

Annual Review of Issuers' Reports 2025



Listed issuers are required to publish annual reports; corporate governance reports; and environmental, social and governance (**ESG**) reports within four months after financial year-end date under the Rules¹.

The Exchange has an ongoing programme to review these issuers' reports. Under the programme, we assess issuers' compliance with the disclosure requirements under the Rules for these reports as well as corporate governance and reporting practices in selected areas. We have completed our review for the financial year ended 2024 and prepared this report on a combined basis. This aims to provide issuers with a single point of reference with our findings and recommendations to facilitate them in discharging their reporting obligations and enhancing governance.

Results of our review are set out in this report.

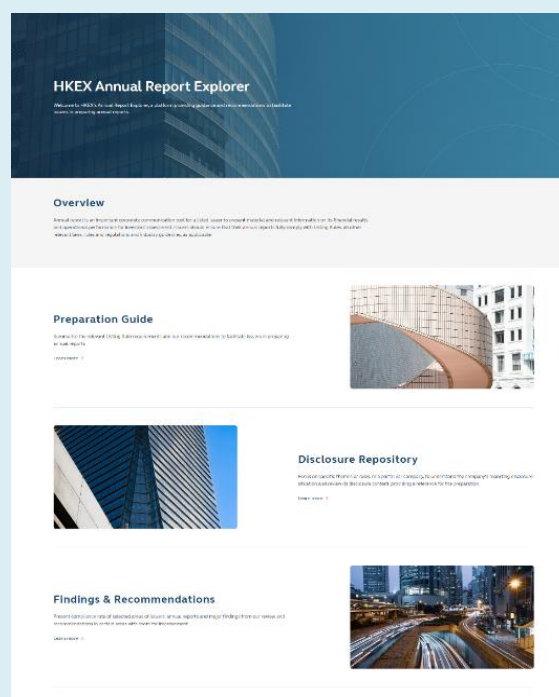
Launch of HKEX Annual Report Explorer

To advance the use of Regtech and promote compliance efficiency, the Exchange launched its AI-powered **Annual Report Explorer** platform to assist issuers in preparing annual reports.

Accessible at <https://are.hkex.com.hk/home/en>, our new platform contains:

- **Preparation Guide** – provides a digitalised version of our Guide on Preparation of Annual Report to facilitate issuers in accessing and navigating specific requirements and guidance from desktop browsers and mobile devices;
- **Disclosure Repository** – enables issuers, advisers and investors to view disclosure made by different issuers (by industry or market capitalisation) on particular Listing Rules through searches by key words or rules; and
- **Findings & Recommendations** – drawn from our latest annual review to help issuers improve quality and compliance.

We hope this new tool will assist issuers and advisers in preparing annual reports more efficiently and support their ongoing efforts to enhance reporting quality and compliance.



¹ In this report, "Rules" refer to both Main Board (**MB**) Rules and GEM Rules.

I. ANNUAL REPORTS

Annual report is an important corporate communication tool for a listed issuer to present material and relevant information on its financial results and operational performance for investors' assessment. The way management prepare and present information in annual report is a reflection of how they see their company and choose to present themselves to investors. A well-crafted report enhances investors' understanding and confidence, thereby facilitating issuers' access to capital. Over the years, the Exchange has been advocating issuers **going beyond mere compliance** in preparing annual reports.


Against this backdrop, our review comprised:

- a) an AI-assisted review of issuers' compliance with the specific disclosure requirements under the Rules²;
- b) thematic review on selected areas with a focus on quality of disclosure and governance; and
- c) assessment of issuers' compliance with prevailing requirements (including accounting standards) in their financial statements with an aim to enhance quality of financial disclosure.

Last year, we have published a [Guide on Preparation of Annual Report](#) (the **Annual Report Guide**) which summarises relevant Rule requirements and our recommendations made in our reviews. We have updated the Annual Report Guide based on the results of review this year. We encourage issuers to make reference to the updated Annual Report Guide and follow our recommendations in preparing annual reports.

(a) Compliance with specific disclosure requirements

Issuers continued to achieve a high rate of compliance.

99%  **1%** of issuers complied with at least 90% of the specific disclosure Rules under review³

² It covered all equity listed issuers except collective investment schemes listed under Chapter 20 of the MB Rules and secondary listed issuers.

³ Our review covered around 410,000 disclosure records and over 160 disclosure Rules.

10 disclosure Rules with the lowest compliance rate⁴ are set out below. As shown, the compliance rate of certain Rules has slightly declined this year, primarily due to inadvertent omissions. Issuers should take note of and avoid these common omissions in preparing their upcoming annual reports:

Share schemes

92% ↓ 5% Vesting period of options granted under the scheme MB Rule 17.09(6) / GEM Rule 23.09(6)	90% ↓ 2% Shares available for issue under share award scheme (number and percentage) as at the date of annual report MB Rule 17.09(3) / GEM Rule 23.09(3)	90% ↓ 1% Number of awards available for grant under scheme mandate and service provider submit (if applicable) at beginning and end of the year MB Rule 17.07(2) / GEM Rule 23.07(2)
85% ↑ 1% Shares available for issue under share option scheme (number and percentage) as at the date of annual report MB Rule 17.09(3) / GEM Rule 23.09(3)	84% ↑ 2% Number of options available for grant under scheme mandate and service provider submit (if applicable) at beginning and end of the year MB Rule 17.07(2) / GEM Rule 23.07(2)	



Issuers are reminded that the reference dates prescribed under the Rules may differ (e.g. date of annual report, and beginning and end of financial year). Issuers should ensure disclosure be made with reference to the specified dates.

