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2024 BEST ANNUAL REPORTS AWARDS

Judges'
Report



PILOT GREEN AND
SUSTAINABLE FINANCE CAPACITY
BUILDING SUPPORT SCHEME

Centre for Green And Sustainable Finance



HKMA Global Centre for
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- ▶ **Advanced Certificate in Practical Development and Implementation of ESG Framework for Business Success**
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- ▶ **Professional Certificate Programme in Global ESG Investing** (GTP-661228)
- ▶ **Workshop on ESG and Green Finance for Leadership-Why, What, How** (GTP-952226)
- ▶ **Workshop on Sustainability & ESG – Opportunities for Insurance and Wealth Management Professionals** (GTP-817223)

BARA2411013

INTRODUCTION

The Best Annual Reports Awards is an annual competition organized by The Hong Kong Management Association since 1973. It assesses annual reports with a view to enabling persons who are involved in preparing annual reports for an organization to be more effective in informing the organization’s stakeholders and the public about the performance and future prospects of their organization. This is achieved primarily by conducting annual Awards for Excellence in Annual Reporting which includes the adjudication of annual reports and recognizing reports that meet the criteria with an award.

OBJECTIVES

The Awards has several objectives. The first objective is to encourage the publication of accurate, informative, well-presented and timely annual reports for shareholders, employees, and others who may have an interest in the performance and activities of the organization in question. The second objective is to showcase companies that have done a good job in reporting. The hope is that these companies will serve as an example to others. The third objective is to reward companies for excellence in reporting. This third objective should reinforce the first objective and offer an incentive to companies to pay even greater care and attention to the preparation of their annual reports.

ENTRIES

91 reports in the two categories were received as follows:

General	64
Non-profit Making and Charitable Organizations	27

SCHEDULE OF CRITERIA

Overall Awards & Sub-Category Awards

General

1. Conformity with the requirements of the relevant financial reporting standards, including Hong Kong Financial Reporting Standards/ International Financial Reporting Standards/ China Accounting Standards for Business Enterprises; and the provision of accounting information over and above the requirements
2.
 - a. Conformity with the disclosure requirements of the Hong Kong Stock Exchange and Hong Kong Companies Ordinance
 - b. Provision of information relating to environmental, social and governance
3.
 - a. General presentation such as design, general layout, photographs, graphs, charts, diagrams, illustrations, infographics and indexing
 - b. Understandability, clarity and conciseness
4. Summary of past results and highlights
5. Management discussion and analysis
 - a. General description of business
 - b. Analysis of assets/ liabilities
 - c. Analysis of income/ expenses
6. Indications of prospects/ Forward looking statements
7. Promptness of reporting
8. Accessibility of the annual report on the organization's website

Non-profit Making and Charitable Organizations

1. General presentation of financial statements
 - a. Balance sheets
 - b. Income statements
 - c. Cash flow statements
 - d. Details of revenue and expenses
2. Provision of information relating to environmental, social and governance
3.
 - a. General presentation such as design, general layout, photographs, graphs, charts, diagrams, illustrations, infographics and indexing
 - b. Understandability, clarity and conciseness
4. Purpose, general description of activities and performance
5. Indications of prospects/ Forward looking statements
6. Promptness of reporting
7. Accessibility of the annual report on the organization's website

Special Awards for Environmental, Social and Governance Reporting

General & Non-profit Making and Charitable Organizations

- I. Provision of information relating to environmental, social and governance
 - a. Environmental such as emissions, use of resources, the environment and natural resources and climate change
 - b. Social such as employment and labour practices, operating practices and community
 - c. Governance such as governance structure, sustainability responsibilities, governance process, contingency planning and risk management
- II.
 - a. General presentation such as design, general layout, photographs, graphs, charts, diagrams, illustrations, infographics and indexing
 - b. Understandability, clarity and conciseness
- III. Reporting on commitment to ethical values and behaviours
- IV. Materiality assessment
- V. Indications of credibility and quality: assurance and reporting process
- VI. Feedback mechanisms and stakeholder engagement
- VII. Presentation and accessibility of report(s) with ESG information on the organization's website

PANEL OF ADJUDICATORS

The following persons have been appointed by The Hong Kong Management Association to serve on the 2024 Panel of Adjudicators:



Mr Patrick Wu (Chairman)

Vice Chairman and Head of Valuation Advisory, Greater China
Kroll (HK) Limited
Chairman
HKMA Finance Management Committee



Mr David Ching

Executive Director
CFA Society Hong Kong
Investment Director
Animoca Brands
(Representing CFA Society Hong Kong)



