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## China tightens rules on listed companies' management incentives

BEIJING, May 6 (Xinhua) -- China's securities regulator has issued rules on listed companies' incentive plans in an effort to prevent management officials from making improper gains arising from favorable timing.

Companies should not introduce share option schemes shortly before announcing major decisions, according to two notices issued by the China Securities Regulatory Commission (CSRC).

A listed company should not carry out major actions such as new stock issues, asset injections or bond offerings within 30 days after having announced an incentive plan and obtained shareholder approval, CSRC said.

Likewise, companies shouldn't introduce an incentive plan during and or within a 30-day period after the announcement and completion of major decisions, it said.

The regulation also prohibits shareholders from directly awarding or transferring shares to the object of the incentive plan (that is, the management officials), as some companies have done to avoid regulatory scrutiny.

Controlling and major shareholders who hold 5 percent or more of a company's shares may not be offered incentive plans, except with the approval of shareholders, the memorandum said.

Media reports said that the CSRC's action was taken in response to several companies' recent attempts to introduce incentive plans immediately before disclosing positive information.

"This action would benefit both listed companies and their shareholders, as it improves regulation of the market," said Li Feng, a Galaxy Securities analyst.