Directors' confirmation 91% N/A⁵ Confirmation of newly appointed directors' understanding on their obligations and the date of receiving relevant legal advice MB Rule note 2 to 3.09D / GEM Rule note 2 to 5.02D	Use of proceeds from equity fund raisings 92% ↓ 2% Breakdown of actual use of proceeds brought forward from previous years Para. 11A of App. D2 to MB Rules / GEM Rule 18.32A	Performance guarantees 90% ↑ 3% Whether performance guarantee was met MB Rules 14.36B(3) and 14A.63(3) / GEM Rules 19.36B(3) and 20.61(3)
Significant investments 89% ↓ 2% Number and percentage of shares held in significant investment Para. 32(4A)(a) of App. D2 to MB Rules / GEM Rule 18.41(4A)(a)	Treasury shares 81% N/A⁵ Intended use of treasury shares Para. 10(4) of App. D2 to MB Rules / GEM Rule 18.14	



Use of proceeds from equity fund raisings

Some issuers reallocated proceeds previously raised for specific purposes to “general working capital” without providing further details. For better transparency and accountability, issuers are recommended to give a detailed account of the reallocation of the proceeds, if material, and how such proceeds were ultimately applied under the broad category of “general working capital”, with appropriate breakdown (e.g. salaries, utilities fees and rental expenses, etc.), in the annual report(s) for the relevant reporting period(s).

Significant investments

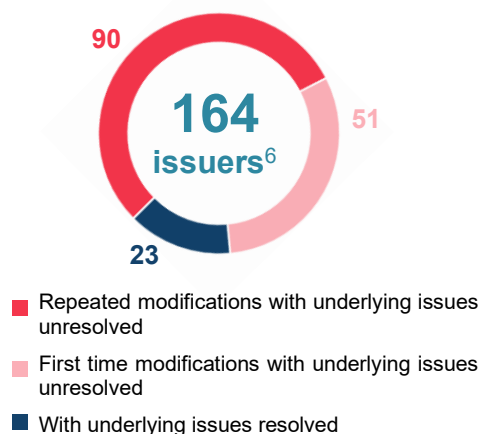
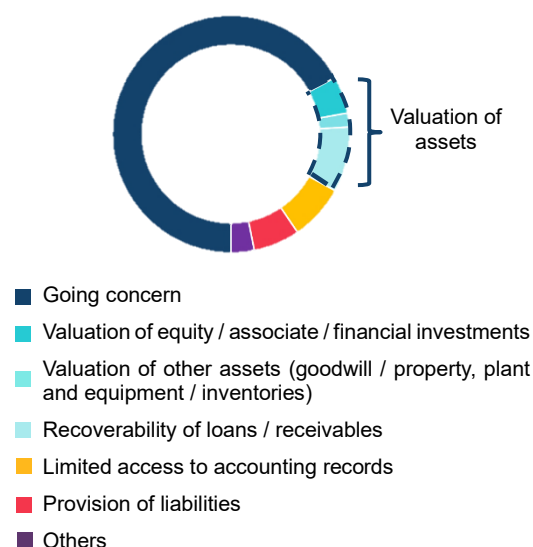
Some issuers omitted to disclose the actual number of shares held in the investee companies (i.e. only disclosing the shareholding percentage).

⁴ For the sake of representativeness, this does not cover Rules that are applicable to less than 10 issuers.

⁵ Comparative figures are not available as the requirements relating to directors' confirmation and treasury shares took effect on 31 December 2023 and 11 June 2024 respectively.

(b) Thematic reviews**Financial statements with auditors' modified opinions**




94% ↓ **1%** of issuers published financial statements with an unmodified audit opinion

Number of Issuers with Modified Audit Opinion**Nature of Audit Modifications**

Note: The above cover only "qualified opinion", "adverse opinion" and "disclaimer of opinion"; and exclude audit modifications on opening balance / comparative figures relating to prior year's modifications (i.e. the underlying issues have already been resolved).

Going concern uncertainty – continue to be the most common audit modification category.

We observed that issuers often propose to demonstrate their ability to remain as a going concern to auditors with one or more of the followings:

-  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 or contemplated measures can be successfully implemented in order to substantiate the going concern basis because of their lack of evidence (e.g. absence of binding agreement/confirmation from creditors) or inherent uncertainties (e.g. forecasts), and thus expressed a disclaimer of opinion.

⁶ Excluding 13 issuers that were long suspended companies at the time they published the financial statements.

Starting this year, the Exchange has requested these issuers to publish quarterly progress updates on the implementation of their remedial proposals. We also required each audit committee member to explain their views on the appropriateness of management's going concern basis.



As the December 2025 financial year-end is approaching, we remind issuers to evaluate the effectiveness of the proposals and make refinement or changes where necessary. In this respect, audit committees are obliged to have robust oversight by critically challenging management's proposals and assumptions adopted, and to act as a bridge between management and auditors in addressing the disclaimer and/or resolving disagreement. Audit committees should supervise and ensure issuers' early engagement with auditors and timely communication throughout the audit process to minimise the risk of receiving a disclaimer of opinion again.



Issuers receiving a disclaimer of opinion due to going concern uncertainty should enhance their disclosure:

Annual report – they should give a more detailed account of their basis of being able to remain as a going concern, for example:

- Debt restructuring – disclose action plans and context supporting directors' confidence in the success of ongoing negotiations.
- Forecasts – disclose key assumptions and explain with basis on how the directors assessed their reasonableness.
- Financial support from controlling shareholders – disclose why directors consider that the shareholders possess the necessary financial capacity.

Audit committee's assessment and view on the above must also be disclosed.

Subsequent update – issuers should provide progress update by announcement on their action plans:

- On a quarterly basis; and
- Whenever there are material deviations – issuers should disclose reasons for the deviation or delay, any revised plan and audit committee's assessment.

Valuation of assets and limited access to accounting records – often attributable to lack of adequate risk identification policies and mitigating measures, similar to our observations last year. Such deficiencies in turn resulted in the issuers' failure to supply evidence to auditors' satisfaction to substantiate the fairness of the reported balances and in extreme cases, genuineness of the transactions.



As called out in our previous reports, adequate risk management and internal control systems are the key. We urge issuers to devote sufficient resources to develop and put in place such systems and make continuous enhancements. Please revisit [our 2024 review report on annual reports](#) for details and recommendations.

