



## HKEX Issues Report & Guidance on Annual Report, Corporate Governance & ESG Report Disclosure

The Hong Kong Stock Exchange (the **HKEX**) has published its [Annual Review of Issuers' Reports 2025](#) (the **HKEX Review**) setting out its findings and recommendations following its assessment of HKEX-listed issuers' compliance with the HKEX Listing Rules' disclosure requirements for annual reports, corporate governance reports, and environmental, social and governance (**ESG**) reports for the financial year ended 2024.

The HKEX's recommendations for areas of annual reports where disclosure quality could be improved have been reflected in its updated [Guide on Preparation of Annual Reports](#). It has also launched the [HKEX Annual Report Explorer](#), an AI-powered platform which provides HKEX-listed issuers with a digitalised preparation guide, disclosure repository, and consolidated findings and recommendations to facilitate annual report preparation.

### 1. Annual Reports of HKEX-listed Issuers

#### 1.1 Compliance with Specific Disclosure Requirements

The HKEX Review indicates that HKEX-listed issuers have maintained a high standard of compliance with the specific disclosure requirements under review, with 99% of HKEX-listed issuers complying with at least 90% of the disclosure requirements under review. HKEX's review encompassed approximately 410,000 disclosure records across more than 160 disclosure requirements.

Notwithstanding this generally positive outcome, HKEX identified 10 HKEX Listing Rules with the lowest compliance rates, which HKEX-listed issuers are urged to address in preparing their forthcoming annual reports.

##### 1.1.1 Share Scheme Disclosures

The following disclosure requirements recorded compliance rates between 84% and 92%:

- (a) **Vesting period of options granted under share option schemes** (MB Rule 17.09(6) / GEM Rule 23.09(6)) — 92% compliance;
- (b) **Shares available for issue under share award schemes** (number and percentage as at the date of the annual report) (MB Rule 17.09(3) / GEM Rule 23.09(3)) — 90% compliance;

(c) **Number of awards available for grant under scheme mandate and service provider submit** (at beginning and end of the year) (MB Rule 17.07(2) / GEM Rule 23.07(2)) — 90% compliance;

(d) **Shares available for issue under share option schemes** (number and percentage as at the date of the annual report) (MB Rule 17.09(3) / GEM Rule 23.09(3)) — 85% compliance; and

(e) **Number of options available for grant under scheme mandate and service provider submit** (at beginning and end of the year) (MB Rule 17.07(2) / GEM Rule 23.07(2)) — 84% compliance.

HKEX reminds HKEX-listed issuers that the reference dates prescribed under the HKEX Listing Rules may differ (for example, the date of the annual report versus the beginning and end of the financial year) and that disclosure must be made with reference to the specified dates.

### 1.1.2 Directors' Confirmation

Confirmation of newly appointed directors' understanding of their obligations as directors of an HKEX-listed issuer, and the date they received legal advice from Hong Kong qualified solicitors on the HKEX Listing Rule requirements applicable to them as directors and the possible consequences of providing false information to the HKEX (MB Rule note 2 to 3.09D / GEM Rule note 2 to 5.02D) achieved a compliance rate of 91%.

### 1.1.3 Use of Proceeds from Equity Fundraisings

The requirement to provide a breakdown of actual use of proceeds brought forward from previous years (Paragraph 11A of Appendix D2 to MB Rules / GEM Rule 18.32A) was met by 92% of HKEX-listed issuers.

The HKEX observed that certain HKEX-listed issuers reallocated proceeds previously raised for specific purposes to "general working capital" without providing sufficient detail. To increase transparency and accountability, the HKEX recommends that HKEX-listed issuers provide a detailed account of any material reallocation of proceeds and explain how such proceeds were ultimately applied, with appropriate breakdown (for example, salaries, utilities fees, and rental expenses) in their annual report.

### 1.1.4 Performance Guarantees

The requirement to disclose whether performance guarantees were met (MB Rules 14.36B(3) and 14A.63(3) / GEM Rules 19.36B(3) and 20.61(3)) achieved a compliance rate of 90%.

