

**Submitted via Qualtrics**

**Company/Organisation view**

**Question 1**

**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?**

Yes

**Please provide reasons for your views.**

Both share option schemes and share award schemes are important tools to incentivize long term growth of listed issuers, but only share option schemes are currently governed by the Listing Rules. Therefore, we agree with the Exchange's proposal to amend Chapter 17 to also govern share award schemes. We believe the extension of the Listing Rules to govern share award schemes would help guide listed issuers in formulating share award schemes and help drive consistency and clarity in disclosing such schemes.

It is of vital importance for the Listing Rules to continually adapt to changes in the capital markets to provide clarity to listed issuers and reinforce shareholder protection. We note that this proposal is in line with other major markets around the world. As an international financial centre it is important for Hong Kong to revisit regulations from time to time to keep up to pace with international markets.

**Question 2**

**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)?**

Yes

**Please provide reasons for your views.**

The proposed definition of eligible participants to include Employee Participants (as defined in the Consultation Paper) is consistent with current market practice.

**Question 3**

**Do you agree with the proposal that eligible participants shall include Service Providers, subject to additional disclosure and approval by the remuneration committee?**

Yes

**Please provide reasons for your views.**

While not as common as employee share schemes, shares and options may also be granted to reward persons other than directors and employees of the listed issuer who

serve the issuer group on a continuing and recurring basis in its ordinary and usual course of business, which can be equally important in enhancing the long-term value of the listed issuer. Therefore, shares and options granted to such other persons should also be considered under Chapter 17 of the Listing Rules.

Due to the unique nature of such arrangements, we believe that it would be necessary to set up additional safeguards in order to prevent potential misconduct and excessive dilution arising from Share Grants to parties who may not necessarily add long-term value to the issuer. Approval by the remuneration committee would serve to validate the rationale for the Share Scheme, while additional disclosures would provide clarity to shareholders. To facilitate the approval process, the Exchange can also consider releasing guidance materials to provide direction and principles for remuneration committees in evaluating Share Schemes and Share Grants.

#### **Question 4**

**Do you agree with the proposal that eligible participants shall include Related Entity Participants, subject to additional disclosure and approval by the remuneration committee?**

Yes

**Please provide reasons for your views.**

Please see the response to Question 3.

#### **Question 5**

**Do you agree with the proposal to allow the scheme mandate to be refreshed once every three years by obtaining shareholders' approval?**

Yes

**Please provide reasons for your views.**

Given that new shares granted under share award schemes are usually more dilutive to shareholders than share options (due to shares often being granted at nil consideration), it is necessary to limit the refreshment of scheme mandates to limit shareholders' dilution within a short period of time. Therefore, we agree with the Exchange's proposal to limit the amount of times the scheme mandate can be refreshed to once every three years by obtaining shareholders' approval.

#### **Question 6**

**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?**

Yes

**Please provide reasons for your views.**

Where there is a legitimate reason for additional refreshments within the three year period, approval should be obtained from those persons most impacted by the dilution – the independent shareholders. Therefore, we agree with the Exchange’s 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.

**Question 7**

**Do you agree with the proposal to remove the 30% limit on outstanding options?**

Yes

**Please provide reasons for your views.**

In order for the Listing Rules to remain concise and readable, it is imperative for the Exchange to remove rules with little or no practical effect. As the 30% limit on outstanding options has little to no practical effect given the 10% scheme mandate limit imposes a stricter restriction, we agree with the Exchange’s proposal to remove it.

**Question 8**

**Do you agree with the proposal to require a sublimit on Share Grants to Service Providers?**

Yes

**Please provide reasons for your views.**

As stated in our response to Question 3, we believe that it would be necessary to set up additional safeguards in order to prevent potential misconduct and excessive dilution. A sublimit voted on by shareholders serves as a welcome additional safeguard which help promote good shareholder protection.

**Question 9**

**Do you agree with the proposal to require a minimum of 12-month vesting period?**

Yes

**Please provide reasons for your views.**

We generally agree with the Exchange’s proposal to require a minimum vesting period of 12 months, with the exception to Employee Participants specifically identified by the issuer and under justifiable circumstances, to ensure the award scheme incentivizes the grantees to contribute to the long-term growth of the listed issuer.

