following details of the Share Grants by the issuer in a tabular format:
- (a) a description of each of the categories of grantees. Where disclosure on an individual basis is required, the name of grantee (and if applicable, the name of its ultimate beneficial owner), the relationship between the grantee and the issuer group, and where the grantee is a Related Entity Participant or Service Provider, the nature of services provided to the issuer and for a Service Provider, the duration of the relevant service contract with the issuer;
  - (b) the date of grant, the number of options or awards granted, the exercise/grant price, the market price of the issuer's shares on that date, and for share options, the validity period;
  - (c) the vesting period. In the case of a Share Grant to an Employee Participant with a vesting period less than 12 months, the remuneration committee's views on why such arrangement is appropriate and how the grant serves the purpose of the scheme (see also discussion in Proposal (D));
  - (d) a narrative description of the performance targets attached to the Share Grants (including the target levels and performance-related measures), the rationale for adopting these performance targets and the method for

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<sup>70</sup> This is the current requirement for grants of options under Rule 17.06A.

<sup>71</sup> Currently, an issuer is required to disclose (i) the identity of any individual participant with grants of options in excess of the 1% individual limit; and (ii) the number and terms of grants, in the circular to shareholders prior to shareholders' voting in the general meeting. The proposal would extend the disclosure requirement to the grant announcement.

<sup>72</sup> Proposed Rule 17.06A

<sup>73</sup> Proposed Rules 17.06B and 17.06C

assessing whether they are satisfied. If the Share Grants are made without performance targets, the remuneration committee's views on why performance targets are not necessary and how the grants serve the purpose of the scheme (see also discussion in Proposal (E));

- (e) the clawback mechanism, or if none, the remuneration committee's views on why a clawback mechanism is not necessary and how the grants serve the purpose of the scheme (see also discussion in Proposal (E));
  - (f) for any Share Grant to a Service Provider, a Related Entity Participant or a Connected Person, the reason for the grant and the remuneration committee's views on why it is appropriate to approve the grant, the factors that it took into account (for example, the issuer's business needs, remuneration policy and hiring practices) and how the grant serves the purpose of the scheme; and
  - (g) arrangements, if any, made by the issuer or any of its subsidiaries to provide financial assistance to the grantee(s) to facilitate the purchase of shares under the scheme.
75. We also propose that the grant announcement must contain the number of shares available for future grant under the scheme mandate and the Service Provider Sublimit (if applicable).
76. We consider that the proposed disclosure of Share Grants is necessary for shareholders to make an informed assessment.
77. In addition, as discussed in Proposal (B), we consider it necessary to mandate additional disclosure for Share Grants to Service Providers, including their identities and relationship with the issuer. Share Grants to each Service Provider should be disclosed on an individual basis unless they represent not more than 0.1% of the issued shares in any 12-month period.
78. There may be circumstances where issuers have concerns about commercial sensitivity or data privacy in individual cases. We will consider a waiver case by case with reference to the general principles set out in the Waiver Guide.

***Q19. Do you agree with the proposals to require disclosure of Share Grants to Related Entity Participants or Service Providers on an individual basis if the grants to an individual Related Entity Participant or Service Provider exceed 0.1% of the issuer's issued shares over any 12-month period? Please provide reasons for your views.***

***Q20. Do you agree with the proposed disclosure requirement for the grant announcement? Please provide reasons for your views.***

(I) Disclosure in interim reports and annual reports

79. We propose that an issuer's interim report and annual report<sup>74</sup> must contain the following information:

- (a) details of all Share Grants to (i) each participant (on an individual basis following the classification described in Proposal H above) and (ii) other participants on an aggregate basis by category, and their respective movements during the reporting period in a tabular format:

Name of participant / a description of the category of participants	Number of (i) options and (ii) awards that are outstanding or unvested at the beginning of the year / period  <i>(together with the date of grant, exercise/grant price, and vesting period)</i>	Number of (i) options and (ii) awards granted during the year / period  <i>(together with the date of grant, exercise/grant price, vesting period, exercise period, performance targets, and the closing price of shares immediately before the date of grant)</i>	Number of (i) options exercised and (ii) awards vested during the year / period  <i>(together with the exercise/grant price, and weighted average closing price of shares immediately before the date of which the options/awards were exercised/ vested)</i>	Number of (i) options and (ii) awards cancelled during the year / period  <i>(together with the exercise/grant price)</i>	Number of (i) options and (ii) awards lapsed in accordance with the terms of the scheme during the year / period	Number of (i) options and (ii) awards outstanding or unvested at the end of the year / period  <i>(together with the date of grant, exercise/grant price, and vesting period)</i>
xxx	xxx	xxx	xxx	xxx	xxx	xxx

*The proposed disclosure requirements are the same as those currently required for share option schemes under Chapter 17.<sup>75</sup> We also propose to require disclosure of performance targets attached to the options and awards granted during the reporting period.*

- (b) for options and awards<sup>76</sup> granted during the reporting period, their fair value at the time of grant and the accounting policy adopted;

*This is currently a recommended disclosure under Chapter 17.<sup>77</sup> We propose to make it a mandatory disclosure requirement, which is in line with the disclosure of share based payments under HKFRS2 issued in 2004.*

- (c) the number of options and awards granted under all Share Schemes during the reporting period divided by the weighted average number of

<sup>74</sup> Proposed Rules 17.07 and 17.09

<sup>75</sup> Rule 17.07

<sup>76</sup> This should be the fair value of the share options or awards measured at the time of grant in accordance with the accounting standard adopted by the issuer.

<sup>77</sup> Rule 17.08

issued shares for the period; and the number of shares that are available for grant under the scheme mandate (and the Service Provider Sublimit, if applicable) at the beginning and the end of the reporting period; and

*The proposed disclosure requirements would facilitate shareholders' assessment of the dilution impact of the Share Schemes on their interests in the issuer.*

- (d) a summary of each Share Scheme (for annual reports only).

*The proposed disclosure requirement is the same as that currently required for share option schemes under Chapter 17.<sup>78</sup>*

**Q21. Do you agree with the proposed disclosure requirements for Share Grants in an issuer's interim reports and annual reports? Please provide reasons for your views.**

(J) Disclosure of remuneration committee's work

80. Currently, an issuer is required to disclose in its Corporate Governance Report a summary of the work performed by the remuneration committee during the year, including the committee's work on determining the remuneration policy for executive directors, assessing their performance and approving the terms of their service contracts.<sup>79</sup>
81. Under the proposals, the remuneration committee would play an important role in overseeing the operation of the Share Scheme to ensure that Share Grants meet the purpose of the scheme. In particular, the following matters must be reviewed and/or approved by the remuneration committee:
- (a) the criteria for determining the categories of Service Providers that are eligible to participate in the scheme and the Service Provider Sublimit (see Proposals (B) and (C));
  - (b) proposed Share Grants to a Service Provider, a Related Entity Participant or Connected Person (see Proposals (B) and (G));
  - (c) proposed Share Grants to a specified Employee Participant where the vesting period is less than 12 months (see Proposal (D));
  - (d) proposed Share Grants where the performance targets and/or clawback mechanism are waived (see Proposal (E));

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<sup>78</sup> Rule 17.09

<sup>79</sup> Paragraph L(d)(i) of the Mandatory Disclosure Requirements under Appendix 14

- (e) proposed changes to the terms of share award or option granted to a participant where the initial grant of the share award or option to the participant requires approval by the remuneration committee (see Proposal (K)); and
  - (f) proposed adoption of the Share Scheme and refreshment of scheme mandate by Insignificant Subsidiaries (see Proposal (Q)).
82. The issuer should disclose all matters relating to Share Schemes reviewed by the remuneration committee during the year in the Corporate Governance Report, in addition to disclosure in circulars and grant announcements.<sup>80</sup> The remuneration committee should clearly explain why it is appropriate to approve those matters, the factors that it took into account (for example, the issuer's business needs, remuneration policy and hiring practices) and how the Share Grants serve the purpose of the scheme. In respect of Service Providers, the remuneration committee must confirm in the issuer's annual report and interim report that the Service Provider provides services to the issuer group on a continuing and recurring basis in its ordinary and usual course of business in the relevant period which are material to the long term growth of the issuer group, such that it was determined to be eligible participant of the share scheme.

***Q22. Do you agree with the proposal to require disclosure of matters reviewed by the remuneration committee during the reporting period in the Corporate Governance Report? Please provide reasons for your views.***

*(K) Approval for changes to terms of share award or option granted*

83. Currently, Chapter 17 requires an issuer to seek shareholders' approval for any changes to the terms of option granted.<sup>81</sup>
84. We propose that changes to the terms of share award or option granted may be approved by the remuneration committee and/or shareholders of the issuer, consistent with the approval required for the initial grant of the award or option.<sup>82,83</sup> This would ease the compliance burden of issuers without compromising investor protection.

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<sup>80</sup> Proposed Rule 17.07A

<sup>81</sup> Note (2) to Rule 17.03(18)

<sup>82</sup> Proposed Note (2) to Rule 17.03(18)

<sup>83</sup> For example, changes to the terms of share options or share awards granted to a service provider (such as an extension of the vesting period) would require approval by the remuneration committee (and not shareholders) if the initial grants of the options or awards (within the 1% individual limit) require approval by the remuneration committee only.

**Q23. Do you agree with the proposal to require changes to the terms of share award or option granted be approved by the remuneration committee and/or shareholders of the issuer if the initial grant of the award or option requires such approval? Please provide reasons for your views.**

*(L) Transfer of share awards or options*

85. Currently, share options may not be transferred by the grantee to other persons.<sup>84</sup>
86. We may consider granting a waiver to allow a transfer of share awards or options to a trust or other vehicles for the benefit of the grantee and his/her family members (e.g. for estate planning or tax planning purposes) provided that it would continue to meet the purpose of the scheme and comply with other requirements of Chapter 17.<sup>85</sup> The proposal would provide some flexibility to scheme participants without compromising the intent of the Rule. If such waiver is granted, the issuer should disclose the beneficiaries of the trust or the ultimate beneficial owners of the transferee.

**Q24. Do you agree with the proposal to provide a waiver for a transfer of share awards or options granted under Share Schemes as described in paragraph 86? Please provide reasons for your views.**

*(M) Voting rights of unvested scheme shares*

87. We propose that the trustee holding unvested shares of a Share Scheme shall abstain from voting on matters that require shareholders' approval under the Listing Rules.<sup>86</sup> The issuer must disclose the number of unvested shares held by the trustee of its Share Scheme in its monthly returns in the format prescribed by the Exchange from time to time.<sup>87</sup>
88. The proposal seeks to address the concerns about undue influence over the exercise of voting rights of unvested shares by management of the issuer.

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<sup>84</sup> Note to Rule 17.03(17)

<sup>85</sup> Proposed Note to Rule 17.03(17)

<sup>86</sup> Proposed Rule 17.05A

<sup>87</sup> Proposed Rule 13.25B

**Q25. Do you agree with the proposal to restrict the voting rights of unvested shares held by the trustee of a Share Scheme and require disclosure of the number of such unvested shares in monthly returns? Please provide reasons for your views.**

## **II. Share Schemes Funded by Existing Shares of Listed Issuers**

89. Currently, some share award schemes are funded by existing shares that are purchased on-market. These share award schemes do not require shareholders' approval under the Rules as they do not involve the issuance of new shares of the issuer. Disclosure about the operation of these schemes is governed by accounting standards.

### *(N) Disclosure in grant announcements and financial reports*

90. As these share award schemes serve a similar purpose as those funded by new shares, we propose to require disclosure of the terms of the schemes and details of the share grants consistent with those applicable to Share Schemes funded by issuance of new shares (see Proposals (H) and (I)).<sup>88</sup>

91. Our proposal is in line with the other markets which generally require disclosure of details of equity based compensation (including those funded by existing shares) in issuers' annual compensation or remuneration reports, including the movement of the securities granted and other particulars of the securities such as the market price, the performance conditions and the clawback mechanism under the corporate governance code or corporate laws.

### *(O) Voting rights of unvested scheme shares*

92. In addition, for the same reason described in Proposal (M), we propose that the trustee holding unvested shares of a Share Scheme shall abstain from voting on matters requiring shareholders' approval under the Listing Rules, and the number of unvested shares held by the trustee of an issuer's Share Scheme be disclosed in its monthly returns in the formats prescribed by the Exchange from time to time.<sup>89</sup>

**Q26. Do you agree with the proposed disclosure requirements for Share Schemes funded by existing shares of listed issuers? Please provide reasons for your views.**

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<sup>88</sup> Proposed Rule 17.01(2)

<sup>89</sup> Proposed Rules 17.01(2) and 13.25B

***Q27. Do you agree with the proposal to restrict the voting rights of unvested shares held by the trustee of a Share Scheme and require disclosure of the number of such unvested shares in monthly returns? Please provide reasons for your views.***

### **III. Share Schemes of Subsidiaries of Listed Issuers**

*(P) Should Chapter 17 govern share award schemes of subsidiaries*

93. Chapter 17 governs share option schemes of subsidiaries<sup>90</sup> as grants of options over new shares of the subsidiaries to scheme participants would result in a dilution of the issuer's interests in the subsidiaries.
94. We propose that the current requirements applicable to share option schemes of subsidiaries (with the proposed modifications discussed in Part I above) should also apply to their share award schemes (whether the schemes are funded by new shares or existing share of the subsidiaries).<sup>91</sup> This is because these share award schemes serve similar purposes as share option schemes and have the same dilutive impact on the issuer's interest in these subsidiaries.

*(Q) Share Schemes of Insignificant Subsidiaries*

95. We propose to relax the shareholders' approval requirements for Share Schemes involving Share Grants by an Insignificant Subsidiary of an issuer<sup>92</sup>. Under the proposal, the adoption of the scheme and refreshment of scheme mandate are exempt from the shareholders' approval requirement under Chapter 17 if (i) they are approved by the remuneration committee of the issuer; (ii) the scheme complies with other requirements of Chapter 17; and (iii) the subsidiary is, and remains to be, an Insignificant Subsidiary. The issuer would still be required to make disclosures in accordance with Chapter 17, including disclosures in interim and annual reports and Corporate Governance Reports.
96. For this purpose, we propose to adopt the same definition of Insignificant Subsidiary as currently provided under Chapter 14A. This means a subsidiary whose total assets, profits and revenue compared to that of the issuer group are less than (i) 10% under the percentage ratios for each of the latest three financial years (or if less, the period since the incorporation or establishment of the subsidiary); or (ii) 5% under the percentage ratios for the latest financial year.

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<sup>90</sup> Rule 17.01(1)

<sup>91</sup> Proposed Rule 17.01(1)

<sup>92</sup> Proposed Rule 17.10

97. The proposal would reduce compliance burdens without compromising shareholders protection. It would provide the issuer's management more flexibility to implement Share Schemes of subsidiaries that are not material to the issuer group. If a subsidiary no longer qualifies as an Insignificant Subsidiary (based on the percentage ratios calculated based on the latest published financial statements) after the adoption of a Share Scheme, the issuer must comply with all Chapter 17 requirements from that day onwards, including obtaining the approval of its shareholders for any subsequent refreshment of the scheme mandate under the subsidiary's scheme.

***Q28. Do you agree with our proposal to amend Chapter 17 to also govern share award schemes funded by new or existing shares of subsidiaries of listed issuers? Please provide reasons for your views.***

***Q29. Do you agree with the proposed exemption for Share Schemes of Insignificant Subsidiaries? Please provide reasons for your views.***

#### **IV. Other Rules relating to Share Schemes**

*(R) Trust arrangements*

98. We propose to amend Chapter 17 to make clear that it would apply to Share Schemes involving grants of shares or options through trust or similar arrangements for the benefit of participants specifically identified by the issuer before the grants<sup>93</sup>. This would include, for example, a subsidiary's Share Scheme involving grants of unlisted shares into a trust to reward specified employees, where each grantee is allocated units of beneficial rights in the trust based on his/her share awards and the grantee would deal in his/her units in the trust rather than the underlying shares.