### 1.1.5 Significant Investments

The requirement to disclose the number and percentage of shares held in significant investments (Paragraph 32(4A)(a) of Appendix D2 to MB Rules / GEM Rule 18.41(4A)(a)) recorded a compliance rate of 89%. HKEX noted that some HKEX-listed issuers failed to disclose the actual number of shares held in investee companies, disclosing only the shareholding percentage.

### 1.1.6 Treasury Shares

The requirement to disclose the intended use of treasury shares (Paragraph 10(4) of Appendix D2 to MB Rules / GEM Rule 18.14) had the lowest compliance rate of 81%. This requirement took effect on 11 June 2024.

## 1.2 Thematic Reviews

### 1.2.1 Financial Statements with Modified Auditors' Opinions

The Review indicates that 94% of HKEX-listed issuers published financial statements with an unmodified audit opinion. A total of 164 HKEX-listed issuers received modified audit opinions under the categories detailed below.

(a) **Going concern uncertainty** — this remained the most common category of audit modification, affecting 106 HKEX-listed issuers. Of these, 37 HKEX-listed issuers have received going concern disclaimers for three or more consecutive years, and two HKEX-listed issuers have had their trading suspended due to winding-up orders.

HKEX observed that HKEX-listed issuers frequently propose to demonstrate their ability to remain as a going concern through one or more of the following measures: debt restructuring or negotiation of overdue borrowings or payables; measures to improve cashflow (such as boosting sales, controlling costs, and raising funds); and seeking financial support from controlling shareholders. However, the auditors remained unsatisfied that these

proposals could be successfully implemented due to lack of evidence (for example, absence of binding agreements or confirmations from creditors) or inherent uncertainties (for example, reliance on forecasts), resulting in disclaimers of opinions.

HKEX has implemented new requirements for HKEX-listed issuers receiving going concern disclaimers to publish quarterly progress updates on the implementation of their remedial proposals. Each audit committee member is also required to explain their views on the appropriateness of management's going concern basis.

Recommendations: HKEX recommends that affected HKEX-listed issuers:

- evaluate the effectiveness of their proposals as the December 2025 financial year-end approaches and make refinements or changes where necessary;
- ensure that audit committees exercise robust oversight by critically challenging management's proposals and assumptions, and act as a bridge between management and auditors;
- engage with auditors early and maintain timely communication throughout the audit process to minimise the risk of receiving a further disclaimer opinion; and
- enhance disclosure in their annual reports by providing detailed accounts of their reasons for being able to continue as a going concern, including, for example: action plans and context supporting directors' confidence in ongoing debt restructuring negotiations; key assumptions underlying forecasts and the basis for assessing their reasonableness; and reasons why their directors consider that controlling shareholders providing financial support possess the necessary financial capacity. The disclosure should also include the audit committee's assessment and view on these matters.

After publication of the annual report, HKEX-listed issuers are expected to provide progress updates on their action plans by way of announcement on a quarterly basis, as well as whenever there are material deviations from such plans. In the event of material deviations, HKEX-listed issuers should disclose the reasons for the deviation or delay, any revised plan, and the audit committee's assessment of the matter.

(b) **Valuation of assets** (including equity investments, associates, financial investments, goodwill, property, plant and equipment, and inventories) and **limited access to accounting records** — disclaimers in these categories were often attributable to a lack of adequate risk identification policies and mitigating measures. These deficiencies resulted in the failure of the relevant HKEX-listed issuers to furnish sufficient evidence to the satisfaction of their auditors to substantiate the fairness of reported balances and, in extreme cases, the genuineness of the underlying transactions.

HKEX urges HKEX-listed issuers to devote sufficient resources to develop and maintain adequate risk management and internal control systems and to make continuous enhancements. Audit committees are recommended to refer to the publication [Audit Focus for 2025 year-end audits](#) issued by the [Accounting and Financial Reporting Council](#) on 3 October 2025.