Audit committees are recommended to make reference to the publication [Audit Focus for 2025 year-end audits](#) issued by the Accounting and Financial Reporting Council on 3 October 2025, which highlights key areas of audit focus for the upcoming year-end. These areas should also be considered by issuers when preparing their financial statements to enhance audit readiness and quality.

Disclosure related to audit modifications

89%  **1%** of issuers made recommended disclosure on audit modifications in full



100%

Details of modifications and financial impact



96%

Management's position and basis on major judgmental areas



90%

Audit committee's view



95%

Action plans to address modifications

The above recommended disclosure has been codified into the Rules⁷ for financial years commencing on or after 1 July 2025. Issuers should ensure compliance in their upcoming annual reports.

Management discussion and analysis (MD&A)

The Rules prescribe specific areas that issuers must, as a minimum, provide commentary on in the MD&A section⁸. In addition to vetting issuers' compliance with such minimum requirements (as discussed above), we also assessed quality of disclosure in issuers' MD&A section. Last year, we conducted a thematic review on a sample basis and provided some recommendations (see the [Annual Report Guide](#)). This year, we reviewed issuers' MD&A disclosure again⁹. Our review showed that:



In general, issuers' disclosure has, to some extent, improved;



A large majority of the newly listed issuers reviewed have kept disclosure broadly in line with the standard of their prospectuses; and



There is still room for improvement in the following areas:

Breadth and depth



Boilerplate and generic languages still observed:

- Merely reciting figures in financial statements without identifying and discussing key factors driving the results.
- Not properly explaining the year-on-year changes in the presented performance indicators or industry-specific metrics, or not presenting such indicators at all.
- Unclear strategy and prospects – lack of explanation of how management evaluates the market environment and internal factors, and formulates strategies in response to such factors.
- Unclear business model – lack of explanation of how the model creates value and supports the issuer's strategy and long-term objectives.

⁷ Paragraph 3.1 of Appendix D2 to the MB Rules / GEM Rule note to 18.47.

⁸ See paragraphs 28(2)(d) and 32 of Appendix D2 to the MB Rules and paragraph 12 of Appendix C2 to the MB Rules / GEM Rules 18.07A(2)(d), 18.41 and paragraph 12 of Appendix C2 to the GEM Rules.

⁹ This year's review had an expanded sample size, covering all issuers selected for review last year plus some additional issuers.

Connectivity

Disclosure not sufficiently coherent or integrated across different sections or with other reports, for example:

- An online game developer highlighted in its ESG report a recent tightened industry regulation which prevented minors from spending excessive hours on online games. However, it did not discuss the impact of such regulation on its financial performance and prospects in the MD&A section.
- An issuer disclosed the commencement of a new business but did not discuss how such business and related capital expenditure would be funded.
- An issuer highlighted risks arising from certain regulatory changes (in “Risk Factors” section) but failed to discuss the potential impact on financial performance and management’s strategies to address such risks (in the “Prospects / Outlook” section).

Such disconnections have limited investors’ ability to make a holistic evaluation of the issuer’s performance and prospects.

Consistency

Failure to maintain consistency year-on-year in terms of information coverage and detail, for instance:

- Discontinuation of disclosure of performance indicators without explanation.
- A biotech company disclosed breakdown of its R&D expenses incurred by each core product in the prospectus but did not provide similar details in its first annual report.

Failure to follow through on previously disclosed matters to allow investors to keep abreast of their latest development. For example:

- An issuer disclosed a shift to a franchise model in prior year but did not make adequate commentary or evaluation about the progress and success of such strategy in current year report.
- A biotech company did not report on progress of development of its pipeline products highlighted in the prospectus in its first annual report after listing.

Balance

Disclosure over-emphasised on positive aspects while downplaying or disregarding challenges and risks.

For example, a hotel operator made extensive disclosure on business achievements with an upbeat tone (e.g. opening new hotels and expanding room capacity) but minimal discussion on strategy to tackle its reported deterioration in profitability.

Our findings are consistent with the observations of, and feedbacks from, the investors and related associations we met with during our recent market outreach activities.



The MD&A section is a very useful tool for issuers to engage investors and provide them with insights into the issuers’ past performance and future prospect. We urge issuers to take note of our observations discussed above and follow our recommendations in our Annual Report Guide (see section 2.2) in preparing MD&A in their future annual reports.

Other suggested reference: [*IFRS Practice Statement 1: Management Commentary*](#) issued in June 2025.

Securities investments

In our ongoing monitoring of listed issuers' activities, we observed that a number of issuers engaged in frequent and/or substantial securities trading and financial investment activities outside of their principal businesses. This year, we selected a sample of these issuers and reviewed their annual report disclosure on securities trading and financial investment activities.

Our review found that issuers' disclosure in this area was often limited and generic, lacking sufficient details on their investment portfolio, investment policies and control mechanisms. For instance, some issuers provided information only on their "significant investments" under the definition of the Rules but not investment portfolio as a whole in reasonable detail, whilst some issuers broadly described their investment policies such as "prudent/ long term investment strategy" but failed to provide specific information about the scope of permissible investments and the risk management mechanisms.

We strongly encourage issuers to improve their disclosure on securities trading and financial investment activities for better transparency and accountability in how shareholders' funds have been utilised. Specifically, issuers are recommended to give a detailed account of the following in their future annual reports:



Investment portfolio – issuers should describe their investment portfolio in sufficient detail (and proportionate to the size of their holding vis-à-vis its total assets), including information such as investment types, investment strategies, investment period, source of funding, fair value and performance. Where the investment portfolio includes fund investments, issuers should also disclose the underlying assets (with appropriate breakdown), fund strategies, fund performance, and identity and credentials of the fund managers.