***Q30. Do you agree with our proposal to amend Chapter 17 to also govern Share Schemes involving grants of shares or options through trust or similar arrangements for the benefit of specified participants? Please provide reasons for your views.***

*(S) Disclosure of fair value of options in circular relating to adoption of new share option scheme*

99. Currently, where an issuer proposes to adopt a new share option scheme, it is recommended to disclose in the circular the fair value of all options that

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<sup>93</sup> Proposed Rule 17.01(1)

can be granted under the scheme as if they have been granted prior to the approval of the scheme.<sup>94</sup> As discussed in Proposal (I) above, we propose to require disclosure of the fair value of options and awards granted by issuers in their annual reports and interim reports, which is in line with the disclosure of share based payments under HKFRS2. We will remove the recommended disclosure of the fair value of options as if they were granted.

**Q31. Do you agree with our proposal to remove the recommended disclosure requirement for the fair value of options as if they have been granted prior to the approval of the scheme? Please provide reasons for your views.**

*(T) Other proposed Rule amendments relating to Share Schemes*

100. We propose to amend the following Rules currently applicable to share option schemes to also apply to share award schemes:

- (a) Rule 3.13(2) – A director may still be considered independent if he/she receives shares or interests in securities from the issuer or its subsidiaries under share option schemes established in accordance with Chapter 17.
- (b) Rule 10.08(1) – The restriction on further issue of shares by a listed issuer within six months from its new listing on the Exchange does not apply to issuance of shares, the listing of which has been granted by the Exchange, pursuant to a share option scheme under Chapter 17.
- (c) Rule 13.52(1)(e)(ii) – An issuer should submit draft circulars for any matters relating to share option schemes required under Chapter 17 to the Exchange for review.
- (d) Paragraph 7 of Appendix 10 – The dealing restriction on securities transactions under the Model Code does not apply to exercise of options that were granted before a period during which dealing is prohibited under the code at the exercise price pre-determined at the time of grant.

**Q32. Do you agree with our proposals to amend the Rules described in paragraph 100? Please provide reasons for your views.**

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<sup>94</sup> Rule 17.02(3)

## V. Drafting Amendments to Chapter 17

101. We also propose drafting amendments to Chapter 17 to improve the clarity of the requirements (including re-arranging the sequence of certain requirements and deleting duplicative requirements). The drafting amendments are set out in Appendix II.

## VI. Transitional Arrangements

102. If our proposal to amend Chapter 17 is adopted, the new Rules would apply to new Share Schemes adopted on or after the effective date of the Rule amendments (**effective date**).

103. We propose the following transitional arrangements for existing Share Schemes that are valid as at the effective date:

- (a) For all existing Share Schemes, issuers would be required to comply with the new disclosure requirements from the effective date, including announcements of grants of shares or options under these schemes and disclosures in interim or annual reports published on or after the effective date.
- (b) For (i) share option schemes; and (ii) share award schemes with Advanced Mandates<sup>95</sup>, which are still valid as at the effective date:
  - The issuer may continue to grant share awards or options only to eligible participants under the amended Chapter 17 after the effective date, subject to the following:
  - As regards share option schemes – when the issuer refreshes the scheme mandate of its existing schemes, it must follow the amended Chapter 17 and where appropriate, amend the terms of its existing schemes.
  - As regards share award schemes with Advanced Mandates – no further refreshment of the scheme mandate is allowed.
- (c) For share award schemes involving grants of new shares under general mandate, the issuer may continue to grant share awards to eligible participants under the amended Chapter 17 up to the date of the first annual general meeting after the effective date. Thereafter, the issuer should amend the terms of the schemes to comply with the amended Chapter 17.

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<sup>95</sup> See paragraph 18

## APPENDIX I: SUMMARY OF PROPOSED CHANGES AND THE APPLICABLE RULES

PROPOSAL	DESCRIPTION	PROPOSED RULES
<b>I. Share Schemes Funded by Issuance of New Shares of Listed Issuers</b>		
Proposal (A)	<p><b>Scope</b></p> <p>Extend Chapter 17 to govern all Share Schemes involving grants of share awards and grants of options to acquire new shares of issuers</p>	MB Rule 17.01 / GEM Rule 23.01
Proposal (B)	<p><b>Eligible participants</b></p> <p>Define eligible participants of Share Schemes to include Employee Participants, Related Entity Participants and Service Providers</p> <p>Require approval by the remuneration committee of Share Grants to Related Entity Participants and Service Providers</p>	MB Rule 17.03A / GEM Rule 23.03A
Proposal (C)	<p><b>Scheme mandate</b></p> <p>Apply a Scheme Mandate Limit of not exceeding 10% of an issuer's issued shares to Share Grants under all Share Schemes of the issuer which may be refreshed by shareholders' approval once every three years, and require independent shareholders' approval for refreshment of scheme mandate within a three year period</p> <p>Require the issuer to set a Service Provider Sublimit within the Scheme Mandate Limit and disclose the basis for determining the sublimit in its circular to shareholders</p> <p>Remove the current Rule requirement that the number of outstanding options should not exceed 30% of the issued shares from time to time</p>	<p>MB Rules 17.03(3), 17.03B(1) and 17.03C(1) / GEM Rules 23.03(3), 23.03B(1) and 23.03C(1)</p> <p>MB Rules 17.03(3) and 17.03B(2) / GEM Rules 23.03(3) and 23.03B(2)</p> <p>N/A</p>
Proposal (D)	<p><b>Minimum vesting period for Share Grants</b></p> <p>Require a minimum vesting period of 12 months, unless a shorter vesting period is approved by the remuneration committee in respect of Share Grants made to Employee Participants specifically identified by the issuer and the details of the grants should be disclosed in the grant announcement</p>	Note to MB Rule 17.03(6) / Note to GEM Rule 23.03(6)

PROPOSAL	DESCRIPTION	PROPOSED RULES
Proposal (E)	<p><b>Performance targets and clawback mechanism</b></p> <p>Require disclosure of the performance targets and clawback mechanism for Share Grants, or an explanation by the remuneration committee as to why performance targets and/or a clawback mechanism is/are not necessary</p>	<p>MB Rules 17.03(7), 17.03(19), 17.06B(7) and 17.06B(8) / GEM Rules 23.03(7), 23.03(19), 23.06B(7) and 23.06B(8)</p>
Proposal (F)	<p><b>Exercise price or share grant price</b></p> <p>Retain the current restriction on the exercise price of share options. For grants of shares, we do not propose to impose a restriction on share grant price</p>	<p>MB Rule 17.03E / GEM Rule 23.03E</p>
Proposal (G)	<p><b>Limit on large Share Grants to individual participants</b></p> <p>Require approval by shareholders for Share Grants to an individual participant in excess of the 1% Individual Limit</p> <p><b>Limits on Share Grants to Connected Persons</b></p> <p>Require approval by the remuneration committee (instead of INEDs) for all Share Grants to a Connected Person</p> <p>Provide a de minimis exemption for grants of share awards to Connected Persons:</p> <ul style="list-style-type: none"> <li>- where the grantee is a director (other than an INED) or the chief executive of the issuer, require independent shareholders' approval for grants of share awards in excess of 0.1% of the issued shares of the issuer over any 12-month period</li> <li>- where the grantee is an INED or a substantial shareholder of the issuer, require independent shareholders' approval for Share Grants (including grants of share awards and share options) in excess of 0.1% of the issued shares of the issuer over any 12-month period</li> </ul>	<p>MB Rule 17.03D/ GEM Rule 23.03D</p> <p>MB Rule 17.04/ GEM Rule 23.04</p>

PROPOSAL	DESCRIPTION	PROPOSED RULES
Proposal (H)	<p><b>Announcements of Share Grants</b></p> <p>Require disclosure of details of Share Grants by the issuer to the following participants to be made on an individual basis: (i) a Connected Person; (ii) a participant with Share Grants in excess of the 1% Individual Limit; (iii) a Related Entity Participant or Service Provider with Share Grants in excess of 0.1% of the issuer's issued shares over any 12-month period. Share Grants by the issuer to other participants may be disclosed in aggregate by category. The Exchange may require the issuer to submit a list of grantees and the movements of shares and options granted to each grantee from time to time</p> <p>Require disclosure of the number of shares available for future grant under the scheme mandate and the Service Provider Sublimit (if applicable)</p>	<p>MB Rules 17.06A and 17.06B / GEM Rules 23.06A and 23.06B</p> <p>MB Rule 17.06C / GEM Rule 23.06C</p>
Proposal (I)	<p><b>Disclosure in interim reports and annual reports</b></p> <p>Require disclosure of:</p> <ul style="list-style-type: none"> <li>- details of Share Grants to participants (following the classification described in Proposal (H)) and their movements during the reporting period</li> <li>- for options and awards granted during the reporting period, their fair value at the time of grant and the accounting policy adopted</li> <li>- the number of options and awards granted during the reporting period divided by the weighted average number of issued shares for the period</li> <li>- the number of shares that are available for grant under the scheme mandate (and the Service Provider Sublimit, if applicable) at the beginning and the end of the reporting period</li> <li>- a summary of each Share Scheme (for annual reports only)</li> </ul>	<p>MB Rules 17.07 and 17.09 / GEM Rule 23.07 and 23.09</p>
Proposal (J)	<p><b>Disclosure of the work performed by the remuneration committee</b></p> <p>Require disclosure in the Corporate Governance Report of matters relating to Share Schemes reviewed and/or approved by the remuneration committee during the financial year</p>	<p>MB Rule 17.07A / GEM Rule 23.07A</p>

<b>PROPOSAL</b>	<b>DESCRIPTION</b>	<b>PROPOSED RULES</b>
Proposal (K)	<p><b>Approval for changes to terms of share award or option granted</b></p> <p>Modify the current requirement such that changes to the terms of share award or option granted must be approved by the remuneration committee and/or shareholders of the issuer if the initial grant of the award or option requires such approval</p>	Note 2 to MB Rule 17.03(18) and Note 1 to MB Rule 17.04(5) / Note 2 to GEM Rule 23.03(18) and Note 1 to GEM Rule 23.04(5)
Proposal (L)	<p><b>Transfer of share awards or options</b></p> <p>Provide a waiver for a transfer of share awards or options to a vehicle (including a trust or a private company) for the benefit of the grantee and his/her family members (e.g. for estate planning or tax planning purposes), provided that such transfer would continue to meet the purpose of the scheme and other requirements of Chapter 17</p>	Note to MB Rule 17.03(17) / GEM Rule 23.03(17)
Proposal (M)	<p><b>Voting rights of unvested scheme shares</b></p> <p>Clarify that the trustee holding unvested shares of a Share Scheme shall abstain from voting on matters that require shareholders' approval under the Rules</p> <p>Require the issuer to disclose the number of unvested shares held by the trustee of its Share Scheme in its monthly returns</p>	<p>MB Rule 17.05A / GEM Rule 23.05A</p> <p>MB Rule 13.25B / GEM Rule 17.27B</p>
<b>II. Share Schemes Funded by Existing Shares of Listed Issuers</b>		
Proposal (N)	<p><b>Disclosure in grant announcements and financial reports</b></p> <p>Require disclosure of the terms of the scheme and details of the grants of existing shares consistent with that applicable to Share Schemes funded by issuance of new shares</p>	MB Rule 17.01(2) / GEM Rule 23.01(2)
Proposal (O)	<p><b>Voting rights of unvested scheme shares</b></p> <p>Clarify that the trustee holding unvested shares of a Share Scheme shall abstain from voting on matters that require shareholders' approval under the Rules and require the issuer to disclose the number of unvested shares held by the trustee of the scheme in its monthly returns</p>	MB Rule 17.01(2) / GEM Rule 23.01(2)

PROPOSAL	DESCRIPTION	PROPOSED RULES
<b>III. Share Schemes of Subsidiaries of Listed Issuers</b>		
Proposal (P)	<p><b>Subsidiaries' share award schemes</b></p> <p>Extend Chapter 17 to govern subsidiaries' share award schemes that are funded by new or existing shares of the subsidiaries</p>	MB Rule 17.01(1) / GEM Rule 23.01(1)
Proposal (Q)	<p><b>Share Schemes of Insignificant Subsidiaries</b></p> <p>For a Share Scheme of an Insignificant Subsidiary, exempt the adoption of the scheme and refreshment of scheme mandate from the shareholders' approval requirement under Chapter 17, if (i) they are approved by the remuneration committee of the issuer; (ii) the scheme complies with other requirements of Chapter 17; and (iii) the subsidiary is, and remains to be, an Insignificant Subsidiary</p>	MB Rule 17.10 / GEM Rule 23.10
<b>IV. Other Rules relating to Share Schemes</b>		
Proposal (R)	<p><b>Trust arrangements</b></p> <p>Clarify that Chapter 17 applies to Share Schemes involving grants of shares or options through trust or similar arrangements for the benefit of specified participants</p>	MB Rule 17.01(1) / GEM Rule 23.01(1)
Proposal (S)	<p><b>Disclosure of fair value of options in circular relating to adoption of new share option scheme</b></p> <p>Remove the recommended disclosure requirement in the circular for the fair value of share options as if they have been granted prior to approval of the scheme</p>	N/A
Proposal (T)	<p><b>Other proposed Rule amendments relating to Share Schemes</b></p> <p>Amend certain Rules currently applicable to share option schemes to also apply to share award schemes</p>	MB Rules 3.13(2), 10.08(1), 13.52(1)(e)(ii), Paragraph 7 of Appendix 10 / GEM Rules 5.09(2), 17.29, 17.53(1)(e)(ii), 5.52(4)(i)

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## APPENDIX II: DRAFT AMENDMENTS TO THE LISTING RULES

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### A. Draft Amendments to the Main Board Rules

#### (I) Draft amendments to Chapter 17

### Chapter 17

### EQUITY SECURITIES

### SHARE OPTION SCHEMES

#### Application of chapter 17

- 17.01 (1) ~~The following provisions in this chapter 17 apply, with appropriate modifications, to all schemes involving the grant by a listed issuer or any of its subsidiaries of options over (i) new shares or other new securities of the listed issuer; or (ii) new or existing shares of any of its subsidiaries; or (iii) options over any shares referred to in (i) or (ii), to, or for the benefit of, specified participants of such schemes (which includes a grant of any such shares or options to a trust or similar arrangement for the benefit of a specified participant and, for the purpose of this chapter, "participant" includes any discretionary object of a participant which is a discretionary trust).~~
- (2) ~~Rules 17.05A, 17.06A, 17.06B, 17.07 and 17.09 also apply to a listed issuer's share award schemes that involve the grant of existing shares by the issuer to, or for the benefit of, specified participants of the schemes.~~
- (3) ~~Any arrangement involving the grant of options to participants over new shares or other new securities of a listed issuer or any of its subsidiaries (including options over any such shares or securities) which, in the opinion of the Exchange, is analogous to a share option scheme as described in this rule 17.01 must comply with the requirements of this chapter.~~
- (42) Where the shares or other securities of the listed issuer or the subsidiary concerned are also listed on another stock exchange or GEM, the more onerous requirements shall prevail and be applied in the event of a conflict or inconsistency between the requirements of this chapter and the requirements of the other stock exchange or GEM.
- (3) ~~The term "grant" includes "offer", "issue" and any other term used by the scheme to describe the grant of options under it.~~
- (54) Where there are two or more listed issuers within a group, each of the listed issuers must comply with the provisions of this chapter in respect of its

Proposals  
(A), (P)

Proposal  
(R)

Proposals  
(N), (O)

Proposals  
(A), (P)

Drafting  
changes  
(relevant  
requirements  
moved to  
new Rule  
17.01A)

schemes and the schemes of any of its subsidiaries (whether the subsidiary concerned is listed on the Exchange or not). In particular, where the provisions require the scheme or any related matters to be approved by shareholders ~~/or the remuneration committee independent non-executive directors~~ of a listed issuer whose holding company is also listed on the Exchange, such scheme or matters must simultaneously be approved by the shareholders ~~/or the remuneration committee independent non-executive directors~~ of such listed issuer's holding company.

