

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 scheme is a form of employee incentive scheme that would affect the financial performance, cashflow and shareholding dilution of a company. However, unlike share option scheme, there are no rules governing the set-up, subsequent share grants and how the scheme operates. Thus, we agree to have some rules to cover matters relating to share awards.

However, given the nature of the share options and share grants (new shares and existing shares) would have different financial impact, we suggest they should have separate limit instead of aggregating them together in one threshold for disclosure and approval purpose. In the event this cannot be segregated, we proposed a slight increase in the aggregate limit should be applied, say 15%, to provide flexibility in choosing the method of awards.

We would like to reconfirm that all the new shares to be granted under the share scheme would be a separate mandate, (similar to that in the grant of new shares upon exercise of share options, such issue of shares will not utilize the 20% general mandate).

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.

We agree with the proposal that eligible participants to include directors and employees of the issuer and its subsidiaries. We also agree that new staff are eligible participants so long as such inducement is subject to performance targets and with sufficient vesting period. That is in line with the day-to-day practice to retain suitable talent for their continuous supports in future.

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 agree with the proposal especially for certain industry which may rely more on service providers. For instance, some business sector may be difficult to source external experts, such as TMT and biotech sectors or other traditional industry which strategically rely on reliable source of material or distribution channel. This scheme would provide listed companies a choice to incentivise service providers and align their interest with issuers.

We consider additional disclosures on RC's assessment proposed under the rules and approval are necessary.

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.

Under the current proposal, Related Entity Participants includes Directors and employees of the holding companies, fellow subsidiaries or associated companies of an issuer. We share same view of the Exchange that there should be additional disclosures. Under the current proposed rules 17.06B(9), the announcement must set out remuneration committee's views on why it is appropriate to approve the grant, the factors that it took into account and how the grant serves the purpose of the scheme. It is appropriate for them to address how the directors and employee of the fellow subsidiaries contribute the success of the listed companies, especially for fellow subsidiaries if they have business different to that of the listed companies.

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 agreed that such arrangement can help reduce administrative work of the listed issuers.

We suggest to add a disclosure on when the mandate is grant and expected valid period in the annual report since it may cover a three-year period.

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.

The proposal is in line with the practice of refreshment of general mandate for issue of new shares, such that frequent utilization of such scheme mandate is subject to more approval (obtaining independent shareholders' approval and independent financial advisor's review).

However, as to the grant of existing shares, it is proposed to be included in the scheme mandate limit. Since it will not have dilution effect on the shareholding, we suggest that such grant should not be counted towards the 10% limit.

To clarify the 1% and 0.1 % individual threshold shall include the existing shares.

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 to remove this 30% limit, given the 10% scheme mandate limit imposes a stricter restriction.

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.

We opined that different issuers have different business nature and the different level of reliance on service provider from time to time, thus it may be impractical to set a defined sublimit under the 10% scheme mandate limit. We think that the 10% scheme mandate limit applicable to all participants is efficient and provides flexibility. We consider there are

sufficient provisions mandating (1) the approval of any grants of options or awards to service providers by the RC and (2) disclosure requirement if the grant to service in any 12-month period exceeding 0.1% of the relevant class of shares in issue. Thus, there is no need to set a sublimit to complicate the administration matter.

We would also like to clarify whether the 0.1% is applicable to an individual/ service provider company. For example, whether owner and/ or a group of employee in one service provider (if it is business entity) will be counted as one group of provider or counted separately .

Question 9

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

Yes

Please provide reasons for your views.

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 to have shorter vesting period only when the listed companies have good reasons for doing so and the remuneration committee have reviewed and concur the ground is reasonable.

Question 11a

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

Yes

Please provide reasons for your views.

We agree to have disclosures on performance targets and clawback mechanism to allow more transparency. As to performance target, certain figures would be too sensitive, thus we consider that issuers are only required to provide brief information on the area of the key performance indicators to achieve, without specifying the figures (even it may have such figure in the grant documents).

Question 11b

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

Yes

Please provide reasons for your views.

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 concur that the grant price is not relevant since most eligible participants are granted such shares at nil/ very low consideration. The records of grant of new shares is an accounting entry without cashflow. It does not seem to have a need to restrict the grant price.

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.

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.

We agree with the proposal to require approval from the remuneration committee, the function of remuneration committee is to make recommendation on director and senior management's remuneration. They should be more knowledgeable on the overall remuneration package of connected person and other eligible participants.