Under the Rules¹⁰, issuers are required to disclose in their annual reports the breakdown and details of "significant investments" held (i.e. those exceeding 5% of the issuer's total assets). Where an issuer maintains a diverse investment portfolio with a significant portion of its holdings individually accounting for less than 5% of total assets, it should, as a guiding principle, provide information with sufficient coverage of its investments to allow shareholders to better understand and appraise the issuer's portfolio.

Investment policy and objectives – issuers should disclose the purpose of investments; scope of investments (including particulars of permissible and prohibited investments); and an explanation on whether and how the investment strategy aligns with the issuer's corporate strategy and principal business(es).

Risk management and control measures – issuers should disclose their defined risk limits and specific metrics used to measure the risk; and counterparty risk and liquidity management mechanisms (including specific criteria and factors considered when assessing and managing counterparty and liquidity risks).

Approval and oversight mechanisms – issuers should disclose the roles and authority of the board or designed personnel/ committees (e.g. investment committee) in approving, monitoring and reviewing investments.

¹⁰ See paragraphs 32(4) and (4A) of Appendix D2 to the MB Rules / GEM Rules 18.41(4) and (4A).

(c) Financial disclosure under prevailing requirements (including accounting standards)

In this year's review, no significant accounting non-compliance was identified.

Issuers are recommended to refer to section 3 of the Annual Report Guide for the common areas requiring particular attention when preparing financial information in annual reports¹¹.



Readiness for implementation of HKFRS 18 – The new HKFRS 18 “Presentation and Disclosure in Financial Statements”¹² will be effective for annual reporting periods beginning on or after 1 January 2027. The new requirements are expected to impact the presentation of statements of profit or loss and cash flows and disclosure of the issuers' financial performance¹³.

Issuers are now moving closer to the effective date. They should timely and progressively provide more entity-specific information and avoid generic disclosure (such as “currently assessing the possible impacts”) in their annual reports¹⁴.

Preparing for HKFRS 18 changes goes beyond an accounting exercise. It is expected to have impacts on issuers' IT systems and internal controls over financial reporting (e.g. capture financial data from their subsidiaries to support the new presentation) and business activities (e.g. loan covenants). It also provides issuers a valuable opportunity to refresh how they effectively communicate their performance to investors and build a better connectivity between financial statements and MD&A.

HKFRS 18 requires retrospective application. We urge issuers (particularly with a December financial year-end) to take proactive planning and actions in 2026 for ensuring a smooth transition to HKFRS 18.

¹¹ Issuers are encouraged to visit the publications released by the Accounting and Financial Reporting Council for guidance on achieving high-quality financial reporting and audit, including [Audit Focus for 2025 year-end audits](#) (3 October 2025) and [Audit implications of current economic conditions for Hong Kong-listed companies](#) (21 October 2024).

¹² Hong Kong Financial Reporting Standard (HKFRS) 18 will replace the existing Hong Kong Accounting Standard (HKAS) 1 “Presentation of Financial Statements”.

¹³ See the Hong Kong Institute of Certified Public Accountants' [HKFRS 18 designated webpage](#) for more information and guidance materials.

¹⁴ As required by paragraph 30 of HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

II. CORPORATE GOVERNANCE REPORTS

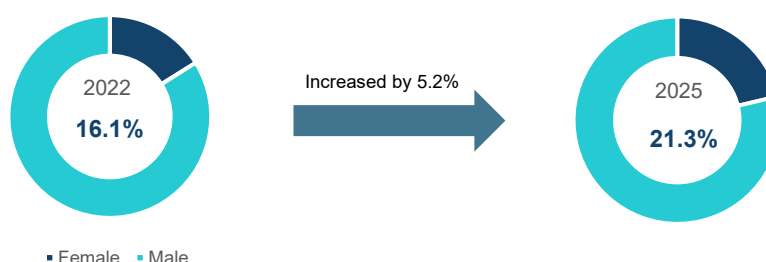
We assessed issuers' disclosure on their compliance with the Corporate Governance Code (**CG Code**). This section discusses the state of play regarding issuers' board gender diversity, tenure of independent non-executive directors (**INEDs**) and Overboarding INEDs¹⁵, all being the Exchange's focus areas in recent years.

(a) Board gender diversity

Over the years, the Exchange has rolled out a number of initiatives to promote board diversity among Hong Kong listed issuers. One of these milestones is the phasing out of single-gender boards at the end of 2024. The following chart illustrates the notable progress on female director representation in listed issuers since 2022.¹⁶

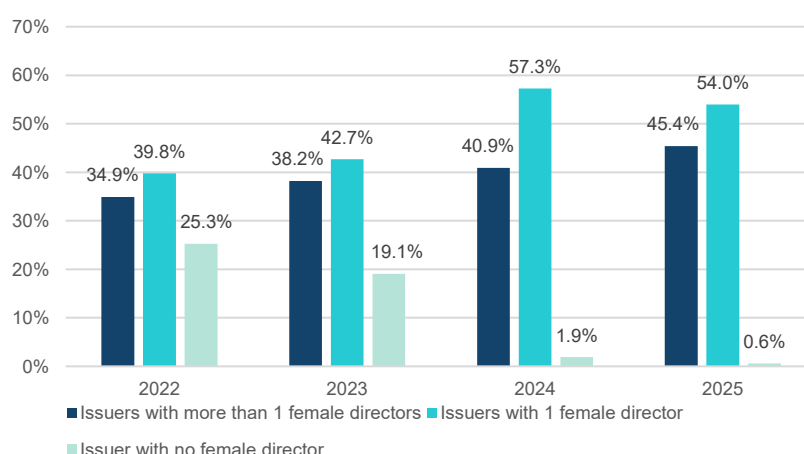
As of November 2025, women take up around 21.3% of seats on listed issuers' boards, representing an increase of 5.2% over the past four years.

Gender Distribution of All Directorships in Listed Issuers¹⁷



Since 2022, approximately 800 directorships of our listed issuers have been filled by female directors. As of November 2025, almost all listed issuers¹⁸ have at least one female director.

