

**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.**

Yes, we agree with the proposal to amend Chapter 17 to also govern share award schemes involving the grant of new shares of listed issuers.

However, if the Exchange seeks to govern options and awards involving existing shares of the subsidiary under Chapter 17, the grant of these options and awards should be carved out from Chapters 14 and 14A.

Currently, grant of options by the listed issuer does not fall under Chapter 14 (Note 4 to Rule 14.72(1)). The grant of share awards using existing shares of the subsidiary is technically a disposal under Chapter 14, and that using new shares is technically a deemed disposal. Would the Exchange please consider excluding all share awards and options granted pursuant to a Chapter 17 scheme from the definition of "transactions" for the purpose of Chapters 14 and 14A.

**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.**

Yes, as granting awards to these persons would be in line with the purpose of setting up share schemes.

**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.**

Yes, if a person has been providing services on a recurring basis to the group, there are grounds to treat that person like an employee when it comes to providing incentives and rewards.

#### **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.**

This allows flexibility to the listed issuer, because directors and employees of related entities, due to their close relationship with the listed issuer's group, may make valuable contributions to the listed issuers' group, despite not being employed by the listed issuers' group, and the additional measures will guard against abuse.

#### **Question 5**

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

No

**Please provide reasons for your views.**

No, we do not agree, as this would be too inflexible for listed issuers. The shareholders should be allowed to assess the refreshment on a case by case basis, and if considered appropriate, should be allowed to grant a refreshed mandate to the listed issuer whenever necessary, instead of only once every three years.

#### **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?**

No

**Please provide reasons for your views.**

As stated in our response to Q5 above, shareholders should be allowed to grant refreshments whenever they consider appropriate, instead of once every three years. The substantial shareholders' interest in share schemes is no different from those of the "independent" shareholders, as the substantial shareholders' shareholding will be similarly diluted. Therefore substantial shareholders should also be allowed to vote on any refreshment of scheme unless they have a material interest different from other shareholders.

### **Question 7**

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

Yes

**Please provide reasons for your views.**

This formula has been difficult for issuers to understand and apply in the past and the other limits should be sufficient safeguards.

### **Question 8**

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

No

**Please provide reasons for your views.**

No, we do not agree with the proposal to require a sublimit on Share Grants to Service Providers. Service Providers are eligible to receive share awards as their service is similarly valuable to the issuer as that of the issuer's employees. Following this rationale, the company should be allowed flexibility on a case by case basis to utilise the awards provided they are within the overall mandate approved by the shareholders, and the service provider sub-limit should not be necessary. Moreover, issuing shares to service providers or other categories of participants will not make a difference in terms of shareholding dilution.

### **Question 9**

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

Yes

**Please provide reasons for your views.**

To align with the purpose of share schemes, it would be reasonable to set a vesting period for awards and options, and therefore we agree that there should be a vesting period. However, as each company's business model is different, the issuer should be allowed

the flexibility to set a suitable vesting period for the individual period. We note that the rules allow a shorter vesting period with the sanction of the remuneration committee and disclosure of reasons (for a shorter vesting period) (see Question 10 below).

**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.**

Yes, we agree that the vesting period may be shorter than 12 months where the remuneration committee considers necessary. However, a shorter vesting period should be allowed, not only for Employee Participants, but for all participants alike if the remuneration committee so approves.

**Question 11a**

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

No

**Please provide reasons for your views.**

We agree that a performance target may be suitable for some issuers, but the disclosure of which may involve disclosing commercially sensitive information. Such information may also be highly technical containing calculation formula that are tailored with reference to unique parameters and data of the issuer, which may be too granular for the shareholders to distill a meaningful understanding to assess the awards. We agree that the issuer should disclose whether there is a performance target or explain the absence thereof.

**Question 11b**

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

Yes

**Please provide reasons for your views.**

A clawback mechanism should be in place upon occurrence of special circumstances as stated in the new Rule 7.03(19) of the Listing Rules. We agree that the issuer should disclose the clawback mechanism or explain the absence thereof.

**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.**

Yes, as the payment of a price may be beneficial to the issuer and can be decided by the issuer on a case by case basis.

### **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.**

Yes, we agree, as this aligns the requirements for share awards with the current share option restrictions.

### **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.**

This will provide a more consistent approach to all matters relating to remuneration.

### **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.**

Yes, as otherwise the grant of one share award to a director will require independent shareholders' approval under the current regime is unduly cumbersome. It should be clarified that this replaces the connected transaction requirements that would otherwise apply.

**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.**

Yes for the same reasons as stated in our response to Question 15 above and with the same comment about connected transaction requirements' application.

**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.**

Yes.

**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?**

No

**Please provide reasons for your views.**

No, we do not agree with the proposal to remove the HK\$5 million de minimis threshold. We note that the Stock Exchange considers that a monetary de minimis may not reflect the extent of dilution to the shareholding. However, the monetary de minimis should be a necessary factor to determine the materiality of matters to be raised for shareholders' approval, which involves time and costs considerations. Similar to the rationale for the de minimis exemption for connected transactions, the existing HK\$5 million de minimis threshold should be kept such that issuers would be allowed to provide award incentives

within a reasonable monetary value without going through the more onerous compliance procedures.

**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.**

Yes.

**Question 20**

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

Yes

**Please provide reasons for your views.**

Yes, we agree with the disclosure requirements in general but please refer to our response relating to performance target (Q11a) above.

However, at the time of grant, the purchase price of the shares granted (proposed Rule 17.06B(3) of the Listing Rules) may not be available. It is common for companies to authorise a trustee to purchase the award shares on-market within a period of time, and therefore the shares may not have been purchased on the date of 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.**

Yes, we agree with the proposed disclosure requirements for Share Grants in an issuer's interim reports and annual reports. Would the Stock Exchange please clarify the meaning of "grant price" of the awards (proposed Rule 17.07(1)(d) and (e)) - does the term mean (i) the price which a grantee needs to pay for the share award (in the event that the share award is not given free of charge), and in that case the price will be HK\$0 if the award is given free of charge or (ii) the value per share based on which the number of share award is calculated?

**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.**

Yes, we agree with the proposal to require disclosure of matters reviewed by the remuneration committee during the reporting period in the Corporate Governance Report.

**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.**

Yes, as the initial grant requires approval, any change of the terms initially approved should require a fresh approval as well. However, would the Stock Exchange please consider allowing a materiality threshold, where the change is immaterial (e.g. for administrative purpose or to correct a typo or inadvertent error), re-approval should not be required.

**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.**

Yes.

### **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.**

Yes, as the shares are unvested and held on trust, neither the grantee nor the company should be entitled to provide instructions to the trustee with respect to voting. The disclosure of unvested shares provides transparency on the shareholdings in the issuer.

### **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.**

Yes, we agree with the proposed disclosure requirements for Share Schemes funded by existing shares of listed issuers.

### **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.**

Yes. The same rationale stated in our response to Question 25 above applies.

**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.**

Yes. This will align the requirements applicable to share awards with those applicable to share options.

**Question 29**

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

Yes

**Please provide reasons for your views.**

Yes. Applying the same rationale to ease compliance burdens with respect to subsidiaries which are not material to the issuer's group, would the Stock Exchange please consider to also relax or exempt the disclosure requirements (such as disclosing the fair value of options/ awards granted) applicable to the share schemes of insignificant subsidiaries.

**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.**

Yes.

**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.**

Yes. The proposed disclosure in financial reports of fair values of options granted would be a more meaningful disclosure for shareholders to understand the value of the options in light of the performance of the company in the same financial year.

**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.**

Yes.