### 1.2.2 Disclosure Related to Audit Modifications

The Review indicates that 89% of HKEX-listed issuers with modifications to their auditors' opinions made the recommended disclosure on audit modifications in full, comprising:

- details of modifications and their financial impact — 100% compliance;
- management's position and basis on major judgmental areas — 96% compliance;
- action plans to address modifications — 95% compliance; and
- audit committee's view — 90% compliance.

These recommended disclosures have been codified into the HKEX Listing Rules at paragraph 3.1 of Appendix D2 to the Main Board Rules and the note to GEM Rule 18.47 for financial years commencing on or after 1 July 2025. Affected HKEX-listed issuers are required to ensure compliance in their upcoming annual reports.

### 1.2.3 Management Discussion and Analysis

The HKEX conducted an expanded review of the quality of disclosure in HKEX-listed issuers' Management

Discussion and Analysis (**MD&A**) sections. The HKEX Listing Rules stipulate the minimum areas on which HKEX-listed issuers must provide commentary in the MD&A section. While disclosure has improved to some extent and newly listed HKEX-listed issuers have broadly maintained the standard of disclosure set out in their prospectuses, the HKEX identified the following areas requiring improvement:

(a) **Breadth and depth** — the HKEX observed continued use of boilerplate and generic language, including: merely reciting figures from financial statements without identifying and discussing key factors driving results; failing to explain year-on-year changes in performance indicators or industry-specific metrics; unclear strategy and prospects lacking explanation of how management evaluates the market environment and internal factors; and unclear business models lacking explanation of how the model creates value and supports the HKEX-listed issuer's strategy and long-term objectives.

(b) **Connectivity** — the HKEX observed insufficient coherence or integration in disclosure across different sections of the annual report or with other reports. Examples included:

- an online game developer highlighting tightened industry regulation in its ESG report without discussing the impact on its financial performance and prospects in the MD&A section;
- an HKEX-listed issuer disclosing the commencement of a new business without discussing how the business and related capital expenditure would be funded; and
- an HKEX-listed issuer highlighting risks arising from regulatory changes in the "Risk Factors" section without discussing the potential impact on financial performance and management strategies to address those risks in the "Prospects / Outlook" section.

(c) **Consistency** — the HKEX commented on failures to maintain year-on-year consistency in terms of information coverage and detail, including:

- discontinuation of performance indicator disclosure without explanation; and
- a biotech company disclosing breakdown of its R&D expenses by core product in the prospectus but not in its first annual report.

The HKEX also noted failures to follow through on previously disclosed matters such as changes in strategy (e.g. moving to a franchise model) or, in the case of a biotech company, the development of its pipeline products.

(d) **Balance** — HKEX also observed disclosure that over-emphasised positive aspects whilst downplaying or disregarding challenges and risks. For example, a hotel operator made extensive disclosure of its business achievements with an upbeat tone but provided minimal discussion of its strategy to tackle its reported deterioration in profitability.

The HKEX encourages HKEX-listed issuers to address these observations and to refer to section 2.2 of the updated [Guide on Preparation of Annual Reports](#).

HKEX-listed issuers may also refer to [IFRS Practice Statement 1: Management Commentary](#) issued by the International Accounting Standards Board in June 2025.

#### 1.2.4 Securities Investments

The HKEX reviewed a sample of HKEX-listed issuers engaged in frequent and/or substantial securities trading and financial investment activities outside of their principal businesses. The HKEX Review found that disclosure in this area was often limited and generic, lacking sufficient details on investment portfolios, investment policies, and control mechanisms.

Recommendations: The HKEX strongly encourages HKEX-listed issuers to improve disclosure on securities trading and financial investment activities by providing a detailed account of their:

- **Investment portfolio** — describing their investment portfolio in sufficient detail (proportionate to the size of their holding vis-à-vis their total assets), including investment types, strategies, period, source of funding, fair value, and performance. Where the portfolio includes fund investments, HKEX-listed issuers should disclose the underlying assets, fund strategies, fund performance, and the identity and credentials of the fund managers.