Female Directorships among All Directorships in Listed Issuers



¹⁵ INED holding seven or more Hong Kong listed issuer directorships.

¹⁶ In January 2022, the Exchange was the first major international exchange to mandate an end to single gender boards on its market, with a three-year transition period until the end of 2024.

¹⁷ Statistics in this report were taken from the Exchange's [Board Diversity Hub](#) as of November 2025.

¹⁸ As of November 2025, 17 issuers have not complied with the mixed gender board requirement. This included long suspended issuers and issuers who are in temporary deviation of the requirement to have directors of different genders on the board.

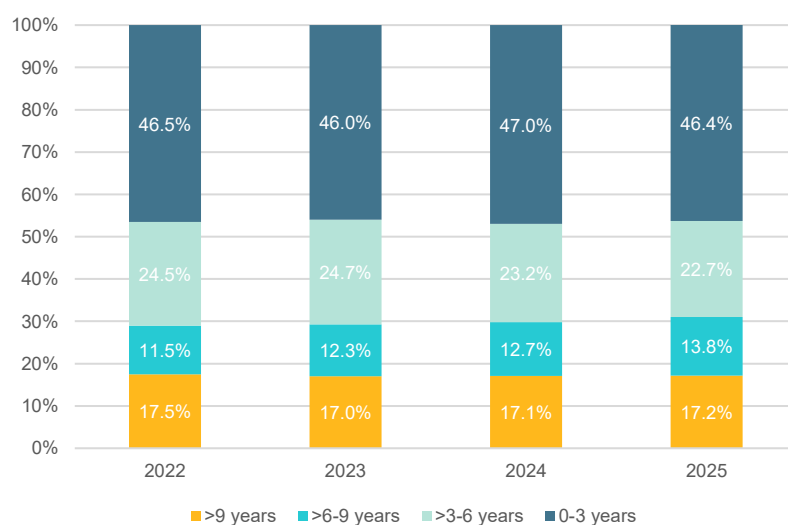
Many issuers recognised the value of board diversity and went beyond the minimum threshold of having one female director. As of November 2025, 22% of listed issuers have a female director representation of 30% or more on their boards.

(b) Tenure of INEDs

The 2025 CG Code enhancements¹⁹ imposed a hard cap of nine years on the tenure of INEDs, and INEDs who have served for nine years or more on the board of a listed issuer (**Long Serving INEDs**) will be phased out starting from 1 July 2025 over a six-year transition period:

- **Phase one:** (three-year transition period starting from 1 July 2025; with compliance required by the first AGM held on or after 1 July 2028) – an issuer must not have Long Serving INEDs representing a majority of the INEDs on its board; and
- **Phase two:** (six-year transition period starting from 1 July 2025; with compliance required by the first AGM held on or after 1 July 2031) – an issuer must not have any Long Serving INED on its board.

Tenure of INEDs



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



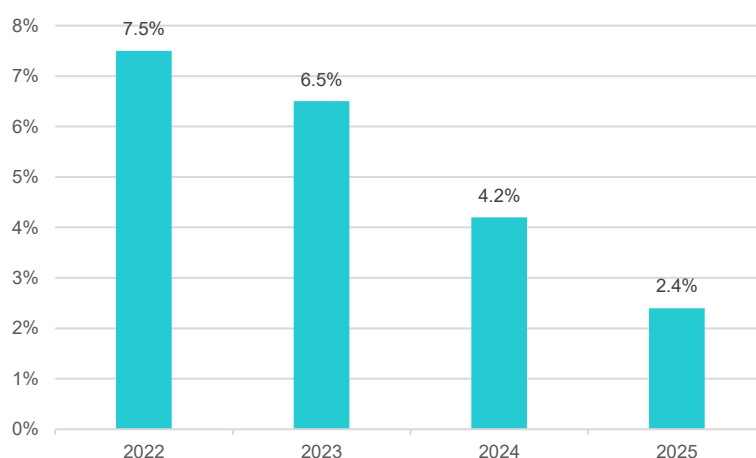
The relevant issuers are recommended to conduct comprehensive succession planning to allow sufficient time for the recruitment of suitable replacement INEDs. An orderly phase-out of Long Serving INEDs can avoid abrupt changes to board composition and minimise the impact on board continuity and any gaps in experience and governance.

¹⁹ For details of the CG Code enhancements, see the [Consultation Conclusions on Review of Corporate Governance Code and Related Listing Rules](#) published in December 2024.

(c) Overboarding INEDs

To address concerns that individuals with numerous directorships may be unable to devote sufficient time to each listed issuer, over the years, the Exchange has introduced measures²⁰ to strengthen the transparency and accountability of the board and/or nomination committee and election of directors, including INEDs. This tightened approach has resulted in a decreasing number of Overboarding INEDs in listed issuers over the years. As of November 2025, eight INEDs are holding seven or more directorships in 63 issuers.

Percentage of Listed Issuers with Overboarding INEDs



The 2025 CG Code enhancements introduced a hard cap on overboarding, whereby INEDs must not concurrently hold more than six Hong Kong-listed issuer directorships. An issuer with Overboarding INEDs is required to comply with this requirement by the first annual general meeting held on or after 1 July 2028.



To facilitate succession planning by affected issuers, discussions as to which directorship(s) an overboarding INED should vacate should be held well in advance of the compliance deadline.

²⁰ For example, where an issuer proposes to elect an INED that will be holding his seventh (or more) listed company directorship, the circular to shareholders should give reasons for determining that the proposed INED would be able to devote sufficient time to the board.

