

## **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 proposal to amend Chapter 17 to also govern share award schemes involving the grant of new shares of listed issuers due to the prevailing increase in establishing share award schemes by many listed issuers in the market.

#### **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.**

Currently, there are no restrictions on the categories of eligible participants. The proposed definition on eligible participants of share schemes includes the following persons:

- “Employee Participants” – i.e. directors and employees of the issuer or any of its subsidiaries (including persons who are granted shares or options under the scheme as an inducement to enter into employment contracts with these companies);
- “Related Entity Participants” – i.e. directors and employees of the holding companies, fellow subsidiaries or associated companies of the issuer; and
- “Service Providers” – i.e. persons who provide services to the issuer group on a continuing and recurring basis in their ordinary and usual course of business which are material to the long term growth of the issuer group. They should exclude financial advisors or placing agents providing fundraising or M&A services, or consultants providing professional services to the issuer.

The proposal requires grants to Related Entity Participants and Service Providers be approved by the remuneration committee with reasons for grants clearly disclosed.

For instance, consultants, who are commonly working for listed issuers, would fall within service providers according to the proposal. We are concerned that the proposed definition is too narrow and may result in over-regulation.

#### **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.**

Please refer to Question 2.

#### **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 refer to Question 2.

#### **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 agree with the proposal. The scheme mandate be refreshed by shareholders once every three years makes a good balance between compliance and business.

#### **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 with the proposal.

#### **Question 7**

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

Yes

**Please provide reasons for your views.**

We agree with the proposal. We do not consider that the proposal would result in over-regulation as the scenario mentioned is uncommon in the market.

**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.**

Please refer to our view as stated in Question 2. Given there is a nomination committee in place, we consider that a sublimit is unnecessary.

**Question 9**

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

No

**Please provide reasons for your views.**

Requiring a minimum vesting period of 12 months in respect of Share Grants made to Employee Participants specifically identified by the listed issuer is considered unnecessary. In many cases, an employee may seek new opportunities immediately after the IPO, which may less than 12 months. Given there is remuneration committee in place, there should be sufficient flexibility to the listed issuer in considering their own business decisions.

**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?**

No

**Please provide reasons for your views.**

Please refer to Question 9.

**Question 11a**

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

No

**Please provide reasons for your views.**

We take neutral stance on such proposed disclosure requirements.

**Question 11b**

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

No

**Please provide reasons for your views.**

We take neutral stance on such proposed disclosure requirements.

**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.**

We agree that it is unnecessary to impose a restriction on the grant price of shares under share award schemes. Given there is remuneration committee in place, there should be sufficient flexibility to the listed issuer in considering their own business decisions.

**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?**

No

**Please provide reasons for your views.**

We take neutral stance on such proposing item. In the contrary, we would consider that it is hard, uneasy and non-commercial to justify why 1% Individual Limit should be in place.

**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.**

We have no comment to such question.

**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.**

We agree with the proposed amendments. Given remuneration committee is in place with all listed issuers, who would safeguard the interests of shareholders, further approval

requirements for grants of share awards to a director or a chief executive would be considered burdensome. Meanwhile, with reference to other capital market in the world, we would suggest HKEX to further research on other “international practice”.

**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 refer 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 refer 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.**

Please refer to 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.**

Please refer to Question 15.

**Question 20**

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

No

**Please provide reasons for your views.**

We would consider that the proposed disclosure requirement is too burdensome. The existing practice, that the listed issuer is required to disclose in its Corporate Governance Report a summary of the work performed by the remuneration committee during the year, would be considered well sufficient for all financial readers. The existing disclosure requirement already included the committee's work on determining the remuneration policy for executive directors, assessing their performance and approving the terms of their service contracts.

**Question 21**

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

No

**Please provide reasons for your views.**

Please refer to Question 20. We do not consider the proposed disclosure requirements necessary as relevant disclosures are made in the Corporate Governance Report on an annual basis.

**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?**

No

**Please provide reasons for your views.**

Please refer to Question 20. We do not consider the proposed disclosure requirements necessary.

**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?**

No

**Please provide reasons for your views.**

We do not agree with the proposal. We consider that changes to the terms of share award or option granted be approved by the remuneration committee is well sufficient.

**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.**

We agree with the proposal.

**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 understand the concerns expressed in the Proposal that senior management of the issuer (i.e., the Board of Directors) may exert influence over the exercise of voting rights of unvested shares.

There are benefits for allowing senior management of the issuer to exercise voting rights of unvested shares (“Non-abstain Arrangement”), including enhancing efficiency for management to roll out and implement its business proposals. It is common in other major stock exchanges to provide flexibility in the restrictive terms of a trust formed for the purpose of Share Schemes, being matters that can be left for the shareholders to collectively decide.

The Stock Exchange can consider measures to contain any potential undue influence. For example:

1. at the time of adoption of the Share Scheme, and on each subsequent meeting of the shareholders for renewal of the Scheme Mandate Limit, the Stock Exchange may require a standalone resolution on the Non-abstain Arrangement, whereby members of the senior management and their respective associates as well as the trustee shall abstain from voting on such resolution;
2. requiring management of the issuer who wish to put forward the Non-abstain Arrangement to its shareholders to set out the reasons for such arrangement in the circular to shareholders; and
3. requiring trustees to only abstain from voting for resolutions involving connected transactions.

We agree that the number of unvested shares is discloseable through monthly returns.

**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.**

We agree with the proposal.

**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 our responses in 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.**

We agree with the proposal as share schemes of subsidiaries have the same dilutive impact on the issuer's interest in its subsidiaries.

**Question 29**

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

No

**Please provide reasons for your views.**

We take neutral stance on such proposing item.

**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.**

We agree with the proposal.

**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.**

We agree with the proposal.

**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.**

We agree with the proposal.