Under the HKEX Listing Rules,<sup>1</sup> listed issuers are required to disclose in their annual reports the breakdown and details of their “significant investments” (being those exceeding 5% of their total assets). Where an HKEX-listed issuer maintains a diverse portfolio with a significant portion of holdings individually accounting for less than 5% of total assets, it should provide information with sufficient coverage to allow shareholders to understand and appraise the portfolio;

- **Investment policy and objectives** — disclosing the purpose of investments, scope of investments (including particulars of permissible and prohibited investments), and an explanation of whether and how the investment strategy aligns with the HKEX-listed issuer’s corporate strategy and principal business(es);
- **Risk management and control measures** — disclosing their defined risk limits and specific metrics used to measure risk, and counterparty risk and liquidity management mechanisms (including specific criteria and factors taken into account when assessing and managing counterparty and liquidity risks); and
- **Approval and oversight mechanisms** — disclosing the roles and authority of the board or designated personnel/committees in approving, monitoring, and reviewing investments.

### 1.3 Financial Disclosure under Prevailing Requirements

No significant accounting non-compliance was identified in the HKEX Review. HKEX-listed issuers are recommended to refer to section 3 of the updated [Guide on Preparation of Annual Reports](#) for the areas commonly requiring particular attention.

#### 1.3.1 HKFRS 18 Readiness

The HKEX draws attention to the new Hong Kong Financial Reporting Standard 18 “Presentation and Disclosure in Financial Statements” (**HKFRS 18**), which will be effective for annual reporting periods beginning on or after 1 January 2027. HKFRS 18 is expected to impact the presentation of statements of profit or loss and cash flows and disclosure of issuers’ financial performance.

HKEX encourages HKEX-listed issuers to provide progressively more entity-specific information in their annual reports and avoid generic disclosure such as “currently assessing the possible impacts”. It notes that preparation for HKFRS 18 should extend beyond accounting matters and cover issuers’ IT systems and internal controls over financial reporting (for example, by capturing their subsidiaries’ financial data) and business activities (for example, loan covenants). HKFRS 18 requires retrospective application, and HKEX-listed issuers (particularly those with a December financial year-end) are urged to act proactively in 2026 to ensure a smooth transition.

HKEX-listed issuers can refer to the [Hong Kong Institute of Certified Public Accountants’ HKFRS 18 designated webpage](#) for more information and guidance materials.

## 2. Corporate Governance Reports of HKEX-listed Issuers

HKEX assessed HKEX-listed issuers’ disclosure of their compliance with the Corporate Governance Code (**CG Code**), with particular focus on board gender diversity, tenure of independent non-executive directors (**INEDs**), and overboarding INEDs.

### 2.1 Board Gender Diversity

The HKEX has implemented various initiatives to promote board diversity, culminating in the phasing out of single-gender boards at the end of 2024. The HKEX Review indicates some progress in female director representation:

- as of November 2025, women held approximately 21.3% of seats on HKEX-listed issuers’ boards, representing an increase of 5.2% over the past four years;
- since 2022, approximately 800 listed issuer directorships have been filled by female directors;
- almost all HKEX-listed issuers now have at least one female director (17 HKEX-listed issuers have not complied with the mixed gender board requirement, including long-suspended HKEX-listed issuers and HKEX-listed issuers temporarily deviating from the requirement);

<sup>1</sup> Paragraphs 32(4) and (4A) of Appendix D2 to the Main Board Rules and GEM Rules 18.41(4) and (4A)

- the proportion of HKEX-listed issuers with more than one female director has increased from 34.9% in 2022 to 45.4% in 2025; and
- as of November 2025, 22% of HKEX-listed issuers have female director representation of 30% or more on their boards.

