

Hong Kong

Employment

Labor Concerns

Employee rights to restricted stock and RSU plan benefits after termination are not restricted by law. However, as a precaution, standard consent and waiver provisions in the restricted stock or RSU agreement are recommended.

Communications

The translation of Plan documents for employees is not legally required but is recommended. Government filings may generally be made in English.

Regulatory

Securities Compliance

There are no securities and prospectus requirements provided that: (i) the offer of participation in the restricted stock or RSU plan and publicity about the offer are confined to employees; (ii) employees cannot assign their restricted stock (or RSUs); and (iii) the offering documentation contains a prescribed form of legend to take advantage of available exemptions from the prospectus and investment advertisements regime.

Foreign Exchange

There are no foreign exchange restrictions.

Data Protection

The Personal Data (Privacy) Ordinance imposes registration, notification and consent requirements on the collection, holding, processing, use and transfer of personal data. Employee consent to the cross-border transfer of personal data is a recommended method of compliance with existing data privacy requirements.

Tax

Employee Tax Treatment

The employee may be subject to tax upon grant of a restricted stock award and is likely to be subject to tax at vesting of an RSU award, to the extent that income that may arise therefrom would constitute income arising in or derived from Hong Kong. Tax is charged on the spread at a sliding rate of tax with a top rate of 17%, subject to a standard rate of 15% for employees whose income exceeds an annual level. There is no tax imposed at the time the stock is sold.

Social Insurance Contributions

Benefits awarded under an RSU plan are not subject to contributions under the Mandatory Provident Fund Schemes Ordinance (being the sole form of a social insurance type contribution payable in Hong Kong).

Tax-Favored Program

None.

Withholding and Reporting

Withholding obligations do not apply. Annual reporting of the benefits received under a restricted stock or RSU plan is required with the employee salary statement. Employees are responsible for reporting the benefit deemed received by them as income on vesting of an RSU award and for paying the applicable tax.

Employer Tax Treatment

Generally, a deduction is available if the Subsidiary reimburses the Issuer to the extent that the reimbursement is in respect of expenses incurred by the Subsidiary in the production of profits subject to Hong Kong profits tax. However, a deduction may not be available in all situations.

This summary is intended to reflect local law and practice as at 1 May 2013. Please note, however, that recent amendments and legal interpretations of the local law may not be included in these summaries. In addition, corporate governance, administration, and option plan design facts that are specific to your company may impact how the local laws affect the company's equity based compensation plans.

With these matters in mind, companies should not rely on the information provided in this summary when implementing their stock plans.