### **Definitions**

**17.01A** In this chapter, the following definitions apply:

<b><u>“1% individual limit”</u></b>	<u>has the meaning in rule 17.03D(1)</u>
<b><u>“award”</u></b>	<u>refers to share award granted or to be granted under a share award scheme</u>
<b><u>“employee participant”</u></b>	<u>has the meaning in rule 17.03A(1)</u>
<b><u>“grant”</u></b>	<u>includes “offer”, “issue” and any other term used by a share scheme to describe the grant of shares or options under the scheme</u>
<b><u>“insignificant subsidiary”</u></b>	<u>has the meaning in rule 14A.09</u>
<b><u>“related entity participant”</u></b>	<u>has the meaning in rule 17.03A(1)</u>
<b><u>“scheme mandate limit”</u></b>	<u>has the meaning in rule 17.03(3)</u>
<b><u>“service provider”</u></b>	<u>has the meaning in rule 17.03A(1)</u>
<b><u>“service provider sublimit”</u></b>	<u>has the meaning in rule 17.03(3)</u>
<b><u>“schemes” or “share schemes”</u></b>	<u>include share option schemes and share award schemes</u>

### **Adoption of a new scheme**

- 17.02 (1) (a) The scheme of a listed issuer or any of its subsidiaries must be approved by shareholders of the listed issuer in general meeting. The listed issuer must publish ~~in accordance with rule 2.07C~~ an announcement on the outcome of the shareholders' meeting for the adoption of the scheme in the manner as set out in rule 13.39(5) ~~as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following such meeting.~~
- (b) A scheme adopted by a new applicant does not need to be approved by its shareholders after listing. However, all the terms of the scheme

Drafting changes (relevant requirements already set out in Rule 13.39(5))

must be clearly set out in the prospectus. Where the scheme does not comply with the provisions of this chapter, options and awards granted to, or for the benefit of, specified participants before listing may continue to be valid after listing (subject to the Exchange granting approval for listing of the new applicant's shares securities to be issued in respect of upon exercise of such options and awards) but no further options or awards may be granted under the scheme after listing. The new applicant must also disclose in the prospectus full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect exercise of such outstanding options or awards.

Proposal  
(A)

*Notes: (1) The Exchange reserves the right to review and consider these matters on a case-by-case basis.*

*(2) Where the new applicant is a subsidiary of a listed issuer, the scheme must be approved by shareholders of the listed issuer in general meeting. The terms of the scheme must comply with the provisions of this chapter ~~including, in particular, rule 17.03(9) (the basis of determination of the exercise price).~~*

Proposal  
(A)

(2) The scheme document itself does not need to be circulated to shareholders of the listed issuer. However, if the scheme document is not so circulated, it must be published on the Exchange's website and the issuer's own website available for inspection at a place in Hong Kong for a period of not less than 14 days before the date of the general meeting and made available for inspection at the general meeting and the terms of the shareholders' resolution must approve the scheme as described in the summary circulated to the shareholders of the listed issuer. The circular must include the following information:

Rule changes became effective on 4 October 2021 (see consultation conclusions on proposals relating to online display of documents issued in December)

- (a) the provisions described in rule 17.03;
- (b) an explanation as to how the terms of the scheme, in particular, how the provisions described in rules 17.03(2), (6), (7) and (9) and (19), will serve the purpose of the scheme as set out in the scheme document. If the scheme allows grants of options or awards without performance targets and/or a clawback mechanism, the issuer must disclose the remuneration committee's view on why performance targets and/or a clawback mechanism is/are not necessary and how the grants serve the purpose of the scheme;
- (c) information relating to any directors of the listed issuer who are trustees of the scheme or have a direct or indirect interest in the trustees; and
- (d) a statement in the form set out in paragraph 2 of Appendix 1, Part B.

Proposals  
(B), (E)

~~(3) Where the scheme involves options over listed securities, the listed issuer is encouraged to disclose in the circular the value of all options that can be~~

Proposal  
(S)

~~granted under the scheme as if they had been granted at the latest practicable date prior to the approval of the scheme. Where the listed issuer considers that disclosure of value of options is not appropriate, it must state the reason for such non-disclosure in the circular. The listed issuer should use the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options. The information described in (1), (2) and (4) in the note to rule 17.08 should also be disclosed. The latest practicable date should be taken as the measurement date.~~

- ~~(4) All circulars and announcements required under this chapter must contain on the front cover or inside front cover of the circular or at the top of the announcement (as the case may be) a prominent and legible disclaimer in the following terms:~~

~~"Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this [circular/announcement], make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this [circular/announcement]."~~

Drafting changes (relevant requirements already set out in Note 5 to Rule 13.52(2))

- (35) The listed issuer must provide a summary of the terms of the scheme to all participants on joining the scheme (and a copy of the scheme document to any participant who requests such a copy). The listed issuer must provide to all participants all details relating to changes in the terms of the scheme during the life of the scheme immediately upon such changes taking effect.

### Terms of the scheme

17.03 The scheme document must include the following provisions and/or provisions as to the following (as the case may be):

- (1) the purpose of the scheme;
- (2) the participants of the scheme and the basis of determining the eligibility of participants;

*Note: Listed issuers are reminded to seek legal advice on the prospectus requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, particularly where participation in the scheme is not restricted to executives and employees.*

- (3) the total number of shares securities which may be issued in respect of upon exercise of all options and awards to be granted under the scheme and any other schemes (the scheme mandate limit), together with the percentage of the issued shares that it represents at the date of approval of the scheme; and, where the participants of the scheme include service providers, the sublimit on the total number of shares that may be issued in respect of all options and awards to be granted to service providers (the service provider sublimit) within the scheme mandate limit;

Proposal (C)(ii)

~~Notes: (1) The total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme (alternatively, in respect of a scheme of a subsidiary that will become effective only upon its separate listing, the 10% limit may be calculated by reference to the relevant class of securities of the subsidiary in issue as at the date of its listing, the 10% limit may be calculated by reference to the relevant class of securities of the subsidiary in issue as at the date of its listing). Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10% limit.~~

Drafting changes (requirements in Note (1) moved to new Rules 17.03B and 17.03C)

~~The listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10% limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the limit as "refreshed" must not exceed 10% of the relevant class of securities in issue as at the date of approval of the limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The listed issuer must send a circular to its shareholders containing the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4).~~

~~A listed issuer may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to participants specifically identified by the listed issuer before such approval is sought. The listed issuer must send a circular to the shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose, the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4).~~

~~(2) The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options~~

Proposal (C)(i)

~~may be granted under any schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded.~~

~~(3) If the listed issuer (or the subsidiary) conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.~~

Drafting changes (requirements in Note (3) moved to new Rule 17.03B)

(4) the maximum entitlement of each participant under the scheme;

~~Note: Unless approved by shareholders in the manner set out in this note to rule 17.03(4), the total number of securities issued and to be issued upon exercise of the options granted to each participant (including options both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the listed issuer (or the subsidiary) in issue. Where any further grant of options to a participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The listed issuer must send a circular to the shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4). The number and terms (including the exercise price) of options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to rule 17.03(9).~~

Drafting changes (requirements in the Note moved to new Rule 17.03D)

(5) the period within which the securities must be taken up under the option may be exercised by the grantee under the scheme, which must not be more than 10 years from the date of grant of the option;

Drafting changes

(6) the vesting period of options or awards granted under the scheme the minimum period, if any, for which an option must be held before it can be exercised;

Note: The vesting period should not be less than 12 months. The remuneration committee may approve the grant of options or awards to an employee participant specifically identified by the issuer with a

Proposal (D)

shorter vesting period, with the reason for the grant clearly explained in the grant announcement as required under rule 17.06B.

- (7) a narrative description of the performance targets, if any, attached to options or awards granted under the scheme ~~that must be achieved before the options can be exercised~~ or, if none, a negative statement to that effect;
- (8) the amount, if any, payable on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
- (9) the basis of determination of the exercise price of options or the purchase price of shares awarded, if any;

Proposal  
(E)

~~Notes: (1) Subject to note (2) to rule 17.03(9), the exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.~~

Drafting  
changes  
(requirements  
in Notes (1)  
and (2) moved  
to a new Rule  
17.03E

~~(2) Note (1) to rule 17.03(9) does not apply to a share option scheme of a subsidiary of the listed issuer if the subsidiary's securities are not listed on the Exchange. However, the scheme must provide that the exercise price of options granted after the listed issuer has resolved to seek a separate listing of such subsidiary on the Exchange, GEM or an overseas stock exchange and up to the listing date of the subsidiary must be not lower than the new issue price (if any). In particular, any options granted during the period commencing six months before the lodgement of Form A1 (or its equivalent for listing on GEM or the overseas stock exchange) up to the listing date of the subsidiary are subject to this requirement. The scheme must therefore provide for any necessary adjustment of the exercise price of options granted during such period to not lower than the new issue price.~~

- (10) the voting, dividend, transfer and other rights, including those arising on a liquidation of the listed issuer, attaching to the shares securities and (if appropriate) any such rights attaching to the options or awards themselves;
- (11) the life of the scheme, which must not be more than 10 years;
- (12) the circumstances under which options or awards will automatically lapse;

- (13) a provision for adjustment of the exercise or purchase price and/or the number of shares securities subject to options or awards ~~already granted and to granted~~ under the scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital;

*Note: Any adjustments required under rule 17.03(13) must give a participant the same proportion of the equity capital as that to which that person was previously entitled, but no such adjustments may be made to the extent that a share would be issued at less than its nominal value (if any). The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the listed issuer's auditors must confirm to the directors in writing that the adjustments satisfy the requirements set out in this note.*

- (14) a provision for the cancellation of options granted but not exercised or awards granted but shares in respect of which are not yet issued;

*Note: Where a listed issuer cancels options or awards granted to a participant, and make new issues new ones to the same participant option holder, the issue of such new options or awards may only be made under a scheme with available scheme mandate unissued options (excluding the cancelled options) within the limit approved by shareholders as mentioned in rule 17.03B or rule 17.03C note (1) to rule 17.03(3). The cancelled options or shares cannot be added back to replenish the scheme mandate.*

- (15) ~~unless the~~ shares securities subject to the scheme must be separately designated unless they are identical with other shares securities of the issuer in issue, a provision that they must be separately designated;

Drafting  
changes

- (16) where there is a provision for termination of the operation of the scheme before the end of its life, a provision for the treatment of options or awards granted under the scheme but not yet exercised or shares in respect of which are not yet issued at the time of termination;

*Note: Details of the options or awards granted, (including options exercised or outstanding, or shares issued and to be issued in respect of the awards granted) under the scheme and (if applicable) options or awards that become void or non-exercisable as a result of the termination must be disclosed in the circular to shareholders seeking approval of the first new scheme to be established or refreshment of scheme mandate limit under any existing scheme after such termination.*

- (17) transferability of options or awards; ~~and~~

*Note: Options or awards granted under the scheme must be personal to the respective grantee. No options or awards may be transferred or assigned. The Exchange may consider granting a waiver to allow a*

Proposal  
(L)

transfer to a vehicle (such as a trust or a private company) for the benefit of the participant and any family members of such participant (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the scheme and comply with other requirements of this chapter. Where such waiver is granted, the Exchange shall require the issuer to disclose the beneficiaries of the trust or the ultimate beneficial owners of the other transferee vehicles.

- (18) the specific terms of the scheme that can be changed by directors or scheme administrators without the approval of shareholders of the listed issuer in general meeting; and-

Notes:

- (1) Any alterations to the terms and conditions of a share scheme which are of a material nature or any alterations to the ~~The provisions relating to the matters set out in this rule 17.03 cannot be altered to the advantage of participants must be approved by without the prior approval of shareholders of the listed issuer in general meeting.~~
- (2) ~~Any alterations to the terms and conditions of a share option scheme of a listed issuer or any of its subsidiaries which are of a material nature or any change to the terms of options or awards granted must be to a participant must be approved by the remuneration committee and/or the shareholders of the listed issuer (as the case may be) if the initial grant of the options or awards was approved by the remuneration committee and/or the shareholders of the listed issuer, (as the case may be). This requirement does not apply except where the alterations take effect automatically under the existing terms of the scheme.~~
- (3) The amended terms of the scheme or the options or awards must still comply with the relevant requirements of this chapter 17.
- (4) Any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the scheme must be approved by shareholders of the listed issuer in general meeting.

Move from  
note (2) to  
Rule  
17.03(18)

Proposal  
(K)

- (19) the clawback mechanism for the issuer to recover or withhold any options or awards granted to any participants in the event of serious misconduct, a material misstatement in the issuer's financial statements or other special circumstances, or, if none, a negative statement to that effect.

Proposal  
(E)

### **Participants of the scheme**

17.03A (1) Participants of the scheme shall include:

- (a) directors and employees of the issuer or any of its subsidiaries (including persons who are granted options or awards under the scheme as an inducement to enter into employment contracts with these companies) (employee participants);

Proposal  
(B)

- (b) directors and employees of the holding companies, fellow subsidiaries or associated companies of the issuer (**related entity participants**); and
- (c) persons who provide services to the issuer group on a continuing or recurring basis in its ordinary and usual course of business which are material to the long term growth of the issuer group (**service providers**) as determined by the remuneration committee.

*Note: Service providers may include, for example, persons who work for the issuer as independent contractors but the continuity and frequency of their services are akin to those of employees. For the avoidance of doubt, service providers would not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, or consultants providing professional services to the issuer.*

- (2) The scheme document must clearly identify each category of service providers and the criteria for determining a person's eligibility under each category.
- (3) Grants of options or awards to service providers or related entity participants must be approved by the remuneration committee.

#### **Scheme mandate limit and service provider sublimit**

17.03B (1) The total number of securities which may be issued upon exercise of all options to be granted under the scheme mandate limit and any other schemes must not in aggregate exceed 10% of the relevant class of shares securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme (alternatively, in respect of a scheme of a subsidiary that will become effective only upon its separate listing, the 10% limit may be calculated by reference to the relevant class of shares securities of the subsidiary in issue as at the date of its listing) (the **scheme mandate limit**).

Proposal  
(C)(i)

(2) Where the participants of the scheme include service providers, the service provider sublimit must be set within the scheme mandate limit and separately approved by shareholders of the issuer in general meeting. The circular must contain the basis for determining the service provider sublimit and the remuneration committee's views on whether the service provider submit is appropriate and reasonable.

Proposal  
(C)(ii)

Notes: (1) *Options or awards lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the ~~10% limit~~ scheme mandate limit (and the service provider sublimit, if any).*

(2) *If the listed issuer (or the subsidiary) conducts a share consolidation or subdivision after the ~~10% limit~~ scheme mandate limit or the service provider sublimit has been approved in general meeting, the maximum number of shares securities that may be issued upon exercise in*

*respect of all options and awards to be granted under all of the schemes of the listed issuer (or the subsidiary) under the 10% limit scheme mandate limit or the service provider sublimit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.*

17.03C (1) The listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10% limit scheme mandate limit (and the service provider sublimit, if any) under the scheme after three years from the date of shareholders' approval for the last refreshment (or the adoption of the scheme). Additional "refreshment" within any three year period must be approved by independent shareholders of the issuer where any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting and the issuer must comply with the requirements under rules 13.39(6) and (7), 13.40, 13.41 and 13.42.

Proposal  
(C)(i)

(2) ~~However, the~~ The total number of shares securities which may be issued upon exercise in respect of all options and awards to be granted under all of the schemes of the listed issuer (or the subsidiary) under the scheme mandate limit as "refreshed" must not exceed 10% of the relevant class of shares securities in issue as at the date of approval of the limit refreshed scheme mandate. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The listed issuer must send a circular to its shareholders containing the number of options and awards that were already granted under the existing scheme mandate limit and the service provider sublimit (if any), and the reason for the "refreshment" the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4).

(3) A listed issuer may seek separate approval by its shareholders in general meeting for granting options or awards beyond the scheme mandate 10% limit provided the options or awards in excess of the limit are granted only to participants specifically identified by the listed issuer before such approval is sought. The listed issuer must send a circular to the shareholders containing a generic description of the specified participants the name of each specified participant who may be granted such options or awards, the number and terms of the options or awards to be granted to each participant, and the purpose of granting options or awards to the specified participants with an explanation as to how the terms of the options or awards serve such purpose, the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4). The number and terms (including the exercise price) of options or awards to be granted to such participant must be fixed before shareholders' approval. In respect of any options to be granted, the date of board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the exercise price under rule 17.03E(1).

