

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?

No

Please provide reasons for your views.

We agree with the Stock Exchange that the concept of disclosure of share award schemes should be promoted. That being said, taking into account the differences of accounting and tax treatments for the share awards and share options, we are of the view that schemes for share awards and share options are different in nature, therefore, a one-size-fit-all regulatory framework (under Chapter 17 of the Listing Rules) for both schemes seems not functional.

The existing Listing Rules provide flexibility for listed issuers to adopt and apply incentive schemes for hiring practice, as long as it complies with the existing disclosure requirements under the Listing Rules. For enhanced transparency, the disclosure of share award schemes under annual reports of the issuers by way of reference to the Chapter 17 disclosure requirements has been put into effect pursuant to the Stock Exchange's Review of Issuers' Annual Report Disclosure – Report 2020 published in January 2021. We believe this method provides the shareholders and investors with a fair understanding of shareholding dilution effect (if any) resulting from adoption of share-based incentive schemes while without imposing undue burdensome on the listed issuers.

Being a goal, we are of the view that that disclosure of share award schemes set out on the Consultation Paper as a rule (if were to put in place) should be implemented in stages, as per suggestion set out in the Stock Exchange's Review of Issuers' Annual Report Disclosure – Report 2020. Sufficient amount trial time should be allowed for issuers to familiarize themselves with the concept and to try out the requirements of the concept. Governance concept of overseas regimes is good reference but should be implemented with reference to local characteristics.

Based on the foregoing, we therefore suggest disclosure of share award schemes concept to come, first, as a recommended best practice. Evaluation can be made, after a trial period (say, three years), to assess how ready Hong Kong listed companies are for the change suggested. If real benefit is not apparent, it is either that many issuers are not ready, or they do not buy in the concept all together.

(The link of Stock Exchange's Review of Issuers' Annual Report Disclosure Report 2020 is as follows: https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Exchanges-Review-of-Issuers-Annual-Disclosure/rdiar_2020.pdf?la=en (paragraphs 64-72))

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, to the extent only applicable to share option 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, to the extent only applicable to share option schemes.

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.

Yes, to the extent only applicable to share option schemes.

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.

Yes, to the extent only applicable to share option schemes.

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.

Yes, to the extent only applicable to share option schemes.

Question 7

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

Yes

Please provide reasons for your views.

Yes, to the extent only applicable to share option schemes.

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.

Yes, to the extent only applicable to share option schemes.

Question 9

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

Yes

Please provide reasons for your views.

Yes, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

Question 11a

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

Yes

Please provide reasons for your views.

Yes, to the extent only applicable to share option schemes.

Question 11b

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

Yes

Please provide reasons for your views.

Yes, to the extent only applicable to share option schemes.

Question 12

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

No

Please provide reasons for your views.

No. Please refer to the response set out in Question 1.

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, to the extent only applicable to share option schemes.

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.

Yes, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

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.

Yes, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

Question 20

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

Yes

Please provide reasons for your views.

Yes, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

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, to the extent only applicable to share option schemes.

Question 26

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

No

Please provide reasons for your views.

No. Please refer to the response set out in Question 1.

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, to the extent only applicable to share option schemes.

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?

No

Please provide reasons for your views.

No. Please refer to the response set out in Question 1.

Question 29

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

No

Please provide reasons for your views.

No. Please refer to the response set out in Question 1. In any event, if the proposed amendments to Chapter 17 were to make applicable to share award schemes, the proposed exemption under Chapter 17 should have applied to adoption of share option scheme(s) by listed issuers' insignificant subsidiary(ies).

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, to the extent only applicable to share option 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.

Yes, to the extent only applicable to share option schemes.

Question 32

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

No

Please provide reasons for your views.

No. Please refer to the response set out in Question 1.