

# Chapter 17

## EQUITY SECURITIES

### SHARE SCHEMES

#### Application of chapter 17

- 17.01 (1) This chapter deals with:
- (a) share schemes involving the grant by a listed issuer of (i) new shares of the listed issuer; or (ii) options over new shares of the listed issuer, 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) (see rules 17.02 to 17.11);
  - (b) share schemes of a listed issuer that are funded by existing shares of the issuer (see rule 17.12);
  - (c) share schemes of a principal subsidiary of a listed issuer (see rules 17.13 to 17.15).
- (2) Any arrangement involving the grant of shares or other securities of a listed issuer or a principal subsidiary of the issuer (including options over any such shares or securities) which, in the opinion of the Exchange, is analogous to a share scheme as described in this rule 17.01 must comply with the requirements of this chapter.
- (3) Where the shares or other securities of the listed issuer or the principal 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.
- (4) In this chapter 17, references to new shares or new securities include treasury shares, and references to the issue of shares or securities include the transfer of treasury shares.

## Definitions

17.01A In this Chapter, the following definitions apply:

<b>“1% individual limit”</b>	has the meaning in rule 17.03D(1)
<b>“award”</b>	refers to shares granted or to be granted under a share award scheme
<b>“eligible participant”</b>	includes an employee participant, a service provider and a related entity participant
<b>“employee participant”</b>	has the meaning in rule 17.03A(1)
<b>“grant”</b>	includes “offer”, “issue” and any other term used by a share scheme to describe the grant of shares or options under the scheme
<b>“principal subsidiary”</b>	has the meaning in rule 17.14
<b>“purchase price”</b>	refers to the price payable by a grantee to purchase shares under a share award scheme
<b>“related entity participant”</b>	has the meaning in rule 17.03A(1)
<b>“scheme mandate limit”</b>	has the meaning in rule 17.03(3)
<b>“senior manager”</b>	refers to a senior manager disclosed in the issuer’s annual report as required under paragraph 12 of Appendix D2
<b>“service provider”</b>	has the meaning in rule 17.03A(1)
<b>“service provider sublimit”</b>	has the meaning in rule 17.03(3)
<b>“schemes” or “share schemes”</b>	include share option schemes and share award schemes
<b>“share award scheme”</b>	refers to a scheme involving the grant of shares by a listed issuer or its principal subsidiary (as the case may be)
<b>“share option scheme”</b>	refers to a scheme involving the grant of options over shares of a listed issuer or a principal subsidiary of the issuer (as the case may be)

## Share schemes involving issue of new shares by listed issuers

### Adoption of a new scheme

- 17.02 (1) (a) The scheme of a listed issuer 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 13.39(5).
- (b) A scheme adopted by a new applicant prior to its listing does not need to be approved by its shareholders after listing. However, all material 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 applicant's shares to be issued in respect 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 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 principal subsidiary of a listed issuer, the scheme must comply with rules 17.13 to 17.15.*

- (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 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 circular to the shareholders of the listed issuer. The circular must include the following information:
- (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), (9) and (19), will align with the purpose of the scheme as set out in the scheme document;
  - (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;

- (d) a statement in the form set out in paragraph 2 of Appendix D1B;
- (e) a statement of the issuer's intention to use treasury shares for the scheme, where applicable; and
- (f) any additional information requested by the Exchange.

*Note: Where the scheme includes service providers and/or related entity participants as eligible participants, the Exchange may require the circular to include the views of the independent non-executive directors of the issuer on whether the inclusion of these participants aligns with the purpose of the scheme and the long term interests of the issuer and its shareholders. As general guidance, this will include the views of the independent non-executive directors as to whether the proposed categories of service providers/related entity participants are in line with the issuer's business needs or the industry norm and whether the criteria for the selection of eligible participants and the terms of the grants (such as vesting requirements and performance targets, if any) align with the purpose of the scheme. The Exchange may apply this requirement having regard to, for example, the nature of the operations of the issuer and its relationship with the service providers and related entity participants, the history of grants by the issuer to the service providers and related entity participants, or other circumstances that suggest the scheme may allow for substantial grants of options or awards to non-employee participants.*

- (3) 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;

*Notes: (1) 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.*

(2) See rule 17.03A for the requirements relating to participants of share schemes.