## 2.2 Tenure of INEDs

The 2025 CG Code enhancements imposed a hard cap of nine years on INED tenure, with Long Serving INEDs (those who have served for nine years or more) to be phased out over a six-year transition period commencing 1 July 2025:

- **Phase one** (compliance required by the first AGM held on or after 1 July 2028) — an HKEX-listed issuer must not have Long Serving INEDs representing a majority of the INEDs on its board; and
- **Phase two** (compliance required by the first AGM held on or after 1 July 2031) — an HKEX-listed issuer must not have any Long Serving INEDs on its board.

As of November 2025, approximately 17% of HKEX-listed issuers have Long Serving INEDs on their boards, with 16 HKEX-listed issuers having only Long Serving INEDs.

Recommendation: The HKEX recommends that affected HKEX-listed issuers conduct comprehensive succession planning to allow sufficient time for the recruitment of suitable replacement INEDs. An orderly phase-out can avoid abrupt changes to board composition and minimise the impact on board continuity and any gaps in experience and governance.

## 2.3 Overboarding INEDs

The HKEX has introduced measures to address concerns that individuals with numerous directorships may be unable to devote sufficient time to each HKEX-listed issuer. As of November 2025, eight INEDs held seven or more directorships across 63 HKEX-listed issuers, representing a decrease from 7.5% of HKEX-listed issuers with overboarding INEDs in 2022 to 2.4% in 2025.

The 2025 CG Code changes introduced a hard cap whereby INEDs must not concurrently hold more than six Hong Kong-listed issuer directorships, with compliance required by the first AGM held on or after 1 July 2028.

Recommendation: The HKEX recommends that discussions as to which directorship(s) an overboarding INED should vacate be held well in advance of the compliance deadline.

## 3. ESG Reports of HKEX-listed Issuers

The HKEX assessed HKEX-listed issuers' compliance with the ESG reporting framework set out in Appendix C2 to the Main Board and GEM Listing Rules and their readiness for the new climate requirements (the **New Climate Requirements**) which came into effect for financial years commencing on or after 1 January 2025.

For details of the New Climate Requirements, HKEX-listed issuers can refer to Charltons' newsletter "[Exchange Publishes Consultation Conclusions on New Climate Disclosure Requirements Effective 1 January 2025](#)".

### 3.1 Overall Performance

The HKEX Review indicates that HKEX-listed issuers achieved reporting rates exceeding 90% for all Aspects under the Environmental and Social Subject Areas, with the exception of Aspect B4 (Labour Standards) which recorded an 80% reporting rate.

### 3.2 Climate-Related Disclosures

The first batch of ESG reports adopting the New Climate Requirements are expected to be published in 2026. For financial years starting on or after 1 January 2025, all issuers are required to disclose scope 1 and 2 greenhouse gas (**GHG**) emissions, and Main Board issuers are required to report on the New Climate Requirements (other than scope 1 and 2 GHG emissions) on a "comply or explain" basis. HKEX evaluated HKEX-listed issuers' climate-related disclosures across four dimensions, with particular focus on LargeCap Issuers (i.e., Hang Seng Composite LargeCap Index constituents) who are required to report on the New Climate Requirements on a mandatory basis from 1 January 2026.

### 3.2.1 Reference to International ESG Reporting Frameworks

The HKEX Review indicates that 8% of all HKEX-listed issuers and 100% of LargeCap Issuers made reference to international ESG reporting frameworks. Among LargeCap Issuers:

- 70% referenced the [GRI Standards](#);
- 64% referenced the [TCFD Recommendations](#); and
- 47% referenced the [ISSB Standards](#) (an increase of 13% from 34% in 2024).

Additionally, 65% of LargeCap Issuers referenced other ESG reporting frameworks (compared to 28% in 2024), including the [SASB Standards](#), [ISO standards](#), and [Taskforce on Nature-related Financial Disclosures Recommendations](#).