Proposal  
(H)

### **Limit on granting options or awards to individual participants**

~~Unless approved by shareholders in the manner set out in this note to rule 17.03(4), the total number of securities issued and to be issued upon exercise of the options granted to each participant (including options both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the listed issuer (or the subsidiary) in issue.~~

- 17.03D (1) ~~Where any further grant of options or awards to a participant would result in the shares securities issued and to be issued upon exercise in respect of all options and awards granted and to be granted to such person (excluding any options and awards lapsed in accordance with the terms of the scheme including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities shares of the listed issuer (or the subsidiary) in issue (the 1% individual limit), such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his/her close associates (or his associates if the participant is a connected person) abstaining from voting. The listed issuer must send a circular to the shareholders, and the~~
- (2) ~~The circular must disclose the identity of the participant, the number and terms of the options or awards to be granted (and options those previously granted to such participant in the 12-month period), the purpose of granting options or awards to the participant and an explanation as to how the terms of the options or awards serve such purpose the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4). The number and terms (including the exercise price) of the options or awards to be granted to such participant must be fixed before shareholders' approval, and in respect of any options to be granted, the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under rule 17.03E(1) note (1) to rule 17.03(9).~~

### **Exercise price of options**

- 17.03E (1) ~~Subject to rule 17.03E(2) note (2) to rule 17.03(9), the exercise price of options must be at least the higher of: (i) the closing price of the shares securities as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.~~
- (2) ~~Rule 17.03E(1) Note (1) to rule 17.03(9) does not apply to a share option scheme of a subsidiary of the listed issuer if the subsidiary's shares securities are not listed on the Exchange. However, the scheme must provide that the exercise price of options granted after the listed issuer has resolved to seek a separate listing of such subsidiary on the Exchange, GEM or an overseas~~

stock exchange and up to the listing date of the subsidiary must be not lower than the new issue price (if any). In particular, any options granted during the period commencing six months before the lodgement of Form A1 (or its equivalent for listing on GEM or the overseas stock exchange) up to the listing date of the subsidiary are subject to this requirement. The scheme must therefore provide for any necessary adjustment of the exercise price of options granted during such period to not lower than the new issue price.

Note: Rule 17.03E does not apply to a share award scheme.

**Granting options or awards to a director, chief executive or substantial shareholder of a listed issuer, or any of their associates**

- 17.04 (1) ~~In addition to the shareholders' approval set out in note (1) to rule 17.03(3) and the note to rule 17.03(4), each~~ Any grant of options or awards to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of the listed issuer or any of its subsidiaries must comply with the requirements of this rule 17.04(1). ~~Each grant of options to any of these persons must be approved by the remuneration committee independent non-executive directors of the listed issuer (excluding independent non-executive director any director who is the grantee of the options or awards).~~

Proposal  
(G)

Note: For an issuer with WVR structure, the Corporate Governance Committee must make a recommendation on any grants of options or awards to a director who is a beneficiary of weighted voting rights under rule 8A.30(4).

- ~~(2) Where any grant of awards to a director (other than an independent non-executive director) or chief executive of the issuer, or any of their associates would result in the shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of awards must be approved by shareholders in general meeting.~~
- ~~(3) Where any grant of options or awards to a substantial shareholder or an independent non-executive director or a substantial shareholder of the listed issuer, or any of their respective associates, would result in the shares securities issued and to be issued upon exercise in respect of all options and awards already granted and to be granted (excluding any options and awards lapsed in accordance with the terms of the scheme including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:~~
- ~~(a) representing in aggregate over 0.1% of the relevant class of shares securities in issue; and~~

~~(b) (where the securities are listed on the Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,~~

such further grant of options or awards must be approved by shareholders in general meeting.

Note: See also the recommended best practice relating to the grant of options or awards to independent non-executive directors under E.1.9 of the Corporate Governance Code in Appendix 14 to the Rules.

Proposal  
under the  
Consultation  
Paper on  
Review of  
Corporate  
Governance  
Code and  
Related  
Listing Rules

~~(4)~~ In the circumstances described in rule 17.04(2) or (3), the ~~The~~ listed issuer must send a circular to the shareholders. The grantee, his/her associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting. ~~(2) Listed issuers~~ The listed issuer must comply with the requirements under rules 13.40, 13.41 and 13.42.

~~(5)~~(3) The circular must contain:

(a) details of the number and terms ~~(including the exercise price)~~ of the options or awards to be granted to each participant, which must be fixed before the shareholders' meeting, ~~and~~ In respect of any options to be granted, the date of board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating exercise price under rule 17.03E(1) ~~note (1) to rule 17.03(9)~~;

*Note: The description of the terms of the options or awards must include the information required under rules 17.03(5) to 17.03(10) and rule 17.03(19).*

- (b) a recommendation from the independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options) to the independent shareholders as to voting;
- (c) the information required under rules 17.02(2)(c) ~~and (d)~~ and the disclaimer required under rule 17.02(4); and
- (d) the information required under rule 2.17.

Notes: (1) ~~Shareholders' approval as required under rule 17.04(1) is also required for any~~ Any change in the terms of options or awards granted to a participant who is a director, chief executive or substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, must be approved by shareholders of the issuer in manner as set out in rule 17.04(3) if the initial grant of the options or awards requires such approval (except where the changes take effect automatically under the existing terms of the scheme).

Proposal  
(K)

(2) ~~The requirements for the grant granting~~ of options or awards to a director or chief executive of a listed issuer set out in this rules 17.04(1);

~~(2) and (3)~~ do not apply where the participant is only a proposed director or chief executive of the listed issuer.

### **Restriction on the time of grant of options or awards**

17.05 An issuer may not grant any options or awards after inside information has come to its knowledge until (and including) the trading day after it has announced the information. In particular, it may not grant any option or award during the period commencing one month immediately before the earlier of:

- (1) the date of the board meeting (as such date is first notified to the Exchange under the Listing Rules) for approving the issuer's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

*Note: No option or award may be granted during any period of delay in publishing a results announcement.*

### **Voting of unvested shares**

17.05A The trustee holding unvested shares of a share scheme shall abstain from voting on matters that require shareholders' approval under the Listing Rules.

Proposal  
(M)

### **Despatch of circular**

17.06 The circular required under this chapter should be despatched to the shareholders no later than the date on which the listed issuer gives notice of the general meeting to approve the scheme or related matters as required under this chapter.

### **Announcement on grant of options or awards**

17.06A As soon as possible upon the granting by the listed issuer of any options or awards under the scheme, the listed issuer must publish an announcement ~~in accordance with rule 2.07C~~ setting out the following details in rule 17.06B.

Proposal  
(H)

- (1) The disclosure must be made, on an individual basis, if the grantee is:
  - (a) a director, chief executive or substantial shareholder of the listed issuer, or an associate of any of them;
  - (b) a participant with options and awards granted and to be granted exceeding the 1% individual limit; or

(c) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue.

(2) Information relating to grants of options or awards to other grantees may be disclosed by category. The Exchange may require the issuer to submit a list of the grantees in the format it prescribed from time to time.

17.06B The announcement must set out the following details in a tabular format:

(1) date of grant;

(1a) (a) the name of the grantee (and where the grantee is not a natural person, the name of its ultimate beneficial owner), the relationship between the grantee and the issuer. Where the grantee is a related entity participant or service provider, the nature of services provided to the issuer and for a service provider, the duration of the relevant service contract with the issuer; or

Proposals  
(B), (H)

(b) where disclosure on an individual basis is not required, a description of each of the categories of grantees;

(23) number of options or awards granted;

(32) exercise price of options or purchase price of shares granted;

(4) market price of the its shares securities on the date of grant;

~~(5) where any of the grantees is a director, chief executive or substantial shareholder of the listed issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and~~

~~(56) exercise period of the options validity period of the options;:-~~

(6) vesting period of the options or awards. In the case of a grant of options or awards to an employee participant that may vest immediately or within a period less than 12 months, the remuneration committee's views on why the arrangement is appropriate and how the grant serves the purpose of the scheme;

Proposals  
(D), (H)

(7) a narrative description of the performance targets attached to the options or awards granted (including the target levels and performance-related measures), the rationale for adopting the performance targets and the method for assessing whether they are satisfied. If any options or awards are granted without performance targets, the announcement must contain the remuneration committee's views on why performance targets are not necessary and how the grant serves the purpose of the scheme;

Proposals  
(E), (H)

(8) the clawback mechanism for the issuer to recover or withhold any awards or options granted, or if none, the remuneration committee's views on why

clawback mechanism is not necessary and how the grant serves the purpose of the scheme;

(9) where options or awards are granted to a service provider, a related entity participant or a connected person, the reason for the grant and the remuneration committee's views on why it is appropriate to approve the grant, the factors that it took into account and how the grant serves the purpose of the scheme.

Proposals  
(B), (H)

(10) arrangements, if any, for the issuer or any of its subsidiaries to provide financial assistance to the grantee(s) to facilitate the purchase of shares under the scheme.

*Note: The issuer must comply with Chapter 14A for providing financial assistance to any grantee who is a connected person.*

17.06C The announcement must also disclose the number of shares available for future grant under the scheme mandate and the service provider sublimit (if applicable).

### **Disclosure requirements**

17.07 In relation to each scheme of a listed issuer or any of its subsidiaries, the listed issuer must disclose in its annual report and interim report the following information in relation to: (i) each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates; (ii) each participant with options and awards granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue; aggregate figures for employees working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance; (iv) aggregate figures for suppliers of goods or services; and (iv) all other employees participants, related entity participants and service providers by under each category as an aggregate whole:

Proposal  
(I)

(1) a table showing the following details of awards and options granted to each participant or category of participants:

(a) name of the grantee or a description of each of the categories of grantees;

(b1) particulars of outstanding options and unvested awards at the beginning and at the end of the financial year/period, including number of options and awards, date of grant, vesting period, exercise period and exercise/grant price;

(c2) particulars of options and awards granted during the financial year/period, including (i) the number of options and awards, (ii) the date of grant, (iii) the vesting period, exercise period, exercise/grant price, and performance targets, and (iv) (where the shares are for options over listed securities) the closing price of the shares securities immediately before the date on which the options or awards were

granted, and (v) the fair value of options and awards at the date of grant and the accounting standard and policy adopted;

Note: The listed issuer should calculate the fair value of options and awards in accordance with the accounting standard and policy adopted for preparing its financial statements and disclose the methodology and assumptions used, including but not limited to:

(1) In the case of options, a description of the option pricing model and details of the significant assumptions and inputs used to that pricing model such as the expected volatility, expected dividends and the risk-free interest rate. The issuer should include an explanation on how these significant assumptions and inputs are determined.

(2) In the case of awards, a description of the basis for fair value measurement and information on whether and how the features of the awards (for example, the expected dividends) are incorporated into the measurement of fair value.

(d3) the number of options exercised and awards vested during the financial year/period with the exercise/grant price and (where the shares are for options over listed securities) the weighted average closing price of the shares securities immediately before the dates on which the options or awards were exercised or vested;

(e4) the number of options and awards cancelled during the financial year/period together with the exercise/grant price of the cancelled options and awards; and

(f5) the number of options and awards which lapsed in accordance with the terms of the scheme during the financial year/period.

(2) the number of options and awards that may be granted under the scheme mandate and the service provider submit (if applicable) at the beginning and the end of the financial year/period;

(3) the number of shares that may be issued in respect of options and awards granted under all schemes of the issuer (or the subsidiary) during the financial year/period divided by the weighted average number of relevant class of shares issued for the year/period; and

(4) where options or awards were granted to a service provider during the financial year/period, a confirmation from the remuneration committee that the service provider has provided services to the issuer group on a continuing and recurring basis in its ordinary and usual course of business in the relevant period which are material to the long term growth of the issuer group.

17.07A The listed issuer must disclose in its Corporate Governance Report a summary of each matter relating to share schemes that were reviewed and/or approved by the

Proposal  
(J)

remuneration committee during the financial year. The remuneration committee must explain why it is appropriate to approve those matters, the factors that it took into account and how the grants of options or awards serve the purpose of the scheme (including how the grants would align the grantees' interests with those of the issuer and its shareholders).

- 17.08 ~~[Repealed [Date]] In respect of options granted during the financial year/period over listed securities, the listed issuer is encouraged to disclose in its annual report and interim report the value of options granted to participants set out in (i) to (v) of rule 17.07 during the financial year/ period, and the accounting policy adopted for the share options. Where the listed issuer considers that disclosure of value of options granted during the financial year/period is not appropriate, it must state the reason for such non-disclosure in its annual report or interim report.~~

Replaced by the proposed disclosure requirement under rule 17.07(1)(c)

~~Note: In respect of the disclosure of value of options in annual report or interim report, the listed issuer should use the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options. The listed issuer should also disclose, in the annual report or interim report, the following information:~~

- ~~(1) a description of the model and significant assumptions used to estimate the value of the option, taking into account factors such as risk-free interest rate, expected life, expected volatility and expected dividend, if applicable;~~
- ~~(i) Where the calculation of the value is referable to a risk-free interest rate, such rate should be the rate prevailing on debt securities issued by the state, such as the Exchange Fund Notes in the case of Hong Kong based entities.~~
- ~~(ii) The listed issuer should set out the expected volatility used in calculating the value, with an explanation of any deviations from the historical volatility of the securities. The listed issuer may choose the period of time that it considers appropriate for calculating such historical volatility. However, such period may not be less than one year or, where securities have been listed for less than one year from the date of commencement of dealings in such securities, such period is to be from the date of commencement of such dealings to the date of the calculation.~~
- ~~(iii) Expected dividends should be based on historical dividends, with an explanation of any adjustments made for publicly available information indicating that future performance is reasonably expected to differ from past performance.~~
- ~~(2) the measurement date which should be the date on which the options were granted;~~
- ~~(3) the treatment of forfeiture prior to the expiry date; and~~

~~(4) a warning statement with regard to the subjectivity and uncertainty of the values of options to the effect that such values are subject to a number of assumptions and with regard to the limitation of the model.~~

17.09 The listed issuer must include in its annual report a summary of each share option scheme approved by its shareholders setting out:

Proposal  
(I)

- (1) the purpose of the scheme;
- (2) the participants of the scheme;
- (3) the total number of ~~shares securities~~ available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report;
- (4) the maximum entitlement of each participant under the scheme;
- (5) the period within which the ~~securities must be taken up under an option~~ may be exercised by the grantee under the scheme;
- (6) ~~the vesting period of options or awards granted under the scheme the minimum period, if any, for which an option must be held before it can be exercised~~;
- (7) the amount, if any, payable on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
- (8) the basis of determining the exercise price of options or the purchase price of shares awarded, if any; and
- (9) the remaining life of the scheme.

### **Transitional arrangements**

#### **Exemption for share schemes of insignificant subsidiaries**

17.10 ~~[Repealed 1 October 2020]~~ In respect of a share scheme that involves the grant of shares or options by an “insignificant subsidiary” of an issuer, the adoption of the scheme and refreshment of scheme mandate are exempt from the shareholders’ approval requirements under rule 17.02(1)(a) and note (2) to rule 17.03(3) if:

Proposal  
(Q)

- (1) they are approved by the remuneration committee of the issuer;
- (2) the scheme complies with other applicable requirements under this chapter;
- (3) the subsidiary is, and remains to be, an insignificant subsidiary.

Note: If the subsidiary no longer qualifies as an “insignificant subsidiary” after the adoption of the share scheme, the issuer must obtain approval from its shareholders for any subsequent refreshment of the scheme mandate.

- 17.11 Listed issuers must comply with the terms of their share ~~option~~ schemes in addition to the requirements of this chapter 17. A breach of any such terms or requirements will constitute a breach of the Exchange Listing Rules.

## **(II) Draft amendments to Other Chapters**

### **Chapter 3**

#### **GENERAL**

##### **AUTHORISED REPRESENTATIVES, DIRECTORS, BOARD COMMITTEES AND COMPANY SECRETARY**

...

##### **Directors**

...

- 3.13 In assessing the independence of a non-executive director, the Exchange will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the director:—

...