Mr Edward Chiu

Certified Public Accountant (Practising)
Edward K.C. Chiu
Committee Member
HKMA Finance Management Committee



Mr Julian Leung

Business Director and
Company Secretary
Hong Kong Yue Wah Group Limited



Mr David Lo

Board of Director
Hong Kong Design Centre
(Representing Hong Kong Design Centre)



Mr Andrew Ma

Board Member
Institute of Financial Planners of
Hong Kong
(Representing Institute of Financial
Planners of Hong Kong)



Mr Joe Ng

Deputy Chairman of
Financial Reporting Standards Committee
Hong Kong Institute of Certified Public Accountants
Partner, Professional Practice
Ernst & Young
(Representing Hong Kong Institute of Certified
Public Accountants)



Mr Ambrose Ting

Committee Member
ACCA Hong Kong
Partner, Assurance
PricewaterhouseCoopers Hong Kong
(Representing ACCA Hong Kong)



Ms May Tsue

Professional Development Committee
Member and Fellow Member
The Hong Kong Chartered
Governance Institute
Joint Company Secretary,
Chief Operation Officer
CNOOC Limited
(Representing The Hong Kong
Chartered Governance Institute)



Mr Stephen Walsh

Committee Member and
Immediate Past Chairman,
Hong Kong SAR Area Committee
Chartered Institute of
Management Accountants
Director and Regional Lead,
Managed Services
KPMG
(Representing Chartered Institute of
Management Accountants)



Prof Raymond Wong

Associate Dean (Undergraduate
Programmes)
Associate Professor in Accounting
College of Business
City University of Hong Kong

THE AWARDS OF THE 2024 HKMA BEST ANNUAL REPORTS COMPETITION ARE AS FOLLOWS

Island Shangri-La, Hong Kong Best Report Award

CLP Holdings Limited

"General" Category

Gold: Swire Properties Limited

Silver: Hong Kong Exchanges and Clearing Limited
HSBC Holdings plc

Bronze: Chow Tai Fook Jewellery Group Limited
The Hongkong and Shanghai Hotels, Limited
MTR Corporation Limited
Swire Pacific Limited

"Non-profit Making and Charitable Organizations" Category

Gold: Securities and Futures Commission

Silver: The Hong Kong Jockey Club

Bronze: Hong Kong Monetary Authority

Excellence Report Award

CK Hutchison Holdings Limited

Construction Industry Council

Consumer Council

Hang Lung Properties Limited

HKT Limited

Hong Kong Housing Society

Lenovo Group Limited

Link Real Estate Investment Trust

NWS Holdings Limited

Towngas Smart Energy Company Limited

Excellence Award for Charitable Organizations

Hong Kong Housing Society

The Hong Kong Jockey Club

Tung Wah Group of Hospitals

Excellence Award for H Share & Red Chip Entries

China Pacific Insurance (Group) Co., Ltd.

COSCO SHIPPING Ports Limited

Lenovo Group Limited

Excellence Award for Small Size Entries

Champion REIT

Consumer Council

Fortune REIT

Investor and Financial Education Council

Excellence Award for First-Year Listed Companies

ZJLD Group Inc.

Best New Entry

"General" Category

ZJLD Group Inc.