- (3) the total number of shares which may be issued in respect 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 (excluding treasury 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;

*Note: See rules 17.03B and 17.03C for the requirements relating to the scheme mandate limit and the service provider sublimit.*

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

*Note: See rule 17.03D for the limit on grants to individual participants.*

- (5) the period within which an 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;

- (6) the vesting period of options or awards to be granted under the scheme;

*Note: See rule 17.03F for the requirements on the vesting period.*

- (7) a description (which may be qualitative) of the performance targets, if any, attached to options or awards to be granted under the scheme or, if none, a negative statement to that effect. Such description may include a general description of the target levels and performance related measures and the method for assessing how they are satisfied;

- (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;

*Note: See rule 17.03E for the requirements on the exercise price of options.*

- (10) the voting, dividend, transfer and other rights, including those arising on a liquidation of the listed issuer, attaching to the shares 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 subject to options or awards 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, rounded to the nearest whole share, 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 or awards granted;

*Note: Where a listed issuer cancels options or awards granted to a participant, and makes a new grant to the same participant, such new grant may only be made under a scheme with available scheme mandate limit approved by shareholders as referred to in rule 17.03B or rule 17.03C. The options or awards cancelled will be regarded as utilised for the purpose of calculating the scheme mandate limit (and the service provider sublimit).*

- (15) the shares subject to the scheme must be separately designated unless they are identical with other shares of the issuer in issue;
- (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 in respect of which shares are not yet issued to the participants 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;

*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 transferee vehicle.*

- (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 provisions relating to the matters set out in this rule 17.03 to the advantage of participants must be approved by shareholders of the listed issuer in general meeting.*

*(2) Any change to the terms of options or awards granted to a participant must be approved by the board, the remuneration committee, the independent non-executive directors 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 board, the remuneration committee, the independent non-executive directors and/or the shareholders of the listed issuer (as the case may be). This requirement does not apply 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 to alter the terms of the scheme must be approved by shareholders of the listed issuer in general meeting.*

- (19) where the listed issuer has established a clawback mechanism to recover or withhold the remuneration (which may include 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 circumstances, a description of the clawback mechanism or, if none, a negative statement to that effect.

## Participants of the scheme

17.03A (1) Participants of a scheme shall comprise one or more of the following:

- (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)**;
- (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 in the interests of the long term growth of the issuer group **(service providers)**.

*Note: Service providers may include, for example, persons who work for the issuer as independent contractors where the continuity and frequency of their services are akin to those of employees. For the avoidance of doubt, service providers should exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions. They should also exclude professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.*

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

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

17.03B (1) The scheme mandate limit must not exceed 10% of the relevant class of shares of the listed issuer in issue (excluding treasury shares) as at the date of approval of the scheme (alternatively, in respect of a scheme of a new applicant that will become effective only upon its separate listing, the 10% limit may be calculated by reference to the relevant class of shares of the applicant in issue (excluding treasury shares) as at the date of its listing).

- (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 an explanation as to why the service provider submit is appropriate and reasonable.

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



(2) *If the listed issuer conducts a share consolidation or subdivision after the scheme mandate limit or the service provider sublimit has been approved in general meeting, the maximum number of shares that may be issued in respect of all options and awards to be granted under all of the schemes of the listed issuer under the 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, rounded to the nearest whole share.*

- 17.03C (1) (a) The listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 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).
- (b) Any "refreshment" within any three year period must be approved by shareholders of the issuer subject to the following provisions:
- (i) 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
  - (ii) the issuer must comply with the requirements under rules 13.39(6) and (7), 13.40, 13.41 and 13.42.
- (c) The requirements under paragraphs (i) and (ii) of rule 17.03C(1)(b) do not apply if the refreshment is made immediately after an issue of securities by the issuer to its shareholders on a pro rata basis as set out in rule 13.36(2)(a) such that the unused part of the scheme mandate (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole share.
- (2) The total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the listed issuer under the scheme mandate as "refreshed" must not exceed 10% of the relevant class of shares in issue (excluding treasury shares) as at the date of approval of the refreshed scheme mandate. 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 existing service provider sublimit (if any), and the reason for the "refreshment".

- (3) A listed issuer may seek separate approval by its shareholders in general meeting for granting options or awards beyond the scheme mandate 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 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 number and terms 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 the 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.