- (2) has received an interest in any securities of the listed issuer as a gift, or by means of other financial assistance, from a core connected person or the listed issuer itself. However, subject to Note 1 to rule 3.13(1), the director will still be considered independent if he receives shares or interests in securities from the listed issuer or its subsidiaries (but not from core connected persons) as part of his director's fee or pursuant to share ~~option~~ schemes established in accordance with Chapter 17;

Proposal (T)
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...

### **Chapter 7**

#### **EQUITY SECURITIES**

##### **METHODS OF LISTING**

...

##### **Other Methods**

7.34 Securities may also be brought to listing by:—

- (1) the exercise of options, warrants or similar rights to subscribe or purchase securities (see Chapter 15);
- (2) an issue of securities ~~on exercise of options granted~~ to or for the benefit of specified participants of share schemes or executives and/or employees (see Chapter 17); or
- (3) such other methods as the Exchange may from time to time approve.

Proposal (A)

...

## Chapter 8A

### EQUITY SECURITIES

#### WEIGHTED VOTING RIGHTS

...

#### Corporate Governance Committee

##### *Terms of reference*

8A.30 An issuer with a WVR structure must establish a Corporate Governance Committee with at least the terms of reference set out in Code Provision D3.1 of Appendix 14 to these rules, and the following additional terms:

- (1) ...
- ...
- (4) to review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (consolidated as a group) on one hand and any beneficiary of weighted voting rights on the other;

Note: This applies to any grants of options or awards to any beneficiary of weighted voting rights under a share scheme governed by chapter 17.

Proposal (G)

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...

## Chapter 10

### EQUITY SECURITIES

#### RESTRICTIONS ON PURCHASE AND SUBSCRIPTION

...

#### No further issues of securities within 6 months of listing

10.08 No further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 months from the date on which securities of the listed issuer first commence dealing on the Exchange (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealing), except for:

(1) the issue of shares, the listing of which has been approved by the Exchange, pursuant to a share option-scheme under Chapter 17;

Proposal  
(T)

(2) ...

...

## Chapter 13

### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

...

#### Monthly return

13.25B A listed issuer shall, by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day next following the end of each calendar month, submit through HKEx-EPS, or such other means as the Exchange may from time to time prescribe, for publication on the Exchange's website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitised instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the Exchange may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return). Such information includes, among other things, the number as at the close of such period of equity securities, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible securities or any other agreements

Proposals  
(M), (O)

or arrangements, and the number of unvested shares held by the trustee of a share scheme under Chapter 17.

Note: The Exchange may require the issuer to submit a list of grantees and the movements of shares and/or options granted to each of them under Chapter 17 in the format it prescribed from time to time.

Proposal  
(H)

...

### Issue of securities

13.28 ...

- ...
- (15) any other material information with regard to the issue (including any restrictions on the ability of the issuer to issue further securities or any restrictions on the ability of the allottees to dispose of shares issued to them or any restrictions on the ability of existing shareholders to dispose of their securities arising in connection with the allotment).

Notes: (1) *This rule does not apply to a grant of options or awards or issue of securities under a share ~~option~~-scheme which complies with Chapter 17. For these, the issuer must follow the announcement requirement under rule 17.06A.*

Proposal  
(H)

(2) ...

...

### Meetings of Shareholders

13.40 Parties that are required to abstain from voting in favour at the general meeting pursuant to rules 6.12(1), 6.13, 7.19(6)(a), 7.19(7), 7.19(8), 7.24(5)(a), 7.24(6), 7.24(7), 13.36(4)(a), 13.36(4)(b), 14.90(2), 14.91(1), 17.03C(1) and 17.04(4) may vote against the resolution at the general meeting of the issuer provided that their intention to do so has been stated in the relevant listing document or circular to shareholders. Any such party may change his mind as to whether to abstain or vote against the resolution, in which case the issuer must, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to its shareholders or publish an announcement in accordance with rule 2.07C notifying its shareholders of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 10 business days before the date originally scheduled for the general meeting, the meeting must be adjourned before considering the relevant resolution to a date that is at least 10 business days from the date of despatch or publication by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect.

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(C)

...

## ANNOUNCEMENTS, CIRCULARS AND OTHER DOCUMENTS

### Review of documents

13.52 Subject to rule 13.52A, where an issuer is obliged to publish any announcements, circulars or other documents for the purposes of the Exchange Listing Rules, the documents need not be submitted to the Exchange for review before they are issued unless the documents fall within rule 13.52(1) or (2).

(1) The issuer shall submit to the Exchange copies of drafts of the following documents for review before they are issued:

...

(e) circular to the issuer's shareholders seeking their approval of:

(i) ...

(ii) any matter relating to share ~~option~~-scheme required under Chapter 17 of the Exchange Listing Rules; or

Proposal  
(T)

...

## Chapter 14A

### EQUITY SECURITIES

#### CONNECTED TRANSACTIONS

...

#### Issues of new securities by the listed issuer or its subsidiary

14A.92 An issue of new securities by a listed issuer or its subsidiary to a connected person is fully exempt if:

(1) ...

(2) ...

(3) the securities are issued to the connected person under:

(a) a share ~~option~~-scheme that complies with Chapter 17; or

(b) a share ~~option~~-scheme adopted by the listed issuer before its securities first start dealing on the Exchange, and where the Exchange has

Proposal  
(G)

approved the listing of the securities to be issued under the scheme;  
or

...

## Chapter 19

### EQUITY SECURITIES

#### OVERSEAS ISSUERS

...

#### Share Schemes

- 19.42 The Exchange may be prepared to vary the requirements applicable to schemes involving the ~~issue of or grant of options over~~ shares or other securities by listed issuers or any of their subsidiaries (including options over any such shares or securities) to, or for the benefit of, ~~executives and/or employees~~ specified participants of such schemes set out in Chapter 17 for an overseas issuer if its primary listing is or is to be on another stock exchange where different (or no such) requirements apply.

Proposals  
(A), (P)

...

## Chapter 19A

### EQUITY SECURITIES

#### ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

...

#### Chapter 17 — ~~Share Option~~ Schemes

- 19A.39C The Exchange may waive the exercise price requirement under Note 1 to rule 17.03(9) for a share option scheme of a PRC issuer dually listed on the Exchange and a PRC stock exchange, provided that: (i) the scheme involves only shares listed on the PRC stock exchange; and (ii) the scheme contains provisions to ensure that the exercise price of the options is no less than the prevailing market price of the relevant shares on the PRC stock exchange at the time of grant of the options.

Amendment  
to the title of  
Chapter 17

...

# The Stock Exchange of Hong Kong Limited

## Practice Note 5

to the Rules Governing the Listing of Securities  
(the “Exchange Listing Rules”)

Issued pursuant to rule 1.06 of the Exchange Listing Rules

### DISCLOSURE OF INTERESTS INFORMATION

...

#### 3. Presentation of interests and short positions required to be disclosed under Part XV of the SFO

...

- 3.3 For directors and chief executives, the statements should show details of the following matters as recorded in the register required to be kept under section 352 of the SFO:

...

Notes:

(1) ...

(2) ...

- (3) *For (c)(i) above, in respect of options granted to directors or chief executives pursuant to share option schemes under Chapter 17 of the Exchange Listing Rules, the statements should show such details as are required to be disclosed under rule 17.07(1)(b) of the Exchange Listing Rules.*

Amendment to Rule reference
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...

- 3.4 For substantial shareholders, the statements should show details of the following matters as recorded in the register required to be kept under section 336 of the SFO:

...

Notes:

- (1) ...
- (2) ...
- (3) ...
- (4) *For (b)(i) above, in respect of options granted to substantial shareholders pursuant to share option schemes under Chapter 17 of the Exchange Listing Rules, the statements should show such details as are required to be disclosed under rule 17.07(1)(b) of the Exchange Listing Rules.*

Amendment to Rule reference
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...

## Appendix 1

### Contents of Listing Documents

#### Part A

#### Equity Securities

**In the case where listing is sought for equity securities of an issuer no part of whose share capital is already listed**

...

#### General information about the group's activities

28. ...

- (7) The number of people employed by the group and changes therein in the last financial year, if such changes are material in the context of the group, with, if possible a breakdown of persons employed by main category of activity. Details of the remuneration of employees, remuneration policies, bonus and share ~~option~~-schemes and training schemes should be provided where relevant.

Proposal (T)
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...

## Appendix 1

### Contents of Listing Documents

#### Part E

#### Depository receipts

**In the case where listing is sought for depositary receipts of an issuer no part of whose share capital is already listed**

...

**General information about the group's activities**

...

28. ...

- (7) The number of people employed by the group and changes therein in the last financial year, if such changes are material in the context of the group, with, if possible a breakdown of persons employed by main category of activity. Details of the remuneration of employees, remuneration policies, bonus and share option schemes and training schemes should be provided where relevant.

Proposal (T)
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...

**Appendix 10**

**Model Code for Securities Transactions by Directors of Listed Issuers**

...

**Interpretation**

7. For the purpose of this code:

...

- (d) notwithstanding the definition of "dealing" in paragraph (a) above, the following dealings are not subject to the provisions of this code:

...

- (iv) ... ; and
- (viii) dealing where the beneficial ownership is transferred from another party by operation of law; and
- (ix) acceptance or vesting of shares pursuant to the terms of share awards granted by a listed issuer before a period during which dealing is prohibited under this code at the purchase price, if any, fixed at the time of grant of the awards.

Proposal (T)
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...

## Appendix 14

Proposal  
(T)

### ~~CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT~~

...

#### PART 1 – MANDATORY DISCLOSURE REQUIREMENTS

...

#### **E. BOARD COMMITTEES**

The following information for each of the ..., remuneration committee, ..., and corporate governance functions:

...

(d) a summary of the work during the year, including:

...

(ii) for the remuneration committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors, ~~and approving the terms of executive directors' service contracts, and reviewing and/or approving matters relating to share schemes under chapter 17 (see rule 17.07A),~~ performed by the remuneration committee. ...

Proposal  
(J)

...

#### PART 2 – PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

...

#### **E. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**

...

##### **Code Provisions**

...

E.1.2 The remuneration committee's terms of reference should include, as a minimum:-

...

(g) ...; ~~and~~

(h) ... remuneration-; and

(i) to review and/or approve matters relating to share schemes under Chapter 17 of the Rules.

Proposal  
(J)

...

...

## Appendix 16

### DISCLOSURE OF FINANCIAL INFORMATION

...

#### Information in annual reports

6. A listed issuer shall include the information as set out in paragraphs 8 to 34A in its annual report. Unless stated to the contrary the financial information specified in these paragraphs may be included outside the financial statements and will therefore be outside the scope of the auditors' report on the financial statements. Banking companies shall, in addition, comply with the Guideline on the Application of the Banking (Disclosure) Rules or other regulations in relation to the contents of annual report issued or specified from time to time by the Hong Kong Monetary Authority.

...

6.3 *An annual report shall contain the following information required under other parts of the Listing Rules:*

...

(j) *share ~~option~~ schemes under rules 17.07, ~~17.08~~ and 17.09;*

Proposals  
(I), (N)

...

32. A listed issuer shall include in its annual report a discussion and analysis of the group's performance during the financial year and the material factors underlying its results and financial position. It should emphasize trends and identify significant events or transactions during the financial year under review. As a minimum the directors of the listed issuer should comment on the following:–

...

- (7) where applicable, details of the number and remuneration of employees, remuneration policies, bonus and share ~~option~~-schemes and training schemes;

Proposal  
(I), (N)

...

40. A listed issuer shall include in its interim report:–

...

- (3) any supplementary information which is necessary for a reasonable appreciation of the interim results.

...

*40.3 An interim report shall contain the following information required under other parts of the Listing Rules:*

...

- (g) share ~~option~~-schemes under rules 17.07 and 17.08;*

...

Proposals  
(I), (N)

## Appendix 24

### Headline Categories

...

#### Schedule 1

#### Headline Categories for Announcements and Notices

...

#### Securities/Share Capital

Announcement pursuant to Code on Share Buy-backs  
Capital Reorganisation  
Capitalisation Issue  
Change in Board Lot Size  
Change in Terms of Securities or Rights attaching to Securities  
Change of Dividend Payment Date  
Closure of Books or Change of Book Closure Period  
Consideration Issue  
Conversion of Securities  
Intention to Sell Shares of Untraceable Member

Issue of Convertible Securities  
Issue of Debt Securities  
Issue of Preference Shares  
Issue of Securities by Major Subsidiary  
Issue of Shares under a General Mandate  
Issue of Shares under a Specific Mandate  
Issue of Warrants  
Movements in Issued Share Capital  
Open Offer  
Placing  
Rights Issue  
Share Option Scheme  
Trading Arrangements (other than Change in Board Lot Size)

...

Amendment to  
the title of  
Chapter 17

## **Schedule 2 Headline Categories for Circulars**

### **Securities/Share Capital**

Capitalisation Issue  
Change in Terms of Securities or Rights attaching to Securities  
Document issued pursuant to Code on Share Buy-backs  
Exchange or Substitution of Securities  
Explanatory Statement for Repurchase of Shares  
General Mandate  
Issue of Convertible Securities  
Issue of Debt Securities  
Issue of Preference Shares  
Issue of Securities by Major Subsidiary  
Issue of Securities within 6 Months of Listing  
Issue of Shares  
Issue of Warrants  
Open Offer  
Rights Issue  
Share Option Scheme

Amendment  
to the title of  
Chapter 17

## B. Draft Amendments to the GEM Rules

### (I) Draft amendments to Chapter 23

#### Chapter 23

#### EQUITY SECURITIES

#### SHARE OPTION SCHEMES

#### Application of Chapter 23

- 23.01 (1) ~~The following provisions in this Chapter 23 apply, with appropriate modifications, to all schemes involving the grant by a listed issuer or any of its subsidiaries of options over (i) new shares or other new securities of the listed issuer; or (ii) new or existing shares of any of its subsidiaries; or (iii) options over any shares referred to in (i) or (ii), to, or for the benefit of, specified participants of such schemes (which includes a grant of any such shares or options to a trust or similar arrangement for the benefit of a specified participant and, for the purpose of this Chapter, "participant" includes any discretionary object of a participant which is a discretionary trust).~~
- (2) ~~Rules 23.05A, 23.06A, 23.06B, 23.07 and 23.09 also apply to a listed issuer's share award schemes that involve the grant of existing shares by the issuer to, or for the benefit of, specified participants of the schemes.~~
- (3) ~~Any arrangement involving the grant of options to participants over new shares or other new securities of a listed issuer or any of its subsidiaries (including options over any such shares or securities) which, in the opinion of the Exchange, is analogous to a share option scheme as described in this rule 23.01 must comply with the requirements of this Chapter.~~
- (42) Where the shares or other securities of the listed issuer or the subsidiary concerned are also listed on another stock exchange or the Main Board, the more onerous requirements shall prevail and be applied in the event of a conflict or inconsistency between the requirements of this Chapter and the requirements of the other stock exchange or the Main Board.
- (3) ~~The term "grant" includes "offer", "issue" and any other term used by the scheme to describe the grant of options under it.~~
- (54) Where there are two or more listed issuers within a group, each of the listed issuers must comply with the provisions of this Chapter in respect of its schemes and the schemes of any of its subsidiaries (whether the subsidiary concerned is listed on the Exchange or not). In particular, where the provisions require the scheme or any related matters to be approved by shareholders/ or the remuneration committee ~~independent non-executive~~

Proposals  
(A), (P)

Proposal  
(R)

Proposals  
(N), (O)

Proposals  
(A), (P)

Drafting  
changes  
(relevant  
requirements  
moved to  
new Rule  
23.01A)

~~directors~~ of a listed issuer whose holding company is also listed on the Exchange, such scheme or matters must simultaneously be approved by the shareholders/ or the remuneration committee independent non-executive directors of such listed issuer's holding company.