"Non-profit Making and Charitable Organizations" Category

Radio Television Hong Kong

Citation for Design

ANTA Sports Products Limited

Hysan Development Company Limited

New World Development Company Limited

Save the Children Hong Kong



Judges' Special Award

ANTA Sports Products Limited

Best Environmental, Social and Governance Reporting Award

Accounting & Finance Services

Hong Kong Exchanges and Clearing Limited

Infrastructure & Real Estate / REIT

Link Real Estate Investment Trust

Logistics & Transport

MTR Corporation Limited

Medical & Healthcare

Fosun International Limited

Property Development & Investment

Swire Properties Limited

Public Utility

CLP Holdings Limited

Retail

New World Department Store China Limited

Technology & Information

Tencent Holdings Limited

Telecommunications

CK Hutchison Holdings Limited

Tourism & Hospitality

The Hongkong and Shanghai Hotels, Limited

Excellence Award in Environmental, Social and Governance Reporting

Chinachem Group

Henderson Land Development Company Limited

HSBC Holdings plc

Hysan Development Company Limited

Securities and Futures Commission

Swire Pacific Limited

Certificate of Excellence in Environmental, Social and Governance Reporting

Cathay Pacific Airways Limited

Chow Tai Fook Jewellery Group Limited

Great Eagle Holdings Limited

Hang Lung Properties Limited

Hong Kong Housing Society

Kerry Properties Limited

Lenovo Group Limited

Sino Land Company Limited

Towngas Smart Energy Company Limited

Citation for Online Environmental, Social and Governance Reporting

Chinachem Group

CLP Holdings Limited

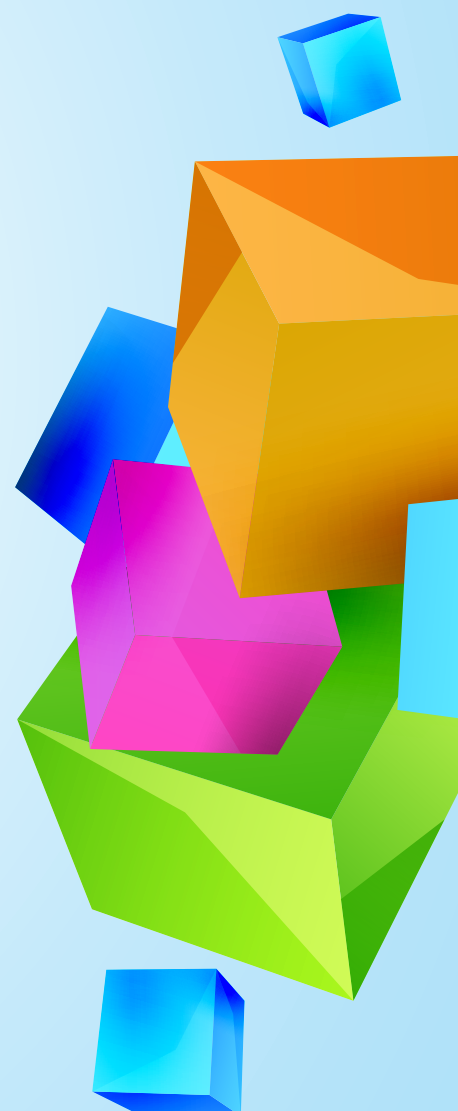
Drainage Services Department

Henderson Land Development Company Limited

Hong Kong Housing Society

Hong Kong Productivity Council

Tencent Holdings Limited





LLM International and Commercial Law Reg. No.:252469

MSc Law, Regulation and the International Financial System*

Teaching Excellence Framework Gold-Rated University (2023)

Winner of Queen's Anniversary Prize for Higher and Further Education (2000, 2002, 2007, 2015, 2019)

For Lawyers, Legal, Finance and Business Executives and Professionals

- Fully recognised in the UK
- Same qualification of the home programme offered in the UK
- Top 3 in student satisfaction survey (*Complete University Guide (London) 2019*)
- Attainable in 1 year: 5 taught modules (in HK) + dissertation (can be done anywhere)
- No examination required
- Fully taught by solicitors/ barristers, academics, and professionals from legal and financial industry

Information Seminars of LLM

 19 Nov 2024 (Tue), 7:00pm - 8:00pm / 5 Dec 2024 (Thurs), 1:00pm - 2:00pm


Information Seminars of MSc

 21 Nov 2024 (Thurs) / 3 Dec 2024 (Tue), 7:00pm - 8:00pm

 Webinar (a Zoom link will be provided before the event)

Commencement Date: 12 May 2025 Education fund available.

www.hkma.org.hk/greenwich

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It is a matter of discretion for individual employers to recognise any qualification to which this course may lead.

*Non-local Higher and Professional Education (Regulation) Ordinance registration in progress.



BARA2411011

ISLAND SHANGRI-LA, HONG KONG BEST REPORT AWARD



CLP Holdings Limited

CLP consistently elevated its standards by producing a revamped report which referenced the new International Sustainability Standards to enable more streamlined discussions about CLP's sustainability strategies, enabling stakeholders develop greater insights into its sustainable business development.

Non-profit Making and Charitable Organizations

Gold



Securities and Futures Commission

An excellent and eye-catching report showcasing SFC's 35 years of evolution and its remarkable journey to both guard and grow Hong Kong's capital markets, by enabling business opportunities and ensuring financial stability.

Silver



The Hong Kong Jockey Club

A well-presented report demonstrating the Club's strong leadership in community investment and climate action, with detailed reports on its philanthropic initiatives, measurable outcomes and robust climate-related disclosures.

Bronze



Hong Kong Monetary Authority

A highly transparent report which aligned with global standards. Its climate-related disclosures were particularly impressive, with clear targets for carbon neutrality and renewable energy adoption.