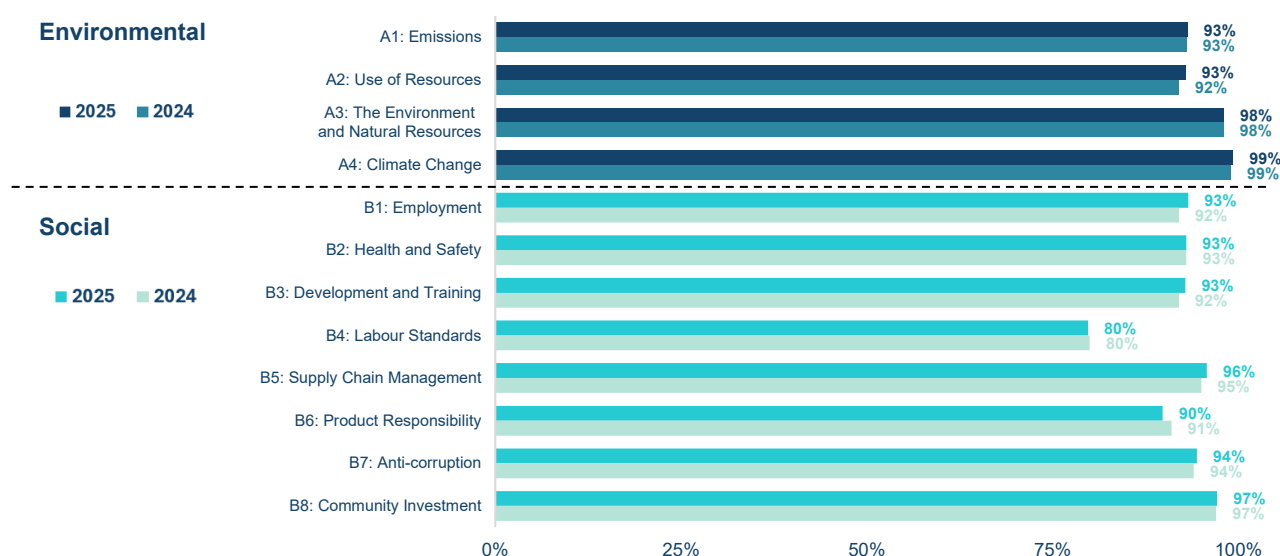
III. ESG REPORTS

We have assessed listed issuers'²¹ on their compliance with the ESG reporting framework²² and readiness for the Exchange's new climate requirements²³ (**New Climate Requirements**).

(a) Overall performance

> 90% reporting rate²⁴ achieved for all Aspects (except for B4: Labour Standards)

Average Reporting Rates of all Aspects



(b) Climate-related disclosures

The New Climate Requirements came into effect for financial years commencing on or after 1 January 2025, and the first batch of ESG reports adopting the New Climate Requirements are expected to be published in 2026.²⁵ To assess issuers' readiness, we evaluated issuers' climate-related disclosures across four dimensions: reference to international ESG reporting frameworks, scope 3 GHG emissions, scenario analysis and obtaining independent assurance²⁶. As LargeCap Issuers²⁷ are required to report on the New Climate Requirements on a mandatory basis from 1 January 2026, we have focused on assessing LargeCap Issuers' readiness in the below analysis.

²¹ Excluding collective investment schemes listed under Chapter 20 of the MB Rules, long suspended issuers, secondary listed issuers and newly listed issuers who have not yet published their first year ESG reports.

²² The ESG Reporting Code (Appendix C2 to the Rules), which requires reporting of certain mandatory disclosure requirements, and code provisions (CPs) in relation to 12 Aspects under the "Environmental" Subject Area and "Social" Subject Area on a "comply or explain" basis.

²³ For details of the new climate requirements, please refer to the [Consultation Conclusions on Enhancement of Climate-related Disclosure under the Environmental, Social and Governance Framework](#) published by the Exchange in April 2024.

²⁴ A CP is described as "reported" if it was either "complied" or "explained". The reporting rate of an Aspect means the average reporting rates across all CPs under an Aspect.

²⁵ For the financial years starting from 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.

²⁶ Independent assurance is not mandatory under the Rules at this stage. See paragraph 9 of the ESG Reporting Code and section headed "Obtaining independent assurance" below.

²⁷ Issuers that are Hang Seng Composite LargeCap Index constituents. See [Hang Seng Composite Size Indexes](#) page for a list of constituents. Excluding secondary listed issuers, this review covers 98 LargeCap Issuers.

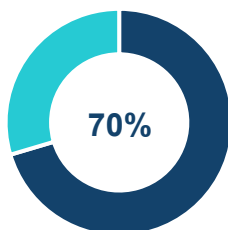
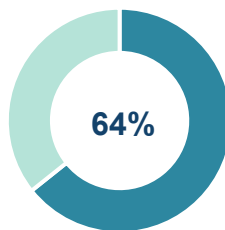
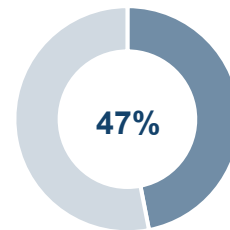
Reference to International ESG Reporting Frameworks

8%

All issuers

100%

LargeCap Issuers

Made reference to
international ESG reporting
frameworksReference to International ESG Reporting Frameworks by LargeCap Issuers²⁸GRI Standards²⁹TCFD Recommendations³⁰ISSB Standards³¹

Reference to the ISSB Standards has increased by 13% to 47% (2024: 34%), and 64% of LargeCap Issuers referred to the TCFD Recommendations, the predecessor of the ISSB Standards. These indicate that LargeCap Issuers are well prepared for compliance with the New Climate Requirements, which were developed based on the ISSB Standards.

In addition, 65% of LargeCap Issuers (2024: 28%) referenced a wide range of other ESG reporting frameworks³². This trend reflects a growing emphasis on aligning with internationally recognised ESG reporting frameworks to promote consistent and comparable ESG disclosures.



All large publicly accountable entities (including large listed companies) shall fully adopt the ISSB Standards by no later than 2028³³. The Exchange plans to consult the market in 2027 on mandating sustainability reporting in accordance with the Hong Kong Sustainability Disclosure Standards (which are fully aligned with the ISSB Standards) (**HKSDS**).

