

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.

Share award schemes involving the grant of new shares of listed issuers is of a similar nature as a share option scheme and result in dilution to shareholding interests.

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.

It is good discipline to define clearly the persons eligible for Share Scheme.

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?

No

Please provide reasons for your views.

Share Grants to Service Providers and Related Entity Participants are exceptional and should only be made with very good reason to avoid abuse. Share Grants can be provided to these parties in a separate mandate subject to shareholders approval and need not be included in Share Schemes.

If these parties are ultimately included as eligible participants, please consider replacing remuneration committee with INEDs as approver because the role of the remuneration committee is to consider and approve remuneration to staff and not to outside parties. Any Share Grants to these outside parties is akin to third party service fees and unrelated to remuneration of directors, senior management and staff. Furthermore, it is suggested that the aggregate Share Grants to these parties in any year should not be more than Share Grants to Employee Participants.

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?

No

Please provide reasons for your views.

Please see response to Q3.

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.

The frequency and magnitude is reasonable to enable issuers to better utilise Share Grants as an incentive tool without significant dilutive to shareholders.

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.

Although we agree to the "refreshing" element as this will address different issuers' needs in staff retention/talent recruitment, we believe that all shareholders should be allowed to vote.

Question 7

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

Yes

Please provide reasons for your views.

Agree with analysis set out in paragraph 47 of the consultation.

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.

Subject to response to Q3. If Service Providers are eligible participants then there should be a sublimit to quantify the maximum amount of service related Share Grants that an issuer can provide to Service Providers for shareholders to consider, especially since there is no brightline criteria to determine which Service Providers can be eligible.

Question 9

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

Yes

Please provide reasons for your views.

Share Grants are primarily for incentivizing and motivating Employee Participants to improve performance in addition to compensating past effort, and to align the interest of them with the issuers, as well as for talent retention. Therefore the grantees should not be able to monetize these incentives straightaway. Monetary bonus is a more direct way of compensating recent effort.

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.

This will provide sufficient flexibility to an issuer when faced with different situations and supported by remuneration committee views.

Question 11a

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

Yes

Please provide reasons for your views.

Agree for directors and key management where performance targets can be set objectively and measured quantitatively, like earnings per share, total shareholders return, revenue target, etc., to provide shareholders with information to assess whether the level of compensation is reasonable. It may not be reasonable to set performance targets for other Employee Participants where performance targets may not be easily measured and quantifiable, or for other Employee Participants where the main purpose of the Share Grants are for retention. In these circumstances, it may be a burden on the remuneration committee to provide views when no performance targets and/or clawback mechanisms are set.

Question 11b

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

Yes

Please provide reasons for your views.

Agree for directors and key management where performance targets can be set objectively and measured quantitatively, like earnings per share, total shareholders return, revenue target, etc., to provide shareholders with information to assess whether the level of compensation is reasonable. It may not be reasonable to set performance targets for other Employee Participants where performance targets may not be easily measured and quantifiable, or for other Employee Participants where the main purpose of the Share Grants are for retention. In these circumstances, it may be a burden on the remuneration committee to provide views when no performance targets and/or clawback mechanisms are set.

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.

Share options has low “real intrinsic value” as compared to share awards since they may not be in the money at grant and there is higher uncertainty that it can provide “positive value”. In not imposing a grant price, an issuer will have greater flexibility in structuring the share awards, together with vesting and other targets (where applicable), to provide different value in compensating and/or incentivizing the participants.

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.

Agree as the magnitude is sufficient. Special mandates can always be proposed to be approved for individuals which the issuers believe require a higher ratio to be competitive in attracting talent, especially for smaller new economy companies.

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?

No

Please provide reasons for your views.

Disagree for the Connected Persons not being Employee Participants. Please see response to Q3. Agree for Connected Persons who are Employee Participants since the Share Grants form part of their remuneration package, and should be considered with base salary, bonuses and benefits as a whole.

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.

Agree for administrative efficiency purpose.

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.

Subject to response to Q3, for administrative efficiency purpose.

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.

Subject to response to Q3, for administrative efficiency purpose.

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.

Agree as agree with the analysis set out in paragraph 71.

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?

No

Please provide reasons for your views.

All grants, and not grants that exceed 0.1%, to an individual Related Entity Participant or Service Provider should be disclosed as these are exceptional cases and should be made known to shareholders.

Question 20

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

Yes

Please provide reasons for your views.

Agree subject to comments on various aspects listed above. The proposed disclosure provides shareholders sufficient information to evaluate the reasonableness of the grants, the total directors and staff remuneration and the issuers' remuneration policies.

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.

This will provide shareholders a recap of the potential dilution impact.

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.

Subject to comment above that the remuneration committee should only review Share Grants to Employee Participants, as this information forms the basis of the remuneration provided to the employees as a whole.

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.

Agree as agree that this will ease the compliance burden of the issuers without compromising investor protection.

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.

Agree as agree with analysis in paragraph 86.

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.

Agree as these shares are not yet beneficially owned by any shareholder and the disclosure each month provides shareholders information to assess the situation.

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.

Agree so that shareholders can assess the issuers remuneration policies.

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 refer to response to Q25.

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.

Agree as either way will reduce the issuers' interest in these subsidiaries. However, this should not govern subsidiaries which are listed companies themselves.

Question 29

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

No

Please provide reasons for your views.

Disagree as it will still result in dilution and the provision of Share Grants in these subsidiaries would imply there are real intrinsic values in these subsidiaries or otherwise the grants are of no value.

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.

Agree as subsequent grants have the same impact on shareholders as other 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.

Agree as the provision of the information in the interim and annual reports is sufficient.

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.