The HKEX notes that all large publicly accountable entities (including large listed companies) will be required to fully adopt the ISSB Standards by no later than 2028 under the Government's [Roadmap on Sustainability Disclosure in Hong Kong](#). HKEX plans to consult the market in 2027 on mandating sustainability reporting in accordance with the Hong Kong Sustainability Disclosure Standards (**HKSDS**), which are fully aligned with the ISSB Standards.

Early adoption of the ISSB Standards is encouraged, and ESG reports prepared in compliance with the ISSB Standards will be considered to have complied with the New Climate Requirements provided that they contain disclosures comparable to those required under the ESG Reporting Code. The HKEX recommends that issuers refer to HKEX's [Linking the ISSB Standards and HKEX ESG Reporting Code](#) for guidance on using ISSB-aligned disclosures to comply with the ESG Reporting Code.

HKEX-listed issuers may also submit technical questions regarding the implementation of HKSDS/ISSB Standards to the [Implementation Support Platform](#) managed by the Hong Kong Institute of Certified Public Accountants.

### 3.2.2 Reporting on GHG Emissions

The HKEX Review indicates that:

- 97% of all HKEX-listed issuers (2024: 96%) and 100% of LargeCap Issuers disclosed Scope 1 and Scope 2 GHG emissions; and
- 41% of all HKEX-listed issuers (2024: 37.4%) and 69% of LargeCap Issuers (2024: 50%) disclosed Scope 3 GHG emissions.

Among LargeCap Issuers reporting on Scope 3 GHG emissions, 92% disclosed a breakdown of Scope 3 categories and 75% disclosed specific emission data by Scope 3 category.

The Telecommunications industry led with the highest Scope 3 reporting rate of 71%, followed by the Financials industry (53%) and Conglomerates (48%). HKEX observes that the composition and significance of Scope 3 GHG emissions is highly dependent on the business model of a company.

HKEX acknowledges that Scope 3 GHG emissions data collection can be challenging and time-consuming, and refers HKEX-listed issuers to the [Implementation Guidance of Climate Disclosures under HKEX ESG Reporting Framework](#) for practical guidance.

### 3.2.3 Use of Climate-Related Scenario Analysis

The HKEX Review indicates that 14% of all HKEX-listed issuers and 84% of LargeCap Issuers used climate-related scenario analysis. Among LargeCap Issuers that conducted scenario analysis:

- 69% disclosed the source of scenario;
- 99% disclosed climate-related risks;
- 93% disclosed climate-related opportunities;
- 81% disclosed potential impact; and

- 81% disclosed action plans.

HKEX emphasises that scenario analysis is only the starting point for building climate resilience. HKEX-listed issuers must integrate insights from scenario analysis into their business strategy and continuously refine their climate action plans to protect assets from climate risks and capture potential opportunities.

### **3.2.4 Obtaining Independent Assurance**

The Review indicates that 9% of all HKEX-listed issuers and 70% of LargeCap Issuers obtained independent assurance for their ESG disclosures. Among LargeCap Issuers obtaining independent assurance:

- 96% disclosed the level, scope, and processes adopted for assurance; and
- 83% obtained assurance specifically on Scope 1 and Scope 2 GHG emissions.

The HKEX notes that the Accounting and Financial Reporting Council will release a proposed local regulatory framework for sustainability assurance for public consultation in 2025. The HKEX plans to consult the market in 2027 on mandating sustainability assurance for all or part of the sustainability disclosures.

Recommendations: The HKEX recommends that HKEX-listed issuers take proactive actions to prepare for sustainability assurance by:

- implementing robust controls for ESG data, developing infrastructure for data collection and validation, and maintaining a clear audit trail of ESG information;
- equipping staff with adequate skillsets to manage ESG data and fostering collaboration to align sustainability, finance, and risk management teams on assurance expectations;
- beginning with voluntary assurance on high-impact metrics (such as GHG emissions and energy use) to build internal experience and identify potential challenges; and
- developing clear ESG data-sharing protocols with value chain entities and considering digital platforms for real-time data exchange to reduce manual errors.

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