Early adoption of the ISSB Standards is encouraged. ESG reports prepared in compliance with the ISSB Standards will be considered to have complied with the New Climate Requirements³⁴. Please refer to the Exchange's [Linking the ISSB Standards and HKEX ESG Reporting Code](#) for guidance on using ISSB-aligned disclosures to comply with the ESG Reporting Code.

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.

²⁸ As issuers may adopt multiple ESG reporting frameworks, the aggregate adoption rate exceed 100%.

²⁹ [GRI Sustainability Reporting Standards](#) issued by the Global Reporting Initiative.

³⁰ [Recommendations of the Task Force on Climate-related Financial Disclosures](#) issued by the Task Force on Climate-related Financial Disclosures in June 2017.

³¹ Comprising the [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) and the [IFRS S2 Climate-related Disclosures](#) published by the International Sustainability Standards Board in June 2023.

³² Other ESG reporting frameworks included but not limited to the [SASB Standards](#), the [ISO standards](#), and the [Taskforce on Nature-related Financial Disclosures Recommendations](#).

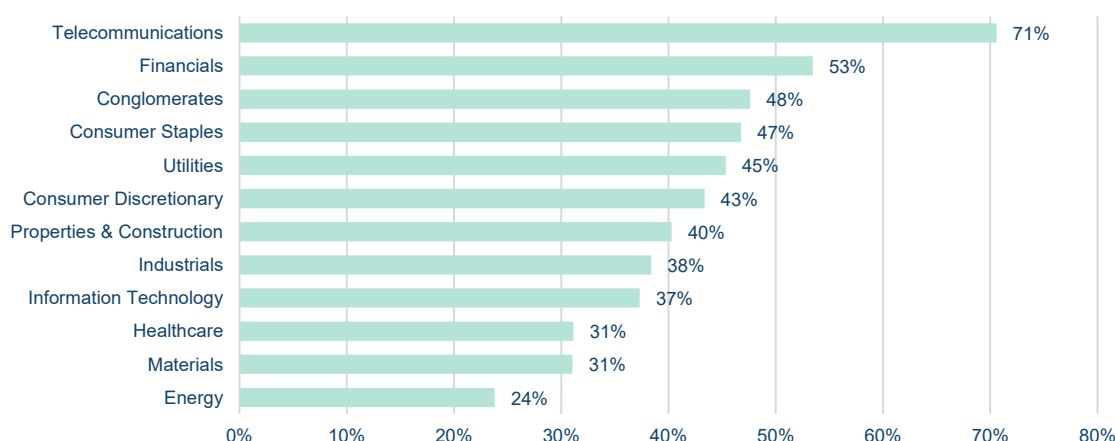
³³ See [Roadmap on Sustainability Disclosure in Hong Kong](#) issued by the HKSAR Government in December 2024.

³⁴ So long as it includes comparable disclosures to those required under the ESG Reporting Code (paragraph 8 of the ESG Reporting Code).

Reporting on GHG emissions

All issuers	LargeCap Issuers	
97% (2024: 96%)	100% (2024: 100%)	Disclosed Scope 1 and Scope 2 GHG emissions
41% (2024: 37.4%)	69% (2024: 50%)	Disclosed Scope 3 GHG emissions

We observed a steady increase in reporting rate for scope 3 GHG emissions across the market. The chart below sets out the reporting of scope 3 GHG emissions by industry sector.

Disclosure of Scope 3 GHG Emissions by Industry sector³⁵

The Telecommunications industry led with the highest reporting rate of 71%, followed by the Financials industry (53%) and Conglomerates (48%). Issuers from Telecommunications industry may have fared better in this aspect, as direct operational emissions (Scope 1 and 2 GHG emissions) are relatively low due to its service-oriented nature; and scope 3 GHG emissions encompass the vast majority of emissions. Similarly, financial institutions' higher reporting rate may be attributable to the relatively substantial portion taken up by scope 3 GHG emissions (mainly financed emissions) in the industry's carbon footprint. Entities in these industry sectors may face a higher demand for scope 3 emissions data from investors and stakeholders.

These results demonstrate how the composition and significance of scope 3 GHG emissions are highly dependent on the business model of a company.



As Scope 3 GHG emissions data collection can be challenging and time-consuming, challenges may arise during the collection process. Please refer to the Exchange's [Implementation Guidance of Climate Disclosures under HKEX ESG reporting framework](#) (at pages 89 to 90) for an overview of potential challenges that issuers may encounter and practical guidance to address these challenges.

³⁵ The industry categories adopt the Hang Seng Industry Classification System.

Among the LargeCap Issuers that reported on scope 3 GHG emissions:

