

# Nov Dec 2025 Legal and Regulatory Update

## Top stories

HKEX published (A) [a report on its review of issuers' annual, corporate governance \(CG\) and ESG reports for 2024 year-end](#), (B) [\(updated\) consolidated guide](#) for the preparation of annual reports (HKEX AR Guide), (C) launched [HKEX Annual report explorer](#), providing access to annual report disclosures with an AI-empowered search engine. ([Press release](#))

### (A) HKEX review of issuers' annual, CG and ESG reports

First of all, It is a **combined report** reviewing issuers' **annual reports, CG** as well as **ESG** practices.

A **thematic approach** was used to review specific areas, e.g. **management discussion and analysis (MD&A)**, and financial disclosure under prevailing requirements (*including accounting standards*).

A high level of compliance with Listing Rules and accounting standards was generally noted. HKEX identified **room for improvement** in the **quality** of disclosure in certain areas, including **MD&A** and **material securities investment activities**.

Secondly, the **review of issuers' CG practices** focused on board gender diversity, tenure of independent non-executive directors (INEDs) and overboarding of INEDs.

Thirdly, the **ESG** report review analysed **issuers' readiness to adopt the new climate requirements** that have come into effect in Jan 2025.

Some key findings are summarised below.

### **What you should know**

#### **AREAS WITH LOWER COMPLIANCE**

- **E.g. share schemes (P.3)**
- **E.g. significant investments (P.3)**

#### **THEMATIC REVIEW**

##### **Improvement areas**

- **E.g. MD+A: quality of disclosure (P.6)**
  - **Breadth and depth: boilerplate language** still observed

- E.g. not properly explaining the year-on-year changes in the presented performance indicators or industry-specific metrics, or not presenting such indicators at all
- **Connectivity:** disclosure not sufficiently coherent or integrated across different reports
  - E.g. an online game developer highlighted in its ESG report a recent tightened industry regulation; but did not (*in MD&A*) discuss the impact of such regulation on its financial performance
- **Consistency:** year-on-year in terms of information coverage and details
- **Balance:** disclosure over-emphasised on positive aspects; downplaying challenges/risks
- **E.g. securities investment:** disclosure often limited and generic (*P.8*)
  - Lacking sufficient details on **investment portfolio, investment policy and objectives, risk management and control mechanisms** (*see P.8, for detailed recommendations under each theme*)
  - For better transparency and accountability: how **shareholders' funds** have been utilised

## CG ASPECTS

### Some useful listed issuer data

- E.g. gender diversity (*P.10*)
  - (*Nov 25*) women on listed boards: 21.3% (*improved from 16.1% since 2022*)
- Tenure of INEDs (*P.11*)
  - (*Nov 25*) issuers with 9-year INEDs: 17%; 16 issuers have only 9-year INEDs

## ESG ASPECTS

### Assessing readiness for new climate requirements

- Background
  - **LargeCap issuers** to report on the new requirements on a **mandatory basis** for years from 1 Jan 26
- Analysed LargeCap issuers: GHG emissions disclosure (*P.15*)
  - **Scope 1 and 2: 100%**
  - **Scope 3: 69%** (*highest rate: telecommunications, financials industry, conglomerates*)
  - Among those disclosed Scope 3
    - Breakdown of **scope 3 categories** disclosed: 92%

- **Specific emission data by category** disclosed: 75%

### **What you should do**

- Your **forthcoming annual reports/financial statement disclosure** — consider HKEX recommendations
- **Communicate useful CG and ESG data** to your board, management, relevant teams for their planning

## **Also in this issue**

### **Regulators**

(i) (Nov) HKEX published its latest [Listed Regulation and Enforcement Newsletter](#), which focuses on enforcement.

**Our focus: firstly, common misunderstandings on directors' duties (P.8) and secondly, guidance for issuers navigating opportunities in digital asset landscape (P. 13).**

Its other themes include an overview of the disciplinary regime, enforcement process and timeline, company secretaries (*multiple appointments; e.g. role is performed by service providers; P.12*).

The cited “**common misunderstandings on directors' duties**” include: (i) delegation of duties, (ii) reliance on professional advice, (iii) commercial interests via a vis Rule compliance, (iv) role of INEDs on internal control.

Regarding **digital assets**, HKEX guidance for issuers include: (i) recommended disclosure, (ii) reminders on other continuing obligations.

Some key areas are summarised below.