On the other hand, the Exchange may also consider if a performance-based vesting condition (e.g. based on pre-defined milestones or targets) would be acceptable as an alternative to a time-based vesting condition (e.g. 12 months after share grant). Performance-based vesting conditions may be more relevant to Service Providers executing a long-term project with multiple phases. Given that the milestones or targets have been defined properly, performance-based vesting conditions should have the same

effect as time-based vesting conditions in ensuring that the award scheme will incentivize the grantees to contribute to the long-term growth of the listed issuer. To ensure that performance-based vesting conditions are an appropriate alternative, the Exchange can consider imposing additional safeguards such as requiring approvals from remuneration committee for the use and the milestones/targets of performance-based vesting condition.

The Exchange can also consider releasing guidance materials to provide direction and principles as to what types of awards it considers to fall within this proposal, for example, whether this includes the vesting periods of restricted share awards and restricted share units.

**Question 10**

**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?**

Yes

**Please provide reasons for your views.**

We agree that this sort of flexibility should be retained. Please also see the response to Question 9.

**Question 11a**

**Do you agree with the proposed disclosure requirements relating to performance targets?**

Yes

**Please provide reasons for your views.**

We generally agree with the Exchange's proposals for disclosure requirements relating to performance targets and clawback mechanism, both of which are important for shareholders to obtain clarity on the overall structure and rationale behind the share incentive scheme.

**Question 11b**

**Do you agree with the proposed disclosure requirements relating to clawback mechanism?**

Yes

**Please provide reasons for your views.**

Please see the response to Question 11a.

**Question 12**

**Do you agree that it is not necessary to impose a restriction on the grant price of shares under share award schemes?**

Yes

**Please provide reasons for your views.**

The Exchange's proposal is consistent with current market practice.

**Question 13**

**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?**

Yes

**Please provide reasons for your views.**

The current practice of a 1% Individual Limit to grants of share options has been proven to be effective at limiting the amount of shares granted to a specific individual. Given that both share awards and share options serve an identical purpose in incentivizing individuals through using share-based payment, the safeguard currently apply to share options should be extended to cover also share awards.

**Question 14**

**Do you agree with the proposal to require approval from the remuneration committee instead of INEDs for all Share Grants to Connected Persons?**

Yes

**Please provide reasons for your views.**

Seeking approval from the remuneration committee for all Share Grants to Connected Persons is not only in line with the Corporate Governance Code, but also consistent with the remuneration committee's role as approvers of Share Grants in general. Under their new responsibilities as proposed in this Consultation Paper, the remuneration committee would be in an optimal position to understand and provide judgement on such Share Grants.

**Question 15**

**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 of the Consultation Paper?**

Yes

**Please provide reasons for your views.**

Consistent with the principles of Connected Transactions, an exemption should be provided for grant of share awards which are considered to be inconsequential to the listed issuer as a whole (similar to de minimis transactions). In this regard, we agree with the Exchange's proposal to relax the current shareholder approval requirement for grants of

share awards to a chief executive, director, substantial shareholder or controlling shareholder as long as the quantum of granting is below the prescribed threshold.

**Question 16**

**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 of the Consultation Paper?**

Yes

**Please provide reasons for your views.**

Please see the response to Question 15.

**Question 17**

**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 of the Consultation Paper?**

Yes

**Please provide reasons for your views.**

Please see the response to Question 15.

**Question 18**

**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?**

Yes

**Please provide reasons for your views.**

We agree with the Exchange's proposal to remove the HK\$5 million de minimis threshold, which is a less meaningful threshold as compared to the "0.1% or less in any 12-month period" de minimis threshold as proposed under Question 15.

**Question 19**

**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?**

Yes

**Please provide reasons for your views.**

Consistent with our response to Question 3, we believe that it would be necessary to set up additional safeguards with regards to Share Grants to Related Entity Participants or Service Providers in order to prevent potential misconduct. At the same time, consistent

with our response to Question 15, Share Grants which are inconsequential to the listed issuer as a whole should be exempted from such requirements under the de minimis concept.

