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HKEX's review of issuers' annual reports for financial year ended in 2024



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Hong Kong Exchanges and Clearing Limited (HKEX) published in December 2025 its annual review of listed issuers' reports for the financial year ended 2024. Together with the review, HKEX updated its Guide on Preparation of Annual Reports setting out recommended disclosure practices for future annual reports.

HKEX also launched its AI-powered annual report explorer platform to assist issuers in preparing annual reports. The new platform enables the public to view disclosure made by different issuers on particular listing rules through searches by key words or rules, provides a digitalised version of the guide, and covers findings and recommendations.

Disclosure rules with the lowest compliance rate

Issuers continued to achieve a high rate of compliance at 99%, representing an increase of 1% compared with last year. That said, ten disclosure rules recorded lower compliance levels, with rates between 81% and 92%.

Of these, five relate to share schemes:

- (1) vesting period of options granted under the share scheme;
- (2) shares available for issue under share award scheme (number and percentage) as at the date of annual report;
- (3) number of awards available for grant under

scheme mandate and service provider sublimit (if applicable) at beginning and end of the year;

- (4) shares available for issue under share option scheme (number and percentage) as at the date of annual report; and
- (5) number of options available for grant under scheme mandate and service provider sublimit (if applicable) at beginning and end of the year.

The other five relate to:

- (1) confirmation of newly appointed directors' understanding on their obligations and the date of receiving relevant legal advice;
- (2) breakdown of actual use of proceeds brought forward from previous years;

- (3) whether performance guarantee was met;
- (4) number and percentage of shares held in significant investment; and
- (5) intended use of treasury shares.

Management discussion and analysis

Issuers' disclosure practices have generally improved, with most newly listed issuers keeping disclosure standards largely aligned with their prospectuses. Nonetheless, further enhancements remain necessary in the following areas:

- **Boilerplate and generic languages were still observed.** Certain issuers presented financial figures without adequately identifying or discussing the key drivers behind the results. Year on year changes in performance indicators or industry specific metrics were insufficiently explained. Some annual reports lacked clarity on management's assessment of market and internal factors or strategies in response.
- **Disclosure not sufficiently coherent or integrated across different sections or with other reports.** For example, some issuers, in their management discussion and analysis (MD&A), noted regulatory changes and risk factors but did not elaborate on how these developments might affect financial performance and prospects.
- **Failure to maintain consistency year-on-year in terms of information coverage and detail.** Certain issuers discontinued to disclose performance indicators without explanation, while some others did not follow up on previously disclosed matters or failed to evaluate current year performance against that of the prior year.
- **Disclosure over-emphasised on positive aspects while downplaying or disregarding**

challenges and risks.

Securities investments

A number of issuers engaged in frequent or sizable securities trading and financial investments outside of their principal businesses. However, disclosures relating to such investments were often limited, relying on generic descriptions such as "significant investments" or "prudent/long term investment strategy" without sufficient detail. HKEX strongly encourages issuers to improve disclosures by providing the following information:

- (1) Investment portfolio, including investment size and types, investment strategies, investment period, source of funding, fair value, performance and (for fund investments) underlying assets, fund strategies and identity and credentials of the fund managers;
- (2) Investment policy and objectives, including scope of investments, particulars of permissible and prohibited investments, and explanation on whether and how the investment strategy aligns with the issuer's corporate strategy and principal businesses;
- (3) Risk management and control measures, such as defined risk limits, specific metrics used to measure the risk, counterparty risk, and liquidity management mechanisms; and
- (4) Approval and oversight mechanisms, including the roles and authority of the board or designed personnels/ committees (e.g. investment committee) in approving, monitoring and reviewing investments.

Hong Kong Financial Reporting Standard 18

The new Hong Kong Financial Reporting Standard 18 (HKFRS 18) "Presentation and Disclosure in Financial

Statements” will replace the existing Hong Kong Accounting Standard (HKAS) 1 “Presentation of Financial Statements”, and take effect for annual reporting periods beginning on or after 1 January 2027.

Such transformation requires retrospective application, and therefore HKEX urges issuers (particularly with a December financial year-end) to take proactive planning and actions in 2026 for ensuring a smooth transition to HKFRS 18. It is because preparing for HKFRS 18 extends beyond a purely accounting exercise. The change is expected to affect issuers’ IT systems and internal controls over financial reporting (e.g. capturing financial data from subsidiaries to support the new presentation) and business activities (e.g. loan covenants). It also provides an opportunity to refine performance communication with investors and build a better connectivity between financial statements and MD&A.

Auditors’ modified opinions

The review noted that 94% of issuers published financial statements accompanied by unmodified audit opinion, while 164 issuers received a modified audit opinion (i.e. qualified opinion, adverse opinion or disclaimer of opinion). Going concern uncertainty remains the most common audit modification category. Other circumstances include valuation/genuineness of investments, valuation of other assets (e.g. goodwill, plant, inventories), recoverability of loans and receivables, limited access to accounting records and provision of liabilities.

Starting 2025, HKEX requires these issuers to publish quarterly progress updates on the implementation of remedial proposals. The audit committee is expected to critically consider management’s proposals and assumptions adopted, act as a bridge between management and auditors in resolving disagreement, and explain its views on the appropriateness of the issuer’s going concern basis.

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