### **Definitions**

23.01A In this chapter, the following definitions apply:

<b><u>"1% individual limit"</u></b>	<u>has the meaning in rule 23.03D(1)</u>
<b><u>"award"</u></b>	<u>refers to share award granted or to be granted under a share award scheme</u>
<b><u>"employee participant"</u></b>	<u>has the meaning in rule 23.03A(1)</u>
<b><u>"grant"</u></b>	<u>includes "offer", "issue" and any other term used by a share scheme to describe the grant of shares or options under the scheme</u>
<b><u>"insignificant subsidiary"</u></b>	<u>has the meaning in rule 20.08</u>
<b><u>"related entity participant"</u></b>	<u>has the meaning in rule 23.03A(1)</u>
<b><u>"scheme mandate limit"</u></b>	<u>has the meaning in rule 23.03(3)</u>
<b><u>"service provider"</u></b>	<u>has the meaning in rule 23.03A(1)</u>
<b><u>"service provider sublimit"</u></b>	<u>has the meaning in rule 23.03(3)</u>
<b><u>"schemes" or "share schemes"</u></b>	<u>include share option schemes and share award schemes</u>

### **Adoption of a new scheme**

- 23.02 (1) (a) The scheme of a listed issuer or any of its subsidiaries must be approved by shareholders of the listed issuer in general meeting. The listed issuer must publish an announcement on the outcome of the shareholders' meeting for the adoption of the scheme in the manner as set out in rule 17.47(5), ~~as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following such meeting, in accordance with the publication requirements in Chapter 16.~~
- (b) A scheme adopted by a new applicant does not need to be approved by its shareholders after listing. However, all the terms of the scheme must be clearly set out in the prospectus. Where the scheme does not comply with the provisions of this Chapter, options and awards granted to, or for the benefit of, specified participants before listing may continue to be valid after listing (subject to the Exchange granting approval for listing of the new

Drafting changes (relevant requirements already set out in Rule 17.47(5))

Proposal (A)

applicant's shares securities to be issued in respect of upon exercise of such options and awards) but no further options or awards may be granted under the scheme after listing. The new applicant must also disclose in the prospectus full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect the exercise of such outstanding options or awards.

*Notes: 1 The Exchange reserves the right to review and consider these matters on a case-by-case basis.*

*2 Where the new applicant is a subsidiary of a listed issuer, the scheme must be approved by shareholders of the listed issuer in general meeting. The terms of the scheme must comply with the provisions of this Chapter including, in particular, rule 23.03(9) (the basis of determination of the exercise price).*

Proposal  
(A)

(2) The scheme document itself does not need to be circulated to shareholders of the listed issuer. However, if the scheme document is not so circulated, it must be published on the Exchange's website and the issuer's own website available for inspection at a place in Hong Kong for a period of not less than 14 days before the date of the general meeting and made available for inspection at the general meeting and the terms of the shareholders' resolution must approve the scheme as described in the summary circulated to the shareholders of the listed issuer. The circular must include the following information:

Rule changes became effective on 4 October 2021 (see consultation conclusions on proposals relating to online display of documents issued in December)

(a) the provisions described in rule 23.03;

(b) an explanation as to how the terms of the scheme, in particular, how the provisions described in rules 23.03(2), (6), (7), and (9) and (19), will serve the purpose of the scheme as set out in the scheme document. If the scheme allows grants of options or awards without performance targets and/or a clawback mechanism, the issuer must disclose the remuneration committee's view on why performance targets and/or a clawback mechanism is/are not necessary and how the grants serve the purpose of the scheme;

Proposals  
(B), (E)

(c) information relating to any directors of the listed issuer who are trustees of the scheme or have a direct or indirect interest in the trustees; and

(d) a statement in the form set out in paragraph 2 of Appendix 1, Part B.

~~(3) Where the scheme involves options over listed securities, the listed issuer is encouraged to disclose in the circular the value of all options that can be granted under the scheme as if they had been granted at the latest practicable date prior to the approval of the scheme. Where the listed issuer considers that disclosure of value of options is not appropriate, it must state the reason for such non-disclosure in the circular. The listed issuer should use the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options. The information described in (1),~~

Proposal  
(S)

~~(2) and (4) in the note to rule 23.08 should also be disclosed. The latest practicable date should be taken as the measurement date.~~

- ~~(4) All circulars and announcements required under this chapter must contain on the front cover or inside front cover of the circular or at the top of the announcement (as the case may be) a prominent and legible disclaimer in the following terms:~~

Drafting changes (relevant requirements already set out in Note 5 to Rule 17.53(2))

~~"Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this [circular/announcement], make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this [circular/announcement]."~~

- ~~(35) The listed issuer must provide a summary of the terms of the scheme to all participants on joining the scheme (and a copy of the scheme document to any participant who requests such a copy). The listed issuer must provide to all participants all details relating to changes in the terms of the scheme during the life of the scheme immediately upon such changes taking effect.~~

### Terms of the scheme

23.03 The scheme document must include the following provisions and/or provisions as to the following (as the case may be):—

- (1) the purpose of the scheme;
- (2) the participants of the scheme and the basis of determining the eligibility of participants;

*Note: Listed issuers are reminded to seek legal advice on the prospectus requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, particularly where participation in the scheme is not restricted to executives and employees.*

- (3) the total number of shares securities which may be issued in respect of upon exercise of all options and awards to be granted under the scheme and any other schemes (the **scheme mandate limit**), together with the percentage of the issued shares that it represents at the date of approval of the scheme; and, where the participants of the scheme include service providers, the sublimit on the total number of shares that may be issued in respect of all options and awards to be granted to service providers (the **service provider sublimit**) under the scheme mandate;

Proposal (C)(ii)

~~Notes: 1. The total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10 per cent of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme (alternatively, in respect of a scheme of a subsidiary that will become effective~~

Drafting changes (requirements in the notes moved to new Rules 23.03B and 23.03C)

~~only upon its separate listing, the 10% limit may be calculated by reference to the relevant class of securities of the subsidiary in issue as at the date of its listing). Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10% limit.~~

~~The listed issuer may seek approval by its shareholders in general meeting for “refreshing” the 10 per cent limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the limit as “refreshed” must not exceed 10 per cent of the relevant class of securities in issue as at the date of approval of the limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”. The listed issuer must send a circular to its shareholders containing the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4).~~

~~A listed issuer may seek separate approval by its shareholders in general meeting for granting options beyond the 10 per cent limit provided the options in excess of the limit are granted only to participants specifically identified by the listed issuer before such approval is sought. The listed issuer must send a circular to the shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose, the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4).~~

- ~~2. The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30 per cent of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded.~~
- ~~3. If the listed issuer (or the subsidiary) conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.~~

Proposal  
(C)(i)

Drafting  
changes  
(requirements  
in Note (3)  
moved to new  
Rule 23.03B

- (4) the maximum entitlement of each participant under the scheme;

~~*Note: Unless approved by shareholders in the manner set out in this Note to rule 23.03(4), the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the relevant class of securities of the listed issuer (or the subsidiary) in issue. Where any further grant of options to a participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The listed issuer must send a circular to the shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4). The number and terms (including the exercise price) of options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note 1 to rule 23.03(9).*~~

Drafting changes (requirements in the note moved to a new Rule 23.03D)

- (5) the period within which the securities must be taken up under the option may be exercised by the grantee under the scheme, which must not be more than 10 years from the date of grant of the option;

Drafting changes

- (6) the vesting period of options or awards granted under the scheme the minimum period, if any, for which an option must be held before it can be exercised;

*Notes: The vesting period should not be less than 12 months. The remuneration committee may approve the grant of options or awards to an employee participant specifically identified by the issuer with a shorter vesting period, with the reasons for the grant clearly explained in the grant announcement as required under rule 23.06B.*

Proposal (D)

- (7) a narrative description of the performance targets, if any, attached to options or awards granted under the scheme that must be achieved before the options can be exercised or, if none, a negative statement to that effect;

Proposal (E)

- (8) the amount, if any, payable on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
- (9) the basis of determination of the exercise price of options or the purchase price of shares awarded, if any;

~~Notes: 1 Subject to Note 2 to rule 23.03(9), the exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.~~

~~2 Note (1) to rule 23.03(9) does not apply to a share option scheme of a subsidiary of the listed issuer if the subsidiary's securities are not listed on the Exchange. However, the scheme must provide that the exercise price of options granted after the listed issuer has resolved to seek a separate listing of such subsidiary on the Exchange, the Main Board or an overseas stock exchange and up to the listing date of the subsidiary must be not lower than the new issue price (if any). In particular, any options granted during the period commencing six months before the lodgement of Form 5A (or its equivalent for listing on the Main Board or the overseas stock exchange) up to the listing date of the subsidiary are subject to this requirement. The scheme must therefore provide for any necessary adjustment of the exercise price of options granted during such period to not lower than the new issue price.~~

- (10) the voting, dividend, transfer and other rights, including those arising on a liquidation of the listed issuer, attaching to the shares securities and (if appropriate) any such rights attaching to the options or awards themselves;
- (11) the life of the scheme, which must not be more than 10 years;
- (12) the circumstances under which options or awards will automatically lapse;
- (13) a provision for adjustment of the exercise or purchase price and/or the number of shares securities subject to options or awards already granted and to granted under the scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital;

*Note: Any adjustments required under rule 23.03(13) must give a participant the same proportion of the equity capital as that to which that person was previously entitled, but no such adjustments may be made to the extent that a share would be issued at less than its*

Drafting changes (requirements in the notes moved to a new Rule 23.03E

*nominal value (if any). The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the listed issuer's auditors must confirm to the directors in writing that the adjustments satisfy the requirements set out in this note.*

- (14) a provision for the cancellation of options granted but not exercised or awards granted but shares in respect of which are not yet issued;

*Note: Where a listed issuer cancels options or awards granted to a participant, and make new issues new ones to the same participant option holder, the issue of such new options or awards may only be made under a scheme with available scheme mandate unissued options (excluding the cancelled options) within the limit approved by shareholders as mentioned in rule 23.03B or rule 23.03C note (1) to rule 23.03(3). The cancelled options or shares cannot be added back to replenish the scheme mandate.*

- (15) ~~unless the shares securities~~ subject to the scheme must be separately designated unless they are identical with other shares securities of the issuer in issue, a provision that they must be separately designated;

Drafting changes

- (16) where there is a provision for termination of the operation of the scheme before the end of its life, a provision for the treatment of options or awards granted under the scheme but not yet exercised or shares in respect of which are not yet issued at the time of termination;

*Note: Details of the options or awards granted, (including options exercised or outstanding, or shares issued and to be issued in respect of the awards granted) under the scheme and (if applicable) options or awards that become void or non-exercisable as a result of the termination must be disclosed in the circular to shareholders seeking approval of the first new scheme to be established or refreshment of scheme mandate limit under any existing scheme after such termination.*

- (17) transferability of options or awards; and

*Note: Options or awards granted under the scheme must be personal to the respective grantee. No options or awards may be transferred or assigned. The Exchange may consider granting a waiver to allow a transfer to a vehicle (such as a trust or a private company) for the benefit of the participant and any family members of such participant (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the scheme and comply with other requirements of this chapter. Where such waiver is granted, the Exchange shall require the issuer to disclose the beneficiaries of the trust or the ultimate beneficial owners of the other transferee vehicles.*

Proposal (L)

- (18) the specific terms of the scheme that can be changed by directors or scheme administrators without the approval of shareholders of the listed issuer in general meeting; and-

Notes: 1 Any alterations to the terms and conditions of a share scheme which are of a material nature or any alterations to the ~~The~~ provisions relating to the matters set out in this rule 23.03 cannot be altered to the advantage of participants must be approved by ~~without the prior approval of~~ shareholders of the listed issuer in general meeting.

Move from  
note (2) to  
Rule  
23.03(18)

2 Any alterations to the terms and conditions of a share option scheme of a listed issuer or any of its subsidiaries which are of a material nature or any change to the terms of options or awards granted must be to a participant must be approved by the remuneration committee and/or the shareholders of the listed issuer (as the case may be) if the initial grant of the options or awards was approved by the remuneration committee and/or the shareholders of the listed issuer (as the case may be).- This requirement does not apply ~~except~~ where the alterations take effect automatically under the existing terms of the scheme.

Proposal  
(K)

3 The amended terms of the scheme or the options or awards must still comply with the relevant requirements of this Chapter 23.

4 Any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the scheme must be approved by shareholders of the listed issuer in general meeting.

- (19) the clawback mechanism for the issuer to recover or withhold any options or awards granted to any participants in the event of serious misconduct, a material misstatement in the issuer's financial statements or other special circumstances, or, if none, a negative statement to that effect.

Proposal  
(E)

### **Participants of the scheme**

23.03A (1) Participants of the scheme shall include:

(a) directors and employees of the issuer or any of its subsidiaries (including persons who are granted options or awards under the scheme as inducement to enter into employment contracts with these companies) (**employee participants**);

Proposal  
(B)

(b) directors and employees of the holding companies, fellow subsidiaries or associated companies of the issuer (**related entities participants**);  
and

(c) persons who provide services to the issuer group on a continuing or recurring basis in its ordinary and usual course of business which are material to the long term growth of the issuer group (**service providers**) as determined by the remuneration committee.

Note: Service providers may include, for example, persons who work for the issuer as independent contractors but the continuity and frequency of their services are akin to those of employees. For the avoidance of doubt, service providers would not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, or consultants providing professional services to the issuer.

(2) The scheme document must clearly identify each category of service providers and the criteria for determining a person's eligibility under each category.

(3) Grants of options or awards to service providers or related entity participants must be approved by the remuneration committee.

#### **Scheme mandate limit and service provider sublimit**

23.03B (1) The total number of securities which may be issued upon exercise of all options to be granted under the scheme mandate limit and any other schemes must not in aggregate exceed 10% of the relevant class of shares securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme (alternatively, in respect of a scheme of a subsidiary that will become effective only upon its separate listing, the 10% limit may be calculated by reference to the relevant class of shares securities of the subsidiary in issue as at the date of its listing) (the **scheme mandate limit**).

Proposal  
(C)(i)

(2) Where the participants of the scheme include service providers, the service provider sublimit must be set within the scheme mandate limit and separately approved by shareholders of the issuer in general meeting. The circular must contain the basis for determining the service provider sublimit and the remuneration committee's views on whether the service provider sublimit is appropriate and reasonable.

Proposal  
(C)(ii)

Notes: 1 Options or awards lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the ~~10% limit~~ scheme mandate limit (and the service provider sublimit, if any).

2 If the listed issuer (or the subsidiary) conducts a share consolidation or subdivision after the ~~10% limit~~ scheme mandate limit or the service provider sublimit has been approved in general meeting, the maximum number of shares securities that may be issued upon exercise in respect of all options and awards to be granted under all of the schemes of the listed issuer (or the subsidiary) under the ~~10% limit~~ scheme mandate limit or the service provider sublimit as a percentage of the total number of

*issued shares at the date immediately before and after such consolidation or subdivision shall be the same.*

23.03C (1) The listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10% limit scheme mandate limit (and the service provider sublimit, if any) under the scheme after three years from the date of shareholders' approval for the last refreshment (or the adoption of the scheme). Additional "refreshment" within any three year period must be approved by independent shareholders of the issuer where any controlling shareholders and their associates (or if there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting and the issuer must comply with the requirements under rules 17.47(6) and 17.47(7) and rules 17.47A, 17.47B and 17.47C.

Proposal  
(C)(i)

(2) ~~However, the~~ The total number of shares securities which may be issued upon exercise in respect of all options and awards to be granted under all of the schemes of the listed issuer (or the subsidiary) under the scheme mandate limit as "refreshed" must not exceed 10% of the relevant class of shares securities in issue as at the date of approval of the limit refreshed scheme mandate. ~~Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".~~ The listed issuer must send a circular to its shareholders containing the number of options and awards that were already granted under the existing scheme mandate limit and the service provider sublimit (if any), and the reason for the "refreshment" the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4).

(3) A listed issuer may seek separate approval by its shareholders in general meeting for granting options or awards beyond the scheme mandate ~~10%~~ limit provided the options or awards in excess of the limit are granted only to participants specifically identified by the listed issuer before such approval is sought. The listed issuer must send a circular to the shareholders containing a generic description of the specified participants the name of each specified participant who may be granted such options or awards, the number and terms of the options or awards to be granted to each participant, the purpose of granting options or awards to the specified participants with an explanation as to how the terms of the options or awards serve such purpose, ~~the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4).~~ The number and terms (including the exercise price) of options or awards to be granted to such participant must be fixed before shareholders' approval. In respect of any options to be granted, the date of board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the exercise price under rule 23.03E(1).

