

# Hong Kong

## Employment

**Labor Concerns** Employee rights to participate in Plan benefits after termination are not restricted by law. However, as a precaution, standard consent and waiver provisions in the enrolment form 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: (i) the offer of participation in the option plan and publicity about the options are confined to employees; (ii) employees cannot assign their options; and (iii) the offering documentation must contain 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 and notification 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 principles.

## Tax

**Employee Tax Treatment** The employee may be subject to tax on exercise of an option 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 option 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 an option plan is required with the employee salary statement. Employees are responsible for reporting the benefit deemed received by them as income on exercise of options 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.