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

- 17.03D (1) Where any grant of options or awards to a participant would result in the shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of shares of the listed issuer in issue (excluding treasury shares) (the **1% individual limit**), such grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting. The listed issuer must send a circular to the shareholders.
- (2) The circular must disclose the identity of the participant, the number and terms of the options or awards to be granted (and 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 number and terms of the 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 the 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.

### **Exercise price of options**

17.03E The exercise price of options must be at least the higher of: (i) the closing price of the shares 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 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.

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

### **Vesting period**

17.03F The vesting period for options or awards shall not be less than 12 months. Options or awards granted to employee participants may be subject to a shorter vesting period under specific circumstances as set out in the scheme document. Any such specific circumstances and an explanation by the issuer's board of directors (or the remuneration committee where the arrangements relate to grants of options or awards to the issuer's directors and/or senior managers) as to why the arrangements are appropriate and how the grants align with the purpose of the scheme must be clearly disclosed in the circular for the adoption of the scheme.

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

17.04 (1) 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 must be approved by the independent non-executive directors of the listed issuer (excluding any independent non-executive director who is the grantee of the options or awards).

*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 (excluding grant of options) 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 (excluding treasury shares), such further grant of awards must be approved by shareholders of the listed issuer in general meeting in the manner set out in rule 17.04(4).

- (3) Where any grant of options or awards to an independent non-executive director or a substantial shareholder of the listed issuer, or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and 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 (excluding treasury shares), such further grant of options or awards must be approved by shareholders of the listed issuer in general meeting in the manner set out in rule 17.04(4).

*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 C1 to the Rules.*

- (4) In the circumstances described in rule 17.04(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. The listed issuer must comply with the requirements under rules 13.40, 13.41 and 13.42.

- (5) The circular must contain:

- (a) details of the number and terms of the options or awards to be granted to each participant, which must be fixed before the shareholders' meeting. 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 the exercise price under rule 17.03E;

*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) the views of the independent non-executive directors of the listed issuer (excluding any independent non-executive director who is the grantee of the options or awards) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the issuer and its shareholders as a whole, and their recommendation to the independent shareholders as to voting;
- (c) the information required under rule 17.02(2)(c); and
- (d) the information required under rule 2.17.

- Notes: (1) Any change in the terms of options or awards granted to a participant who is a director, chief executive or substantial shareholder of the listed issuer, or any of their respective associates, must be approved by shareholders of the issuer in the manner as set out in rule 17.04(4) 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 to a director or chief executive of a listed issuer set out in this rule 17.04 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 options or awards during the period commencing 30 days 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 awards 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, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

## **Despatch of circular**

17.06 Any 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 other matter as required under this chapter.

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

17.06A (1) 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 setting out the details in rule 17.06B.

(2) 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 (excluding treasury shares).

(3) 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 for the time being.

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

- (1) the date of grant;
- (2)
  - (a) where disclosure on an individual basis is required, the name of the grantee (and where the grantee is not a natural person, the name of its ultimate beneficial owner) and 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; or
  - (b) where disclosure on an individual basis is not required, a description of each of the categories of grantees;
- (3) the number of options or awards granted;
- (4) the exercise price of options or purchase price of awards granted;

- (5) the market price of the shares on the date of grant;
- (6) the exercise period of the options;
- (7) the vesting period of the options or awards. In the case of grants of options or awards to employee participants with a shorter vesting period as set out in rule 17.03F, the relevant circumstances that are specifically permitted by the scheme. Where the options or awards are granted to the issuer's directors and/or senior managers, the remuneration committee's views on why a shorter vesting period is appropriate;
- (8) a description (which may be qualitative) of the performance targets attached to the options or awards granted, if any, and the clawback mechanism for the issuer to recover or withhold any awards or options granted, if any. Where options or awards are granted to the issuer's directors and/or senior managers without performance targets and/or clawback mechanism, the views of the remuneration committee on why performance targets and/or a clawback mechanism is/are not necessary and how the grants align with the purpose of the scheme;
- (9) where options or awards are granted to a service provider or a related entity participant, the reasons for the grant and the views of the board how the grant aligns with the purpose of the scheme; and
- (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 in annual report and interim report