Proposal  
(H)

### **Limit on granting options or awards to individual participants**

~~Unless approved by shareholders in the manner set out in this note to rule 23.03(4), the total number of securities issued and to be issued upon~~

~~exercise of the options granted to each participant (including options both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the listed issuer (or the subsidiary) in issue.~~

- 23.03D (1) ~~Where any further grant of options or awards to a participant would result in the shares securities issued and to be issued upon exercise in respect of all options and awards granted and to be granted to such person (excluding any options and awards lapsed in accordance with the terms of the scheme including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities shares of the listed issuer (or the subsidiary) in issue (the 1% individual limit), such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his/her close associates (or his associates if the participant is a connected person) abstaining from voting. The listed issuer must send a circular to the shareholders, and the~~
- (2) ~~The circular must disclose the identity of the participant, the number and terms of the options or awards to be granted (and options those previously granted to such participant in the 12-month period), the purpose of granting options or awards to the participant and an explanation as to how the terms of the options or awards serve such purpose the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4). The number and terms (including the exercise price) of the options or awards to be granted to such participant must be fixed before shareholders' approval, and In respect of any options to be granted, the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under rule 23.03E(1) note (1) to rule 23.03(9).~~

### **Exercise price of options**

- 23.03E (1) ~~Subject to rule 23.03E(2) note (2) to rule 23.03(9), the exercise price of options must be at least the higher of: (i) the closing price of the shares securities as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.~~
- (2) ~~Rule 23.03E(1) Note (1) to rule 23.03(9) does not apply to a share option scheme of a subsidiary of the listed issuer if the subsidiary's shares securities are not listed on the Exchange. However, the scheme must provide that the exercise price of options granted after the listed issuer has resolved to seek a separate listing of such subsidiary on the Exchange, the Main Board or an overseas stock exchange and up to the listing date of the subsidiary must be not lower than the new issue price (if any). In particular, any options granted during the period commencing six months before the lodgement of Form 5A~~

(or its equivalent for listing on the Main Board or the overseas stock exchange) up to the listing date of the subsidiary are subject to this requirement. The scheme must therefore provide for any necessary adjustment of the exercise price of options granted during such period to not lower than the new issue price.

Note: Rule 23.03E does not apply to a share award scheme.

**Granting options or awards to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates**

23.04 (1) ~~In addition to the shareholders' approval set out in Note 1 to rule 23.03(3) and the Note to rule 23.03(4), each~~Any grant of options or awards to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of the listed issuer or any of its subsidiaries must comply with the requirements of this rule 23.04(1). Each grant of options to any of these persons must be approved by the remuneration committee independent nonexecutive directors of the listed issuer (excluding independent non-executive director any director who is the grantee of the options or awards).

Proposal  
(G)

(2) Where any grant of awards to a director (other than an independent non-executive director) or chief executive of the issuer, or any of their associates would result in the shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of awards must be approved by shareholders in general meeting.

(3) Where any grant of options or awards to a substantial shareholder or an independent non-executive director or a substantial shareholder of the listed issuer, or any of their respective associates, would result in the shares securities issued and to be issued upon exercise in respect of all options and awards already granted and to be granted (excluding any options and awards lapsed in accordance with the terms of the scheme including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) ~~—~~representing in aggregate over 0.1% of the relevant class of shares securities in issue; and

(b) ~~—~~ (where the securities are listed on the Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options or awards must be approved by shareholders in general meeting.

Note: See also the recommended practice relating to the grant of options or awards to independent non-executive directors under E.1.9 of the Corporate Governance Code in Appendix 15 to the Rules.

Proposal  
under the  
Consultation  
Paper on  
Review of  
Corporate  
Governance  
Code and  
Related  
Listing Rules

~~(4)~~ In the circumstances described in rule 23.04(2) or (3), ~~the~~ listed issuer must send a circular to the shareholders. The grantee, his/her associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting. ~~(2) Listed issuers~~ The listed issuer must comply with the requirements set out in rules 17.47A, 17.47B and 17.47C.

~~(5)~~~~(3)~~ The circular must contain:

- (a) details of the number and terms ~~(including the exercise price)~~ of the options or awards to be granted to each participant, which must be fixed before the shareholders' meeting, ~~and~~ In respect of any options to be granted, the date of the board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price under rule 23.03E(1) ~~Note 1 to rule 23.03(9)~~;

*Note: The description of the terms of the options or awards must include the information required under rules 23.03(5) to 23.03(10) and rule 23.03(19).*

- (b) a recommendation from the independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options) to the independent shareholders as to voting;
- (c) the information required under rules 23.02(2)(c) ~~and (d)~~ ~~and the disclaimer required under rule 23.02(4)~~; and
- (d) the information required under rule 2.28.

*Notes: 1 ~~Shareholders' approval as required under rule 23.04(1) is also required for any~~ Any change in the terms of options or awards granted to a participant who is a director, chief executive or substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, must be approved by shareholders of the issuer in manner as set out in rule 23.04(3) if the initial grant of the options or awards requires such approval (except where the changes take effect automatically under the existing terms of the scheme).*

*2 The requirements for the grant granting of options or awards to a director or chief executive of a listed issuer set out in this rules 23.04(1), (2) and (3) do not apply where the participant is only a proposed director or chief executive of the listed issuer.*

#### **Restriction on the time of grant of options or awards**

23.05 An issuer may not grant any options or awards after inside information has come to its knowledge until (and including) the trading day after it has announced the information. In particular, it may not grant any option or award during the period commencing one month immediately before the earlier of:

- (1) the date of the board meeting (as such date is first notified to the Exchange under rule 17.48) for approving the issuer's results for any year, half-year or quarter-year

Proposal  
(K)

- period or any other interim period (whether or not required under the GEM Listing Rules); and
- (2) the deadline for the issuer to announce its results for any year, half year or quarter-year period under rule 18.49, 18.78 or 18.79 or any other interim period (whether or not required under the GEM Listing Rules),
- and ending on the date of the results announcement.

*Note: No option or award may be granted during any period of delay in publishing a results announcement.*

**Voting of unvested shares**

- 23.05A The trustee holding unvested shares of a share scheme shall abstain from voting on matters that require shareholders' approval under the GEM Listing Rules.

Proposal  
(M)

**Despatch of circular**

- 23.06 The circular required under this Chapter should be despatched to the shareholders no later than the date on which the listed issuer gives notice of the general meeting to approve the scheme or related matters as required under this Chapter.

**Announcement on grant of options or awards**

- 23.06A As soon as possible upon the granting by the listed issuer of any options or awards under the scheme, the listed issuer must publish an announcement ~~in accordance with the requirements of Chapter 16~~ setting out the following details in rule 23.06B.

Proposal  
(H)

- (1) The disclosure must be made, on an individual basis, if the grantee is:
- (a) a director, chief executive or substantial shareholder of the listed issuer, or an associate of any of them;
  - (b) a participant with options and awards granted and to be granted exceeding the 1% individual limit; or
  - (c) a related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue.
- (2) Information relating to grants of options and awards to other grantees may be disclosed by category. The Exchange may require the issuer to submit a list of the grantees in the format it prescribed from time to time.

- 23.06B The announcement must set out the following details in a tabular format:

- (1) date of grant;
- (1a) (a) the name of the grantee (and where the grantee is not a natural person, the name of its ultimate beneficial owner), the relationship between the grantee

Proposals  
(B), (H)

and the issuer, and where the grantee is a related entity participant or service provider, the nature of services provided to the issuer and for a service provider, the duration of the relevant service contract with the issuer; or

- (b) where disclosure on an individual basis is not required, a description of each of the categories of grantees;
- (23) number of options or awards granted;
- (32) exercise price of options or purchase price of shares granted;
- (4) market price of the shares securities on the date of grant;
- (5) ~~where any of the grantees is a director, chief executive or substantial shareholder of the listed issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and~~
- (56) exercise period of the options validity period of the options;-
- (6) vesting period of the options or awards. In the case of a grant of options or awards to an employee participant that may vest immediately or within a period less than 12 months, the remuneration committee's views on why the arrangement is appropriate and how the grant serves the purpose of the scheme;;
- (7) a narrative description of the performance targets attached to the options or awards granted (including the target levels and performance-related measures), the rationale for adopting the performance targets and the method for assessing whether they are satisfied. If any options or awards are granted without performance targets, the announcement must contain the remuneration committee's views on why performance targets are not necessary and how the grant serves the purpose of the scheme;
- (8) clawback mechanism for the issuer to recover or withhold any awards or options granted, or if none, the remuneration committee's views on why clawback mechanism is not necessary and how the grant serves the purpose of the scheme;
- (9) where options or awards are granted to a service provider; a related entity participant or a connected person, the reasons for the grant and the remuneration committee's views on why it is appropriate to approve the grant, the factors that it took into account and how the grant serves the purpose of the scheme.
- (10) arrangements, if any, for the issuer or any of its subsidiaries to provide financial assistance to the grantee(s) to facilitate the purchase of shares under the scheme.

Proposals  
(D), (H)

Proposals  
(E), (H)

Proposals  
(B), (H)

*Note: The issuer must comply with Chapter 20 for providing financial assistance to any grantee who is a connected person.*

23.06C The announcement must also disclose the number of shares available for future grant under the scheme mandate and the service provider sublimit (if applicable).

## Disclosure requirements

23.07 In relation to each scheme of a listed issuer or any of its subsidiaries, the listed issuer must disclose in its annual report and half-year report the following information in relation to: (i) each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates; (ii) each participant with options and awards granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue; ~~aggregate figures for employees working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance~~; (iv) ~~aggregate figures for suppliers of goods or services~~; and (iv) all other employees participants, related entity participants and service providers by category as an aggregate whole. —

(1) a table showing the following details of awards and options granted to each participant or category of participants:

- (a) name of the grantee or a description of the category of grantees;
- (b4) particulars of outstanding options and unvested awards at the beginning and at the end of the financial year/ period, including number of options and awards, date of grant, vesting period, exercise period and exercise/grant price;
- (c2) particulars of options and awards granted during the financial year/period, including (i) the number of options and awards, (ii) the date of grant, (iii) the vesting period, exercise period, and exercise/grant price, and performance targets, and (iv) (where the shares are for options over-listed securities) the closing price of the shares securities immediately before the date on which the options or awards were granted, and (v) the fair value of options and awards at the date of grant and the accounting standard and policy adopted;

Note: The listed issuer should calculate the fair value of options and awards in accordance with the accounting standard and policy adopted for preparing its financial statements and disclose the methodology and assumptions used, including but not limited to:

(1) In the case of options, a description of the option pricing model and details of the significant assumptions and inputs used to that pricing model such as the expected volatility, expected dividends and the risk-free interest rate. The issuer should include an explanation on how these significant assumptions and inputs are determined.

(2) In the case of awards, a description of the basis for fair value measurement and information on whether and how the features of the awards (for example, the expected dividends) are incorporated into the measurement of fair value.

- (d3) the number of options exercised and awards vested during the financial year/period with the exercise/grant price and (where the shares are for options over-listed securities) the weighted average closing price of the

shares securities immediately before the date on which the options or awards were exercised or vested;

(e4) the number of options and awards cancelled during the financial year/period together with the exercise/grant price of the cancelled options and awards; and

(f5) the number of options and awards which lapsed in accordance with the terms of the scheme during the financial year/period.

(2) the number of options and awards that may be granted under the scheme mandate and the service provider sublimit (if applicable) at the beginning and the end of the financial year/period;

(3) the number of shares that may be issued in respect of options and awards granted under all schemes of the issuer (or the subsidiary) during the financial year/period divided by the weighted average number of relevant class of shares issued for the year/period; and

(4) where options or awards were granted to a service provider during the financial year/period, a confirmation from the remuneration committee that the service provider has provided services to the issuer group on a continuing and recurring basis in its ordinary and usual course of business in the relevant period which are material to the long term growth of the issuer group.

23.07A The listed issuer must disclose in its Corporate Governance Report a summary of each matter relating to share schemes that were reviewed and/or approved by the remuneration committee during the financial year. The remuneration committee must explain why it is appropriate to approve those matters, the factors that it took into account and how the grants of options or awards serve the purpose of the scheme (including how the grants would align the grantees' interests with those of the issuer and its shareholders).

Proposal  
(J)

23.08 [~~Repealed [Date]] In respect of options granted during the financial year/period over listed securities, the listed issuer is encouraged to disclose in its annual report and half-year report the value of options granted to participants set out in (i) to (v) of rule 23.07 during the financial year/period, and the accounting policy adopted for the share options. Where the listed issuer considers that disclosure of value of options granted during the financial year/period is not appropriate, it must state the reason for such non-disclosure in its annual report or half-year report.~~

Replaced by  
the  
proposed  
disclosure  
requirement  
under rule  
23.07(1)(c)

~~*Note: In respect of the disclosure of the value of options in annual report or half-year report, the listed issuer should use the Black-Scholes options pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options. The listed issuer should also disclose, in the annual report or half-year report, the following information:*~~

(1) ~~a description of the model and significant assumptions used to estimate the value of the option, taking into account factors such as risk-free interest rate, expected life, expected volatility and expected dividend, if applicable;~~

- (i) ~~Where the calculation of the value is referable to a risk-free interest rate, such rate should be the rate prevailing on debt securities issued by the state, such as the Exchange Fund Notes in the case of Hong Kong based entities.~~
- (ii) ~~The listed issuer should set out the expected volatility used in calculating the value, with an explanation of any deviations from the historical volatility of the securities. The listed issuer may choose the period of time that it considers appropriate for calculating such historical volatility. However, such period may not be less than one year or, where securities have been listed for less than one year from the date of commencement of dealings in such securities, such period is to be from the date of commencement of such dealings to the date of the calculation.~~
- (iii) ~~Expected dividends should be based on historical dividends, with an explanation of any adjustments made for publicly available information indicating that future performance is reasonably expected to differ from past performance.~~

~~(2) the measurement date which should be the date on which the options were granted;~~

~~(3) the treatment of forfeiture prior to the expiry date; and~~

~~(4) a warning statement with regard to the subjectivity and uncertainty of the values of options to the effect that such values are subject to a number of assumptions and with regard to the limitation of the model.~~

23.09 The listed issuer must include in its annual report a summary of each share option scheme approved by its shareholders setting out:

- (1) the purpose of the scheme;
- (2) the participants of the scheme;
- (3) the total number of shares ~~securities~~ available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report;
- (4) the maximum entitlement of each participant under the scheme;
- (5) the period within which the ~~securities must be taken up under an option~~ may be exercised by the grantee under the scheme;
- (6) the vesting period of options or awards granted under the scheme ~~the minimum period, if any, for which an option must be held before it can be exercised;~~
- (7) the amount, if any, payable on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be repaid;

Proposal (1)
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- (8) the basis of determining the exercise price of options or the purchase price of shares awarded, if any; and
- (9) the remaining life of the scheme.

**Transitional arrangements**

**Exemption for share schemes of insignificant subsidiaries**

Proposal (Q)
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23.10 ~~[Repealed 1 October 2020]~~ In respect of a share scheme that involves the grant of shares or options by an “insignificant subsidiary” of an issuer, the adoption of the scheme and refreshment of scheme mandate are exempt from the shareholders’ approval requirements under rule 23.02(1)(a) and note (2) to rule 23.03(3) if:

- (1) they are approved by the remuneration committee of the issuer;
- (2) the scheme complies with other applicable requirements under this Chapter;
- (3) the subsidiary is, and remains to be, an insignificant subsidiary.

Note: If the subsidiary no longer qualifies as an “insignificant subsidiary” after the adoption of the share scheme, the issuer must obtain approval from its shareholders for any subsequent refreshment of the scheme mandate.

23.11 Listed issuers must comply with the terms of their share ~~option~~-schemes in addition to the requirements of this Chapter 23. A breach of any such terms or requirements will constitute a breach of the GEM Listing Rules.