### **What you should know/do**

#### **COMMON MISUNDERSTANDINGS ON DIRECTORS' DUTIES**

##### **Delegation of duties (P.8)**

- **Misunderstanding:** “delegated personnel did not alert the directors to any issues, there was nothing the directors could have done”
- **HKEX:** directors **retain a core non-delegable duty to exercise reasonable skill, care and diligence** in the performance of their director duties

- Ensure the **delegation to be reasonable**, particularly in light of delegated personnel's knowledge and capacity
- Continue to "**actively supervise**"; to acquire and maintain sufficient knowledge of the delegated matter; following up on anything untoward that comes to their attention
- **Useful examples** include securities trading, money lending business, joint ventures
  - E.g. **joint ventures**: if the operation is delegated to a JV partner, directors remain obliged to take an **active interest** and give **adequate oversight** over JV's business and affairs
  - E.g. **red flag handling**: directors should take prompt and adequate action
    - **Promptly escalate the matter to the board, which in turn should take actions**
    - **Make adequate enquiries**
    - **Take action** to prevent occurrence/recurrence of irregularities (*e.g. call board meetings to devise course of action/take professional advice, proactive steps like revoking suspected culprits' authority to do the same*)

#### Reliance on professional advice (P.9)

- **Misunderstanding**: "directors had acted on a professional adviser's advice and therefore cannot be blamed"
- **HKEX**: directors must make their **own judgment** on reliability and sufficiency; exercise appropriate **scepticism** and common sense and make appropriate enquiries

#### Commercial interests via a vis Rule compliance (P.10)

- **Misunderstanding**: directors have sought to justify a deviation from Rule compliance based on "commercial rationale"
- **HKEX**: commercial reasons do not override the obligation to comply with the Rules

#### Role of INEDs on internal control (P.10)

- **Misunderstanding**: some directors' arguments include, that they are "entitled to rely on management to operate/monitor the operation of existing internal control"
- **HKEX**:
  - **Directors (executive and non-executive) have the same duties** of skill, care and diligence and fiduciary duties, and must take an **active interest** in issuer's business operations/affairs

- INEDs are often members of the audit committee (*primary responsibility for monitoring and ensuring management establishes and maintains adequate and effective internal control systems*)
- **Useful examples**
  - E.g. COO and financial controller given immense power over operations and funds (*including provision of loans and advances without directors' approval or knowledge*)

## NAVIGATING DIGITAL ASSETS OPPORTUNITIES (P.13)

- **Disclosure:** how the activities are **in the interest of the issuer and shareholders**
  - **Structure;** how integrated into business operations (*milestones, expected completion date*)
  - **Material risks**
  - **Management expertise** required; **internal controls**
  - **“Concise disclosure”** (*avoid overuse of buzz words*)
  - **Avoid voluntary announcements on potential plan**
    - Especially when it is at a **preliminary**/conceptual stage without details
- **Other continuing obligations**
  - **E.g. investment:** requirements on material acquisitions/disposals

### (ii) HKEX published [conclusions on proposed amendments relating to ongoing public float requirement](#), together with a new [Guidance Letter, FAQ](#). ([Press release](#))

This is part of HKEX's continuous efforts to **provide issuers with greater flexibility and efficiency in their capital management**, whilst ensuring market transparency and continuous orderly trading. It will complement earlier initiatives, e.g. treasury share regime.

At the same time, HKEX is strengthening the reporting obligations on public float levels and adopting targeted, disclosure-based measures in place of trading suspensions. This reflects its commitment to **investor protection**.

**(Effective 1 Jan 2026)** The revised framework introduces **an alternative on-going public float threshold based on market value for eligible issuers, and enhanced disclosures for all issuers (with additional obligations for issuers relying on market value-based threshold)**.

**(FAQ Q2)** HKEX explains that **issuers which are still in compliance with the “initial prescribed threshold” (i.e. 25% public float) cannot change** to the alternative “market value based” threshold. **It expects** an issuer to change to the alternative threshold only if, **upon completion of corporate actions/events, its public float falls below the initial prescribed threshold**.

**HKEX's objective** is to provide issuers that have a large market capitalisation with greater flexibility to manage their capital structure, such that a **transaction can be conducted even if it results in the public float percentage falling below the initial prescribed threshold**.

**Key aspects of the revisions are summarised below.** (For more details, see Tables on P.2, (on disclosures) P.5 of full HKEX document.). **Guidance Letter** provides further guidance, including how to calculate “public float market value”, determination of “public” shareholdings, and disclosures.