However, we suggest that INED's role should not be faded out, they should also confirm that the process approving the grant of shares to connected person is independent in the Corporate Governance Report, especially the grants to controlling shareholders.

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.

Under current rules, the grants of new shares to director are currently subject to convening shareholder meetings and obtaining a letter from independent financial advisor. With the de minus exemption and the approval from remuneration committee, the administrative burden and overall cost of the company is reduced. We consider that the 0.1% threshold would give the listed issuer a choice to use new shares as incentive without utilizing cash resources if they though fit. Also such grant shall be subject to RC's review and approval under the proposed amendments

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.

Same view in Q15.

However, for the share grant to substantial shareholders and connected shareholders, since they have influence on the board, we think that 0.1% would be a large sum for company with large market capitalization. In order to reserve flexibility in Q15, but to maintain sufficient safeguard, we suggest to include another monetary thresholds, say actual monetary benefit for shares awarded (which is determinable at the date of grant), may be applied. Such monetary value could be made with reference to the connected transaction rules. In this way, issuers can enjoy the flexibility for share grant under the thresholds, and only the amount excluded the threshold is subject to independent shareholders' approval.

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.

Same view in Q16.

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.

We agree to remove the 5-million de minimis threshold, so that all listed company is governed purely by the 0.1% threshold. In current rules, only if those remuneration exceeds 0.1% and with exercise value greater than HK\$5 million is subject to more procedures. It seems that listed issuers with lower capitalization would be more free to issue more than 0.1% shares. And such threshold does not directly provide any information on the potential benefit to be received by the grantee, as gains mainly depend on the difference among the future stock price and exercise price and number of shares.

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.

Question 20

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

Yes

Please provide reasons for your views.

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.

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.

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.

We concur such arrangement can help reduce administrative burden.

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 consider the grants of shares or options through trust or similar arrangements for the benefit of specified participants is reasonable.

On the other hand, we would like to clarify whether there are mechanism to make sure the beneficial owners should still be the same when the options is grant, vested and exercised.

We suggest that the participants should declare whether, at the time of grant of new shares upon exercise of share options, his/her trustee continue to be for the benefit of the participant and his/ her family members if the waiver is made only at the time the options is granted.

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 agreed the proposal to restrict their voting rights as it may be bias, but in case of very exceptional situation, such as privatization (as it affects the rights of participants in future if the company become unlisted), the trustee should have a right to vote after it is properly advised.

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.

Furthermore, we proposed that the trustee should be professional trustee or independent person for compliance purpose. The current requirement on the trustee continue to be a matter of disclosure under Rule 17.02(2)(c) after inclusion of share award. Since the existing shares are mainly acquired by the trustee, we consider that there must be some mechanism to prevent the connected person/director knowingly sell their shares to trustee, say similar to that in share buy back by listed companies. The proposed disclosure requirements for Share Schemes funded by existing shares would, to a limited extent, facilitate the market to keep an eye on it.

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.

Same view as 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.

We think that listed shares and shares in subsidiary are two different concepts. We concern whether one subsidiary, especially for those subsidiaries material to the listed

group, will after several grants by the holding, remain as subsidiaries of the Group. Thus sufficient disclosure is necessary, e.g. whether the listed company has any intention to deconsolidate the subsidiaries.

Question 29

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

Yes

Please provide reasons for your views.

We agree as the proposed exemption can reduce compliance burden. We also agree that the disclosure requirements under Chapter 17 is applicable to 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.

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. Since most of the issuers do not provide such value at the date of grant, and opine that it would not be meaningful and may even be misleading to Shareholders if the value of the options is calculated based on a set of speculative assumptions.

Also, issuers will include such valuation in the annual/ interim report, this will provide information to shareholders from time to time.

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.

b) We consider that where a listed company adopts a share scheme after listed and they have such a need to incentivize person with this short vesting period, it is already subject to RC's review under the proposed rules. So, if such restriction applied in future, it is only an administrative measures that the shares shall vest outside the 6 months period and subject to RC approval within 12 months.

c)We have no comments on the administrative procedures on the share options.

We suggest that if the market has already adopted similar arrangement in setting the terms of the scheme that is governed by clear listing rules, the Stock Exchange may post-vet such circular.

However, where the circular require independent shareholders' vote and opinion from independent financial advisors, it remains pre-vet.

d)We concur with that the acceptance or vesting of shares pursuant to the terms of share awards granted by a listed issuer before the period with restricted dealing is reasonable. Also the disposal of the vested shares shall continue to be prohibited.