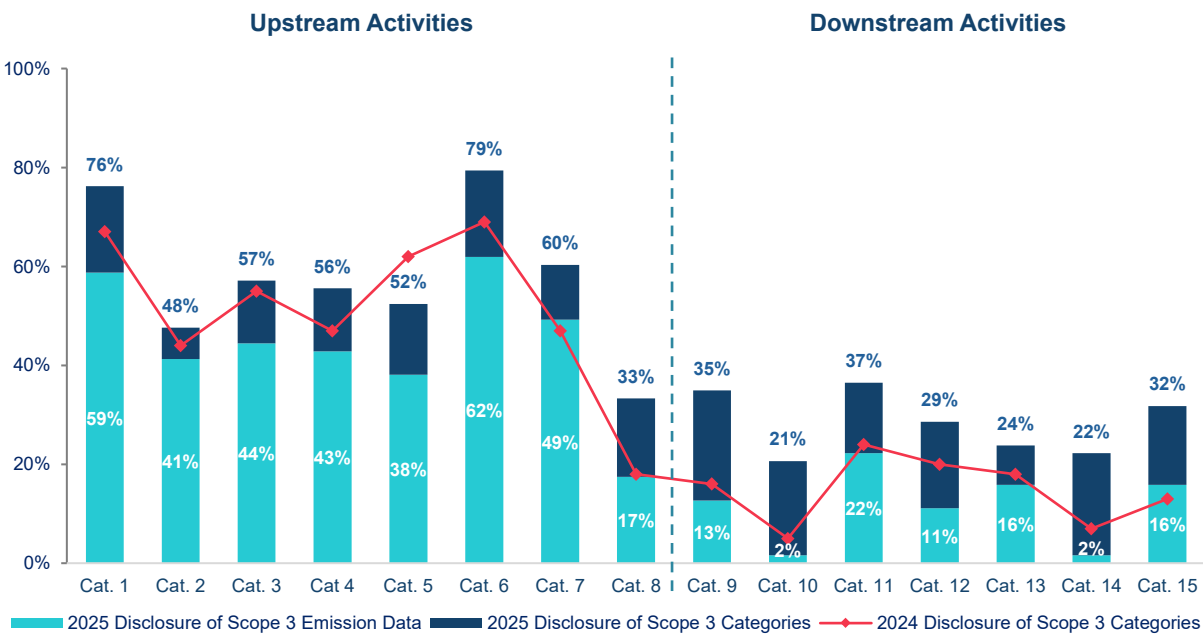
92%

Disclosed a breakdown of scope 3 categories³⁶

75%

Disclosed specific emission data by scope 3 category

Disclosure of Scope 3 GHG Emissions by LargeCap Issuers³⁷



The top five scope 3 categories reported by LargeCap Issuers are all upstream activities: namely, “6. Business Travel” (79%), “1. Purchased goods and services” (76%), “7. Employee commuting” (60%), “3. Fuel and energy related activities” (57%) and “4. Upstream Transportation and distribution” (56%).

Notable improvement was observed in disclosure of downstream categories, with nearly all of the downstream categories achieving more than a 15% increase in reporting rates.

Use of climate-related scenario analysis

14%

All issuers

84%

LargeCap Issuers

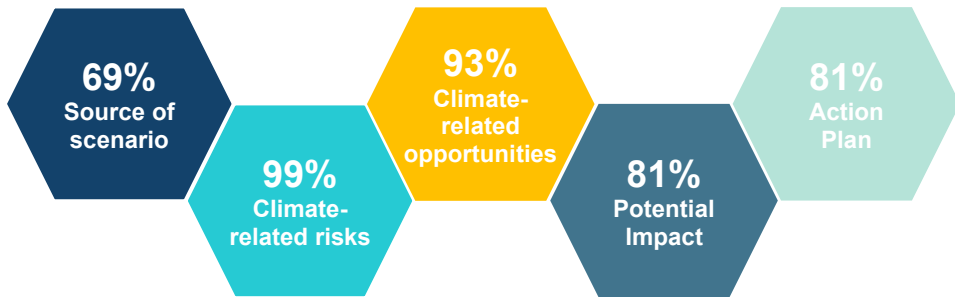
Used climate-related scenario analysis

³⁶ Pursuant to the New Climate Requirements, issuers are required to report scope 3 GHG emissions in accordance with the scope 3 categories described in the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) (paragraph 29(d) of the ESG Reporting Code). These categories include: 1. Purchased goods and services, 2. Capital goods, 3. Fuel and energy related activities, 4. Upstream Transportation and distribution, 5. Waste generated in operations, 6. Business travel, 7. Employee commuting, 8. Upstream leased assets, 9. Downstream transportation and distribution, 10. Processing of sold products, 11. Use of sold products, 12. End-of-life treatment of sold products, 13. Downstream leased assets, 14. Franchises, and 15. Investments.

³⁷ As issuers may report on multiple scope 3 categories, the aggregate reporting rate exceed 100%.



LargeCap issuers that have conducted scenario analysis to assess their climate resilience demonstrated high levels of disclosure across the following key areas:

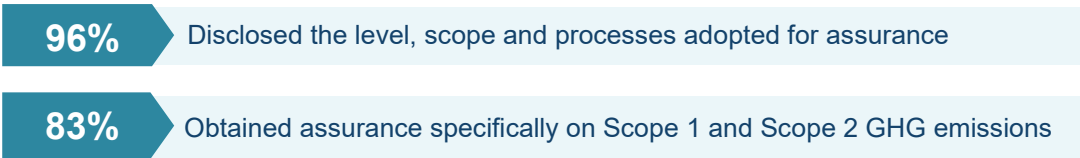


Scenario analysis is only the starting point for building climate resilience. Issuers must integrate the insights from the scenario analysis into their business strategy and continuously refine their climate action plans to protect assets from climate risks, as well as to capture potential opportunities.

Obtaining independent assurance




Obtaining independent assurance has become a common practice for LargeCap Issuers. Amongst 70% of LargeCap Issuers having obtained independent assurance:




As set out in the HKSAR Government’s Roadmap on Sustainability Disclosure in Hong Kong, the Accounting and Financial Reporting Council will release a proposed local regulatory framework for sustainability assurance for public consultation in 2025. Subject to local developments on sustainability assurance, the Exchange plans to consult the market in 2027 to seek feedback on, among other things, mandating sustainability assurance for all or part of the sustainability disclosures and the approach to phasing-in such requirements.


Issuers are recommended to take proactive actions to prepare for sustainability assurance.




Ensure high quality ESG data: implement robust controls for ESG data, develop infrastructure for data collection/validation and maintain a clear audit trail of ESG information



Build capacity and training: equip staff with adequate skillsets to manage ESG data, foster collaboration to align sustainability, finance, and risk management teams on assurance expectations



Pilot voluntary assurance: begin with voluntary assurance on high-impact metrics (e.g. GHG emissions, energy



Engage with value chain entities: develop clear ESG data-sharing protocols and consider digital platforms for real-time data exchange to reduce manual errors



Hong Kong Exchanges and Clearing Limited

8/F, Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

hkexgroup.com | hkex.com.hk

info@hkex.com.hk
T +852 2522 1122
F +852 2295 3106