### **What you should know**

- **Alternative ongoing public float threshold representing**
  - At least **10% of total issued shares AND**
  - **Market value:** over **\$1 billion**
  - Note: also applies to PRC issuers with no other listed shares
  - Aim: more flexibility to conduct transactions for capital management (*e.g. share repurchases*)
- **A bespoke ongoing public float requirement for A+H issuers**
  - **H shares listed on HKEX:** at least 5% of total issued shares in the class to which H shares belong (*i.e. A shares and H shares*), **OR**
  - **Market value :** over \$1 billion
- **New regular public float disclosures (P.5)**
  - **ALL issuers**
    - **Monthly returns** (*from the month ending 31 Jan 26*): including confirming whether met applicable public float thresholds
    - **Annual reports** (*for financial years commencing on or after 1 Jan 26*): *e.g. share capital structure and shareholding composition*
  - **Additional disclosures for issuers relying on market value-based thresholds**
- **New stock marker system to identify issuers with a significant public float shortfall**
  - **Abolish immediate suspension** as in the past
  - **Suspension: if fail to restore** public float within **18 months**

### **What you should do**

- **Review your internal system readiness** for new monthly (and *in due course, annual report*) disclosures
- **Assess** if your company is eligible for the alternative system
- **Report** to your board, management, relevant teams for their further capital management planning including readiness of internal systems for additional disclosures

### **(iii) HKEX published a [consultation paper](#) on proposed enhancements to the board lot framework of the HK securities market.**

*(Background: this is recommended by our government's Task Force on enhancing stock market liquidity. Board lots define the standard trading unit for each stock. Under the current framework, each issuer determines the board lot unit for its own stock. There are more than 40 different board lot units currently in use) .*

Firstly, **standardisation of board lot units** is proposed. Issuers would retain flexibility to select their board lot unit but from a defined set of **8 standardized board lot units (1, 50, 100, 500, 1,000, 2,000, 5,000, and 10,000 share(s))**

Secondly, it is proposed to **lower the board lot value floor guidance level** from \$2,000 to \$1,000.

Finally, a new **board lot value ceiling guidance** of \$50,000 is proposed, to encourage board lot unit adjustments where the board lot value has increased over time.

**Implementation in phases** is proposed, beginning with new issuers. **Existing issuers** will only be required to comply with the updated board lot value floor and new board lot value ceiling guidance. During phase 2, each existing issuer will be required to adopt one of the **standardised board lot** units within a specified period following its transition to uncertificated shareholding under the **USM** initiative.

**Consultation will close after 12 Mar 26.**

## ESG: HK Sustainability reporting roadmap

(iv) AFRC publishes a consultation paper on the proposed regulatory framework for sustainability assurance in HK, pursuant to our Government's Roadmap on sustainability disclosures. ([Press release](#), [full document](#))

Consultation will close after **30 Mar 26**.

### **What you should know**

#### **Key features**

- *(Subject to further consultations by HKEX and financial regulators)* all entities subject to **mandatory reporting using HKFRS Sustainability Disclosure Standards** (Mandatory HKSDS Reporting) **must obtain independent assurance**
- **Limited assurance in phases**
  - **Scope 1 and 2** GHG emission disclosures: from **3<sup>rd</sup> financial year** of Mandatory HKSDS Reporting
  - **All remaining** HKSDS-mandatory disclosures: from **5<sup>th</sup> financial year** of Mandatory HKSDS Reporting
  - **(Our example)** Assuming LargeCap issuers are required to adopt HKSDS Reporting in 2028, they have to obtain limited assurance for scope 1 and 2 reporting in 2030, for the remaining disclosures in 2032
- Mandatory assurance must be provided by **registered sustainability assurance providers**
  - Registered local (*public interest entity*) auditors that meet additional criteria OR
  - Accredited non-CPA firms that meet similar criteria
- Mandatory assurance must be carried out in compliance with HK Standard on Sustainability Assurance 5000

## Legislation

(v) The Privacy Commissioner for Personal Data (PCPD) published investigation findings on a CCTV case, involving a fitness centre chain allegedly collecting images of its members by installing a CCTV camera in the proximity of a male restroom at a new branch. ([Press release](#), ["Guidance on the Use of CCTV Surveillance"](#), ["Tips on the Use of CCTV Surveillance"](#) information leaflet)

Some facts: (i) the camera concerned was still in the installation and system-testing phase. No image has been collected, (ii) a wooden door originally planned to be installed at the male restroom was mistakenly installed in another location.

In the press release, PCPD stated that “**organisations should avoid using CCTV to collect personal data under unfair circumstances**, e.g. CCTV should not be installed to collect images in places **where individuals would have a reasonable expectation of privacy (e.g. changing rooms or restrooms)**”. In this case, the centre “failed to take into account members’ privacy expectations... and assess the appropriateness of the camera’s location and filming angle when instructing the contractor to install the camera concerned.”

An advisory letter was issued by PCPD to the centre.

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