The current proposal strikes a good balance between implementing effective safeguards and avoiding unduly burdensome requirements.

**Question 20**

**Do you agree with the proposed disclosure requirement for the grant announcement?**

Yes

**Please provide reasons for your views.**

We agree with the Exchange's proposed disclosure requirements for the grant announcement, which are considered relevant for shareholders to understand the share grant.

**Question 21**

**Do you agree with the proposed disclosure requirements for Share Grants in an issuer's interim reports and annual reports?**

Yes

**Please provide reasons for your views.**

A number of the proposed disclosure requirements for Share Grants in an issuer's interim reports and annual reports have previously existed as required or recommended disclosures and have been proven to be effective.

**Question 22**

**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?**

Yes

**Please provide reasons for your views.**

Under the current proposals by the Exchange, the remuneration committee will serve a critical role in reviewing and approving a number of matters related to Share Schemes. Therefore, we agree with the proposal to require disclosure of matters reviewed by the remuneration committee during the reporting period in the Corporate Governance Report, which would provide shareholders with an understanding of how the remuneration committee performs their review throughout the year.

**Question 23**

**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?**

Yes

**Please provide reasons for your views.**

The approval requirements for a change to the terms of a share award or option grant should not be more restrictive than the initial grant of the share award or option. Therefore, we agree with relaxing the rules with regards to the approval requirements of such changes.

**Question 24**

**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 of the Consultation Paper?**

Yes

**Please provide reasons for your views.**

Allowing the transfer of share awards or options to a trust or other vehicles for the benefit of the grantee and his/her family members would provide additional flexibility to grantees.

**Question 25**

**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?**

Yes

**Please provide reasons for your views.**

We agree with the proposal to restrict the voting rights of unvested shares to avoid potential undue influence by management of the issuer through the exercise of voting rights of unvested shares. A grantee should only be considered as a shareholder, and entitled to voting rights, upon vesting of their shares.

**Question 26**

**Do you agree with the proposed disclosure requirements for Share Schemes funded by existing shares of listed issuers?**

Yes

**Please provide reasons for your views.**

Share award schemes funded by existing shares of listed issuers serve a similar purpose as those funded by new shares. Though schemes funded by existing shares do not necessarily result in shareholder dilution, it still serves as an incentive for long term growth



of the listed issuer and should be governed consistently under Chapter 17 of the Listing Rules.

**Question 27**

**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?**

Yes

**Please provide reasons for your views.**

Please see the response to Question 25.

**Question 28**

**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?**

Yes

**Please provide reasons for your views.**

Consistent with our responses to Question 1 and Question 25, we agree with the Exchange's proposal to amend Chapter 17 to govern all Share Schemes, including new and existing shares of the listed issuers or its subsidiaries.

**Question 29**

**Do you agree with the proposed exemption for Share Schemes of Insignificant Subsidiaries?**

Yes

**Please provide reasons for your views.**

Similar to our response to Question 15, we believe that an exemption should be provided for grant of share awards which are considered to be inconsequential to the listed issuer as a whole (similar to de minimis transactions). In this regard, we agree with the proposed exemption for Share Schemes of Insignificant Subsidiaries.

We also agree with the definition of Insignificant Subsidiaries being made consistent with Chapter 14A of the Listing Rules, as the definition has been proven to be effective for a number of years.

**Question 30**

**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?**

Yes

**Please provide reasons for your views.**

It would provide further flexibility to issuers in designing the Share Schemes.

**Question 31**

**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?**

Yes

**Please provide reasons for your views.**

Given that the disclosure of fair value of options and share awards granted by issuers in their annual and interim reports is proposed to become a required disclosure (see Question 21 and our corresponding response), the current recommended disclosure would no longer be necessary and can be superseded accordingly.

**Question 32**

**Do you agree with our proposals to amend the Rules described in paragraph 100 of the Consultation Paper?**

Yes

**Please provide reasons for your views.**

Paragraph 100 of the Consultation Paper includes a number of existing Listing Rules applicable to share option schemes which have been proven to be effective for a number of years. We agree with the Exchange's proposal to also apply such Listing Rules to share award schemes for consistency.