

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.

We agree with the HKEx proposal to also govern share award schemes involving the grant of new shares as: (i) it aligns with international practice and (ii) it will further protect shareholders from the dilutive impact of the shares granted.

We also agree that Chapter 17 should be amended to provide a consistent framework to govern share award schemes involving the grant of new shares.

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 definition of eligible participants to include directors and employees of the issuer and its subsidiaries is wide enough to cover the intended core grantees of share award schemes whose contributions may enhance the value of the issuer group.

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.

We do not grant equity to Service Providers, but this may be important to certain businesses whose Service Providers play an important role in their business.

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.

We do not grant equity to Related Entity Participants but agree that Related Entity Participants may play an important and strategic role for certain businesses.

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.

We consider that it is appropriate to provide a refreshment once every three years having regards to the needs of specific companies with large Share Grants as part of their remuneration strategies to incentivize and retain talents. The additional requirement on shareholders' approval serves as a balance to safeguard their interests against excessive dilution.

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.

We agree that a more stringent requirement on independent shareholders' approval is required if the issuer would like to refresh the scheme mandate within a three-year period, which is more frequent than generally expected.

We also note that it would bring such requirement in closer alignment with that for the refreshment of the general mandate before the next annual general meeting.

Question 7

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

Yes

Please provide reasons for your views.

The 10% scheme mandate limit is sufficient to prevent significant overhang in the issuers' shares from time to time.

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.

We have no comment in this regard as we do not grant equity to Service Providers.

Question 9

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

Yes

Please provide reasons for your views.

The vesting period gives the grantee an incentive to perform well before the grants are vested. The length of such vesting period should strike a balance between the purpose of incentivising the grantees to contribute to the long-term growth of the issuer and an award to the grantees' past contribution. 12 months is therefore a fair minimum vesting period.

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 under certain justifiable circumstances the remuneration committee may approve a shorter vesting period or allow the Share Grants to vest immediately with the reasons and details properly disclosed. Flexibility shall be provided to cater to different practical situations.

Question 11a

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

Yes

Please provide reasons for your views.

The disclosure on performance targets facilitates the shareholders in assessing the impact of the Share Grants and to understand how the Share Grants serve to promote the best interests of the issuers.

However, the details of such disclosure may contain confidential and commercially sensitive information. We suggest striking a balance for fair disclosure (i.e. not to mention specific target levels, etc).

Question 11b

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

Yes

Please provide reasons for your views.

The disclosure on clawback mechanism facilitates the shareholders in assessing the impact of the Share Grants and to understand how the Share Grants serve to promote the best interests of the issuers.

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.

As the share awards are usually granted at nil consideration, we agree that no restriction should be imposed on the grant price of shares under share award schemes.

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.

We agree that 1% Individual Limit is a fair amount.

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.

The remuneration committee is primarily responsible for the issuer's policy and structure for all directors and senior management's remuneration. The members on the remuneration committee have the skills, knowledge and experience in deciding the issuer's remuneration policy. The duty of approving Share Grants to Connected Persons is consistent with the remuneration committee's terms of reference.

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.

The relaxation provides flexibility for the issuer to design the remuneration package for directors or the chief executive concerning its corporate goals and objectives.

However, we consider that 0.1% limit to Connected Persons (including a director or chief executive) is not comparable to 1% Individual Limit. Such difference would be inconsistent with the general remuneration hierarchy. In addition, 0.1% limit would be too restrictive to those small scale listed companies.

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.

The share awards to an INED or substantial shareholder will be subject to approval by the remuneration committee. The relaxation provides flexibility for the issuer to design the remuneration package for INED or substantial shareholder concerning its corporate goals and objectives.

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.

The share awards to a controlling shareholder will be subject to approval by the remuneration committee. The relaxation provides flexibility for the issuer to design the remuneration package for controlling shareholder concerning its corporate goals and objectives.

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.

A percentage threshold may reflect the extent of dilution on an issuer better than a monetary threshold.

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.

Shareholders have the right to be informed of the details of material Share Grants and to understand through the grant announcement how the Share Grant might affect the issuer's financial position.

Question 20

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

Yes

Please provide reasons for your views.

Please refer to our comments on Question 11.

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.

The requirement aligns with the international disclosure standard and Hong Kong Financial Reporting Standards 2. A detailed consolidated summary of the Share Grants during the reporting period to be disclosed in an issuer's interim and annual reports would facilitate shareholders' assessment of the dilution impact of the Share Scheme on their interests in the issuer.

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.

As the remuneration committee is responsible for overseeing the operation of the Share Scheme and approving certain grants, such work conducted by the remuneration

committee shall be properly recorded and disclosed in the Corporate Governance Report in the same manner as its other duties.

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 remuneration committee to approve any changes to the terms of share award or option consistent with the initial grant requirement may reduce the burden of compliance on the issuers.

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.

The Share Schemes are one of the compensations received by grantees as a result of their contribution to the issuer on a long-term basis. Grantees deserve the right to decide whether to transfer it to their family members and to have it planned in their desired ways, given that such transfer would meet the purpose of the Share Schemes and comply with other requirements of Chapter 17 of the Listing Rules.

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.

Voting rights should be exercised by the grantees when the shares are vested. Unvested shares should be disclosed for shareholders to better understand an issuer's financial position.

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.

The Share Schemes funded by existing shares of listed issuers without dilution effect should be subject to similar disclosure requirements for Share Schemes funded by the issuance of new shares.

However, we suggest the HKEx to clarify whether an employee shares purchase scheme where the issuer grants matching shares and subsidizes eligible employees to purchase shares from the open market, with no issuance of new shares, through an independent third party intermediary is considered as a share award scheme involving the grant of existing shares.

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.

Voting rights should be exercised by the grantees when the shares are vested. Unvested shares should be disclosed for shareholders to better understand an issuer's financial position.

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.

Chapter 17 should also govern share award schemes funded by new or existing shares of subsidiaries of listed issuers because they serve similar purposes to share option schemes of subsidiaries. Both share award schemes and share option schemes have the same dilutive impact on the issuer's interest in these subsidiaries.

Question 29

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

Yes

Please provide reasons for your views.

It may ease the compliance burdens of issuers without compromising shareholders protection. It provides more flexibility to issuers to implement Share Schemes of subsidiaries that are not material to the issuer group.

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.

Grants of shares or options through trust or similar arrangements have the same dilutive impact on public shareholders. It should therefore be subject to the same requirements.

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.

The requirement on the disclosure of the fair value of options and awards granted by issuers is set to be in line with the disclosure of share based payments under Hong Kong Financial Reporting Standards 2. We have no objection to removing the recommended disclosure requirement.

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.

Share award schemes and share option schemes have the same dilutive impact on public shareholders. A consistent regulatory framework should therefore be applied to share award schemes.