**(II) Draft Amendments to Other Chapters of the GEM Listing Rules**

**Chapter 5**

**GENERAL**

**AUTHORISED REPRESENTATIVES, DIRECTORS, BOARD COMMITTEES  
AND COMPANY SECRETARY**

...

**Directors**

...

5.09 In assessing the independence of non-executive directors, the Exchange will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the director:—

- (2) has received an interest in any securities of the issuer as a gift, or by means of other financial assistance, from a core connected person or the issuer itself. However, subject to Note 1 to rule 5.09(1), the director will still be considered independent if he receives shares or interests in securities from the issuer or its subsidiaries (but not from core connected persons) as part of his director's fee or pursuant to share option-schemes established in accordance with Chapter 23;

Proposal  
(T)

...

### *Interpretation*

5.52 For the purpose of the required standard of dealings:

...

- (4) notwithstanding the definition of "dealing" under rule 5.52(1), the following dealings are not subject to the required standard of dealings:

...

- (g) ... ; ~~and~~
- (h) dealing where the beneficial ownership is transferred from another party by operation of law-; and
- (i) acceptance or vesting of shares pursuant to the terms of share awards granted by a listed issuer before a period during which dealing is prohibited under this code at the purchase price, if any, fixed at the time of grant of the awards.

Proposal  
(T)

...

## **Chapter 17**

### **EQUITY SECURITIES**

#### **CONTINUING OBLIGATIONS**

...

#### **General matters relevant to the issuer's securities**

*Changes in issued shares – next day disclosure return and monthly return*

17.27B A listed issuer shall, by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day next following the end of each calendar month, submit through HKEx-EPS, or such other means as the Exchange may from time to time prescribe, for publication on the GEM website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitised instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the Exchange may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return). Such information includes, among other things, the number as at the close of such period of equity securities, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible securities or any other agreements or arrangements, and the number of unvested shares held by the trustee of a share scheme under Chapter 23.

Proposals  
(M), (O)

Note: The Exchange may require the issuer to submit a list of grantees and the movements of shares and/or options granted to each of them under Chapter 23 in the format it prescribed from time to time.

Proposal  
(H)

...

### **General matters relevant to the issuer's securities**

#### *No further issues of securities within 6 months of listing*

17.29 No further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 months from the date on which securities of the listed issuer first commence dealing on GEM (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealing), except for:

- (1) the issue of shares, the listing of which has been approved by the Exchange, pursuant to a share ~~option~~ scheme under Chapter 23;
- (2) ...

Proposal  
(T)

...

#### *Announcement of issues of securities*

17.30 ...  
...

- (15) any other material information with regard to the issue (including any restrictions on the ability of the issuer to issue further securities or any restrictions on the

ability of the allottees to dispose of shares issued to them or any restrictions on the ability of existing shareholders to dispose of their securities arising in connection with the allotment).

Notes: (1) This rule does not apply to a grant of options or awards or issue of securities under a share ~~option~~ scheme which complies with Chapter 23. For these, the issuer must follow the announcement requirement under rule 23.06A.

Proposal  
(H)

(2) ...

...

## Meetings

### *Meetings of holders of securities*

17.47A Parties that are required to abstain from voting in favour at the general meeting pursuant to rules 9.20(1), 9.21, 10.29(1), 10.29A, 10.39(1), 10.39A, 17.42A(1), 17.42A(2), 19.89(2), 19.90(1), 23.03C(1), 23.04(4) may vote against the resolution at the general meeting of an issuer provided that their intention to do so has been stated in the relevant listing document or circular to shareholders. Any such party may change his mind as to whether to abstain or vote against the resolution, in which case the issuer must, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to its shareholders or publish an announcement notifying its shareholders of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 10 business days before the date originally scheduled for the general meeting, the meeting must be adjourned before considering the relevant resolution to a date that is at least 10 business days from the date of despatch or publication by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect.

Proposal  
(C)

...

## Announcements, circulars and other documents

### *Review of documents*

17.53 Subject to rule 17.53A, where an issuer is obliged to publish any announcements, circulars or other documents for the purposes of the GEM Listing Rules, the documents need not be submitted to the Exchange for review before they are issued unless the documents fall within rule 17.53(1) or (2).

(1) The issuer shall submit to the Exchange copies of drafts of the following

documents for review before they are issued:

...

(e) circular to the issuer's shareholders seeking their approval of:

(i) ...

(ii) any matter relating to share option-scheme required under Chapter 23 of the GEM Listing Rules; or

Proposal  
(T)

...

## Chapter 18

### EQUITY SECURITIES

### FINANCIAL INFORMATION

...

#### *Information to accompany directors' report and annual financial statements*

18.07 The listed issuer shall include the disclosures required under the relevant accounting standards adopted and the information set out in rules 18.07A to 18.47 in its directors' report and annual financial statements. Unless stated to the contrary the financial information specified in these rules may be included outside the financial statements and will therefore be outside the scope of the auditors' report on the financial statements. The statement of profit or loss and other comprehensive income and statement of financial position set out in the financial statements must include at least the information set out in rule 18.50B. Banking companies (meaning banks, restricted licence banks and deposit-taking companies as defined in the Banking Ordinance) shall, in addition, comply with the Guideline on the Application of the Banking (Disclosure) Rules as issued by the Hong Kong Monetary Authority.

Notes: 1 ...

*4 An annual report shall contain the following information required under other parts of the GEM Listing Rules:*

...

*(i) share ~~option~~-schemes under rules 23.07, ~~23.08~~ and 23.09; and*

...

Proposals  
(I), (N)

18.17A For directors and chief executives, the statements should show details of the following matters as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance:

(1) ...

...

Notes:

(1) ...

(2) ...

(3) *For (c)(i) above, in respect of options granted to directors or chief executives pursuant to share option schemes under Chapter 23 of the GEM Listing Rules, the statements should show such details as are required to be disclosed under Rule 23.07(1)(b) of the GEM Listing Rules.*

Amendment  
to Rule  
reference

...

18.17B For substantial shareholders, the statements should show details of the following matters as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance:

(1) ...

...

Notes:

(1) ...

(2) ...

(3) *For (b)(i) above, in respect of options granted to substantial shareholders pursuant to share option schemes under Chapter 23 of the GEM Listing Rules, the statements should show such details as are required to be disclosed under Rule 23.07(1)(b) of the GEM Listing Rules.*

Amendment  
to Rule  
reference

...

18.41 A discussion and analysis of the group's performance during the year and the material factors underlying its results and financial position. It should emphasise trends and identify significant events or transactions during the year under review. As a minimum

the directors of the listed issuer should comment on the following:—

...

- (7) where applicable, details of the number and remuneration of employees, remuneration policies, bonus and share ~~option~~-schemes and training schemes;

Proposal  
(I), (N)

...

### *Content of half-year reports*

18.55 Each half-year report shall contain the disclosures required under the relevant accounting standards adopted and the information set out below:

...

- (9) the further information set out in rules 18.56 to 18.64.

*Notes: ...*

- 10 *A half-year report shall contain the following information required under other parts of the Listing Rules:*

...

- (h) *share ~~option~~-schemes under rules 23.07 and ~~23.08~~.*

Proposals  
(I), (N)

...

## **Chapter 20**

### **EQUITY SECURITIES**

#### **CONNECTED TRANSACTIONS**

...

#### **Issues of new securities by the listed issuer or its subsidiary**

20.90 An issue of new securities by a listed issuer or its subsidiary to a connected person is fully exempt if:

- (1) ...

- (2) ...
- (3) the securities are issued to the connected person under:
- (a) a share ~~option~~-scheme that complies with Chapter 23; or
  - (b) a share ~~option~~-scheme adopted by the listed issuer before its securities first start dealing on the Exchange, and where the Exchange has approved the listing of the securities to be issued under the scheme; or

Proposal  
(G)

...

## Chapter 25

### EQUITY SECURITIES

#### ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

...

#### Chapter 23 – Share ~~Option~~-Schemes

25.34D The Exchange may waive the exercise price requirement under Note 1 to rule 23.03(9) for a share option scheme of a PRC issuer dually listed on the Exchange and a PRC stock exchange, provided that: (i) the scheme involves only shares listed on the PRC stock exchange; and (ii) the scheme contains provisions to ensure that the exercise price of the options is no less than the prevailing market price of the relevant shares on the PRC stock exchange at the time of grant of the options.

Amendment  
to the title of  
Chapter 23

...

## Appendix 1

### Contents of Listing Documents

#### Part A

#### Equity Securities

**In the case where listing is sought for equity securities of an issuer no part of whose share capital is already listed**

...

**General information about the group's activities**

28. ...

- (7) The number of people employed by the group and changes therein in the last 24 months, if such changes are material in the context of the group, with, if possible a breakdown of persons employed by main category of activity. Details of the remuneration of employees, remuneration policies, bonus and share option-schemes and training schemes should be provided where relevant.

Proposal  
(T)

...

44. Details of any share option-schemes to which Chapter 23 applies.

...

**Appendix 1**

**Contents of Listing Documents**

**Part B**

**Equity Securities**

**In the case where listing is sought for equity securities of an issuer some part of whose share capital is already listed**

...

**General information about the issuer, its advisers and the listing document**

37. Details of any share option-schemes to which Chapter 23 applies.

Proposal  
(T)

...

**Appendix 15**

**CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT**

Proposal  
(T)

...

**PART 1 – MANDATORY DISCLOSURE REQUIREMENTS**

...

**E. BOARD COMMITTEES**

The following information for each of the ..., remuneration committee, ..., and corporate governance functions:

...

(d) a summary of the work during the year, including:

...

(ii) for the remuneration committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors, ~~and approving the terms of executive directors' service contracts,~~ and reviewing and/or approving matters relating to share schemes under chapter 23 (see rule 23.07A), performed by the remuneration committee. ...

Proposal  
(J)

...

**PART 2 – PRINCIPLES OF GOOD CORPORATE GOVERNANCE,  
CODE PROVISIONS AND  
RECOMMENDED BEST PRACTICES**

...

**~~E. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION~~**

...

**Code Provisions**

...

E.1.2 The remuneration committee's terms of reference should include, as a minimum:-

...

(g) ...; ~~and~~

(h) ... remuneration-; and

(i) to review and/or approve matters relating to share schemes under Chapter 23 of the Rules.

Proposal  
(J)

...

...

## **Appendix 17**

### **Headline Categories**

...

#### **Schedule 1**

#### **Headline Categories for Announcements and Notices**

...

##### **Securities/Share Capital**

Announcement pursuant to Code on Share Buy-backs  
Capital Reorganisation  
Capitalisation Issue  
Change in Board Lot Size  
Change in Terms of Securities or Rights attaching to Securities  
Change of Dividend Payment Date  
Closure of Books or Change of Book Closure Period  
Consideration Issue  
Conversion of Securities  
Intention to Sell Shares of Untraceable Member  
Issue of Convertible Securities  
Issue of Debt Securities  
Issue of Preference Shares  
Issue of Securities by Major Subsidiary  
Issue of Shares under a General Mandate  
Issue of Shares under a Specific Mandate  
Issue of Warrants  
Movements in Issued Share Capital  
Open Offer  
Placing  
Rights Issue  
Share Option Scheme  
Trading Arrangements (other than Change in Board Lot Size)

Amendment to the title of Chapter 23
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#### **Schedule 2**

#### **Headline Categories for Circulars**

##### **Securities/Share Capital**

Capitalisation Issue  
Change in Terms of Securities or Rights attaching to Securities  
Document issued pursuant to Code on Share Buy-backs  
Exchange or Substitution of Securities  
Explanatory Statement for Repurchase of Shares

General Mandate  
Issue of Convertible Securities  
Issue of Debt Securities  
Issue of Preference Shares  
Issue of Securities by Major Subsidiary  
Issue of Securities within 6 Months of Listing  
Issue of Shares  
Issue of Warrants  
Open Offer  
Rights Issue  
Share Option Scheme

Amendment  
to the title of  
Chapter 23

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## **APPENDIX III: PRIVACY POLICY STATEMENT**

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### **Privacy Policy Statement**

Hong Kong Exchanges and Clearing Limited, and from time to time, its subsidiaries (together the "**Group**") (and each being "**HKEX**", "**we**", "**us**" or "**member of the Group**" for the purposes of this Privacy Policy Statement as appropriate) recognise their responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) ("**PDPO**"). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by us is accurate. We will use your personal data which we may from time to time collect in accordance with this Privacy Policy Statement.

We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, where required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEX website or otherwise, continued use by you of the HKEX website or your continued relationship with us shall be deemed to be your acceptance of and consent to this Privacy Policy Statement, as amended from time to time.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels set out in the "Contact Us" section below.

We will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorised personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your requests, applications, subscriptions or registrations, and may not be able to perform or discharge the Regulatory Functions (defined below).

### **Purpose**

From time to time we may collect your personal data including but not limited to your name, mailing address, telephone number, email address, date of birth and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEX and any company of which HKEX is the recognized exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571)) ("Regulatory Functions");
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis;
5. to process your application for employment or engagement within HKEX to assess your suitability as a candidate for such position and to conduct reference checks with your previous employers; and
6. other purposes directly relating to any of the above.

### **Direct marketing**

Where you have given your consent and have not subsequently opted out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to HKEX financial services and information services, and financial services and information services offered by other members of the Group.

If you do not wish to receive any promotional and direct marketing materials from us or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels set out in the "Contact Us" section below. To ensure that your request can be processed quickly please provide your full name, email address, log in name and details of the product and/or service you have subscribed.

### **Identity Card Number**

We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

### **Transfers of personal data for direct marketing purposes**

Except to the extent you have already opted out we may transfer your name, mailing address, telephone number and email address to other members of the Group for the purpose of enabling those members of the Group to send

promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

### **Other transfers of personal data**

For one or more of the purposes specified above, your personal data may be:

1. transferred to other members of the Group and made available to appropriate persons in the Group, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong;
2. supplied to any agent, contractor or third party who provides administrative, telecommunications, computer, payment, debt collection, data processing or other services to HKEX and/or any of other member of the Group in Hong Kong or elsewhere; and
3. other parties as notified to you at the time of collection.

### **How we use cookies**

If you access our information or services through the HKEX website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEX website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEX website:

**Session Cookies:** temporary cookies that only remain in your browser until the time you leave the HKEX website, which are used to obtain and store configuration information and administer the HKEX website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEX website.

**Persistent Cookies:** cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEX website or to track and record user preferences.

The cookies used in connection with the HKEX website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilize or activate certain functions available on the HKEX website.

### **Compliance with laws and regulations**

HKEX and other members of the Group may be required to retain, process and/or disclose your personal data in order to comply with applicable laws and regulations or in order to comply with a court order, subpoena or other legal process (whether in Hong Kong or elsewhere), or to comply with a request by a government authority,

law enforcement agency or similar body (whether situated in Hong Kong or elsewhere) or to perform or discharge the Regulatory Functions. HKEX and other members of the Group may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our employees, or to perform or discharge the Regulatory Functions.

### **Corporate reorganisation**

As we continue to develop our business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganization.

### **Access and correction of personal data**

Under the PDPO, you have the right to ascertain whether we hold your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request us to inform you of the type of personal data held by us. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data ("**Privacy Commissioner**") which may be found on the official website of the Office of the Privacy Commissioner or via this link

<https://www.pcpd.org.hk/english/publications/files/Dforme.pdf>

Requests for access and correction of personal data or for information regarding policies and practices and kinds of data held by us should be addressed in writing and sent by post to us (see the "Contact Us" section below).

A reasonable fee may be charged to offset our administrative and actual costs incurred in complying with your data access requests.

### **Termination or cancellation**

Should your account or relationship with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our employees, and for performing or discharging our functions, obligations and responsibilities.

## **General**

If there is any inconsistency or conflict between the English and Chinese versions of this Privacy Policy Statement, the English version shall prevail.

## **Contact us**

By Post:

Personal Data Privacy Officer  
Hong Kong Exchanges and Clearing Limited  
8/F., Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

By Email: [DataPrivacy@hkex.com.hk](mailto:DataPrivacy@hkex.com.hk)

## Hong Kong Exchanges and Clearing Limited

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