17.07 The listed issuer must disclose in its annual report and interim report the following information in relation to options and awards granted and to be granted under its share scheme(s) 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 and to be 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 (excluding treasury shares); and (iv) other employee participants, related entity participants and service providers by category:

- (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;
  - (b) particulars of the outstanding options and unvested awards at the beginning and at the end of the financial year/period, including the number of options and unvested awards, date of grant, vesting period, exercise period and exercise/purchase price;
  - (c) particulars of the 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/purchase price and performance targets (if any), (iv) (where the shares are listed) the closing price of the shares 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 standards and policies 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 in that pricing model such as the expected volatility, expected dividends and the risk-free interest rate. The issuer should include an explanation of how these significant assumptions and inputs were 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.*
- (d) the number of options exercised and awards vested during the financial year/period with the exercise/purchase price and (where the shares are listed) the weighted average closing price of the shares immediately before the dates on which the options or awards were exercised or vested;
  - (e) the number of options and awards cancelled during the financial year/period together with the exercise/purchase price of the cancelled options and awards; and
  - (f) 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 available for grant under the scheme mandate and the service provider sublimit (if applicable) at the beginning and the end of the financial year/period; and
- (3) the number of shares that may be issued in respect of options and awards granted under all schemes of the issuer during the financial year/period divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the year/period.

17.07A The listed issuer must disclose in its remuneration report or corporate governance report a summary of material matters relating to share schemes that were reviewed and/or approved by the remuneration committee during the financial year. For matters relating to any grants of options or awards to the issuer's directors and senior managers as set out in rule 17.03(F) and rules 17.06B(7) and (8), the remuneration committee must explain why it was appropriate to approve those matters, the factors that it took into account and how the grants align with the purpose of the scheme (including how the grants align the grantees' interests with those of the issuer and its shareholders).

17.08 [Repealed 1 January 2023]

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

- (1) the purpose of the scheme;
- (2) the participants of the scheme;
- (3) the total number of shares available for issue under the scheme together with the percentage of the issued shares (excluding treasury 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 option may be exercised by the grantee under the scheme;
- (6) the vesting period of options or awards granted under the scheme;
- (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 granted or the purchase price of shares awarded, if any; and
- (9) the remaining life of the scheme.

### **Other requirements**

17.10 In respect of share schemes of a listed issuer with a WVR structure, the scheme mandate limit, the service provider sublimit, the 1% individual limit, the limits on grants to the issuer's directors, chief executive and substantial shareholders (and their respective associates) under rule 17.04 and the limit on grants to service providers and related entity participants under rule 17.06A(1)(c) are to be calculated with reference to the total number of issued shares of the issuer (including ordinary shares and shares that carry weighted voting rights but excluding treasury shares).

17.11 Listed issuers must comply with the terms of their share 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.

### **Share schemes involving existing shares of listed issuers**

17.12 In respect of share scheme(s) of a listed issuer involving its existing shares:

- (1) The issuer must disclose in its annual report:
  - (a) the information set out in rule 17.07(1) relating to grants of options and awards to (i) each director of the issuer; (ii) the five highest paid individuals during the financial year in aggregate; and (iii) other grantees in aggregate; and
  - (b) a summary of each share scheme as required under rule 17.09.
- (2) Rule 17.05A applies to unvested shares held by the trustee of the scheme.

### **Share schemes involving new or existing shares of a principal subsidiary of a listed issuer**

17.13 Rules 17.02 to 17.04 and rules 17.06 to 17.09, with appropriate modifications, apply to share schemes of a principal subsidiary of a listed issuer (whether they involve new shares issued by the subsidiary or existing shares of the subsidiary held by or for the issuer) as if they were share schemes of the issuer as described in rule 17.01(1).

17.14 A “principal subsidiary” refers to a subsidiary whose revenue, profits or total assets accounted for 75% (or more) of that of the issuer under the percentage ratios in any of the latest three financial years.

17.15 The following modifications apply:

- (1) The scheme mandate limit, the service provider sublimit, the 1% individual limit, the limits on grants to the issuer’s directors, chief executive and substantial shareholders (and their respective associates) under rule 17.04 and the limit on grants to service providers and related entity participants under rule 17.06A(1)(c) are to be calculated with reference to the total issued shares of the subsidiary.
- (2) Rule 17.03E does not apply to share option schemes of the subsidiary if the subsidiary’s shares 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.