A Fast Route to be a Professional Accountant

Exemptions on 9 ACCA exam papers for those who have completed
BA(Hons) Accounting and Finance (1 year) + Advanced Diploma in Professional Accounting Studies (1 year)

BA(Hons) Accounting and Finance Reg. No.:251227



Teaching Excellence Framework Gold-Rated University (2023)

Winner of Queen's Anniversary Prize for Higher and Further Education (2000, 2002, 2007, 2015, 2019)

- Fully recognised in the UK
- Same qualification of the home programme offered in the UK
- Accredited by ACCA with exemptions on professional exam papers
- Taught by practicing accountants and academics



Advanced Diploma in Professional Accounting Studies

- Tailored for accountancy-related diploma holders or mature students with minimum 2 years of accounting-related work experience

Information Seminar

 12 November 2024 (Tue), 7:00pm - 8:00pm

 Webinar (a Zoom link will be provided before the event)

Now accepting applications for May 2025 intake. Education fund available.

www.hkma.org.hk/greenwich/bgaf

www.hkma.org.hk/dadas

 Mr Sam Wong 2774 8513 / Ms Mandy Kwok 2774 8599

baaf.greenwich@hkma.org.hk

dadas.dpd@hkma.org.hk

It is a matter of discretion for individual employers to recognise any qualification to which this course may lead.



BARA2411012

General Gold



Swire Properties Limited

An inspiring and beautifully crafted report with the cover featuring artistic representation of lanterns and reminiscent of sugar cubes, which recalled the Company's history as a sugar refinery, highlighting its enduring commitment to Hong Kong.

Silver



Hong Kong Exchanges and Clearing Limited

A professional report with high accessibility, that outlined HKEX's strategy to leverage its unique role as an East-West superconnector, supporting the long-term business development while embracing the opportunities of global megatrends.



HSBC Holdings plc

An outstanding and informative report which was prepared in a creative way to ensure that its corporate governance disclosures were not only compliant, but also engaging and informative for its diverse range of stakeholders.

Bronze



Chow Tai Fook Jewellery Group Limited

A clearly structured report embodying the Group's 95 years of excellence and its journey of writing a new chapter of success, guided by the vision: "To be the leading global jewellery brand that is a trusted lifetime partner for every generation".



The Hongkong and Shanghai Hotels, Limited

An exquisitely designed report illustrating the Company's significant milestone in its history, and its long-term strategy to build a sustainable business and create a portfolio of the highest quality assets for future generations.



MTR Corporation Limited

A reader-friendly report titled "Moving Forward" with effective use of infographics which showed MTR's achievements under three strategic pillars of corporate strategy, and its stakeholder engagement initiatives and future plans.



Swire Pacific Limited

A thoughtfully created report which emphasized its strategic aims of delivering sustainable growth in shareholder value as a leading developer, owner and operator of principally mixed-use commercial properties in Hong Kong and the Mainland.



Pioneering Sustainable Energy

CLP 中電

Power Brighter Tomorrows

Best Environmental, Social and Governance Reporting Awards

Accounting & Finance Services



Hong Kong Exchanges and Clearing Limited

Infrastructure & Real Estate / REIT



Link Real Estate Investment Trust

Logistics & Transport



MTR Corporation Limited

Medical & Healthcare



Fosun International Limited

Property Development & Investment



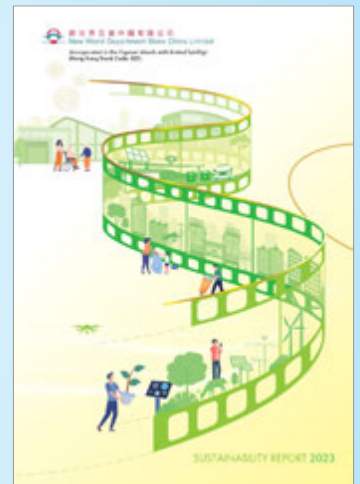
Swire Properties Limited

Public Utility



CLP Holdings Limited

Retail



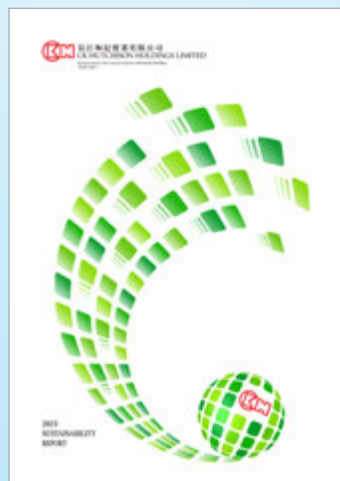
New World Department Store China Limited

Technology & Information



Tencent Holdings Limited

Telecommunications



CK Hutchison Holdings Limited

Tourism & Hospitality



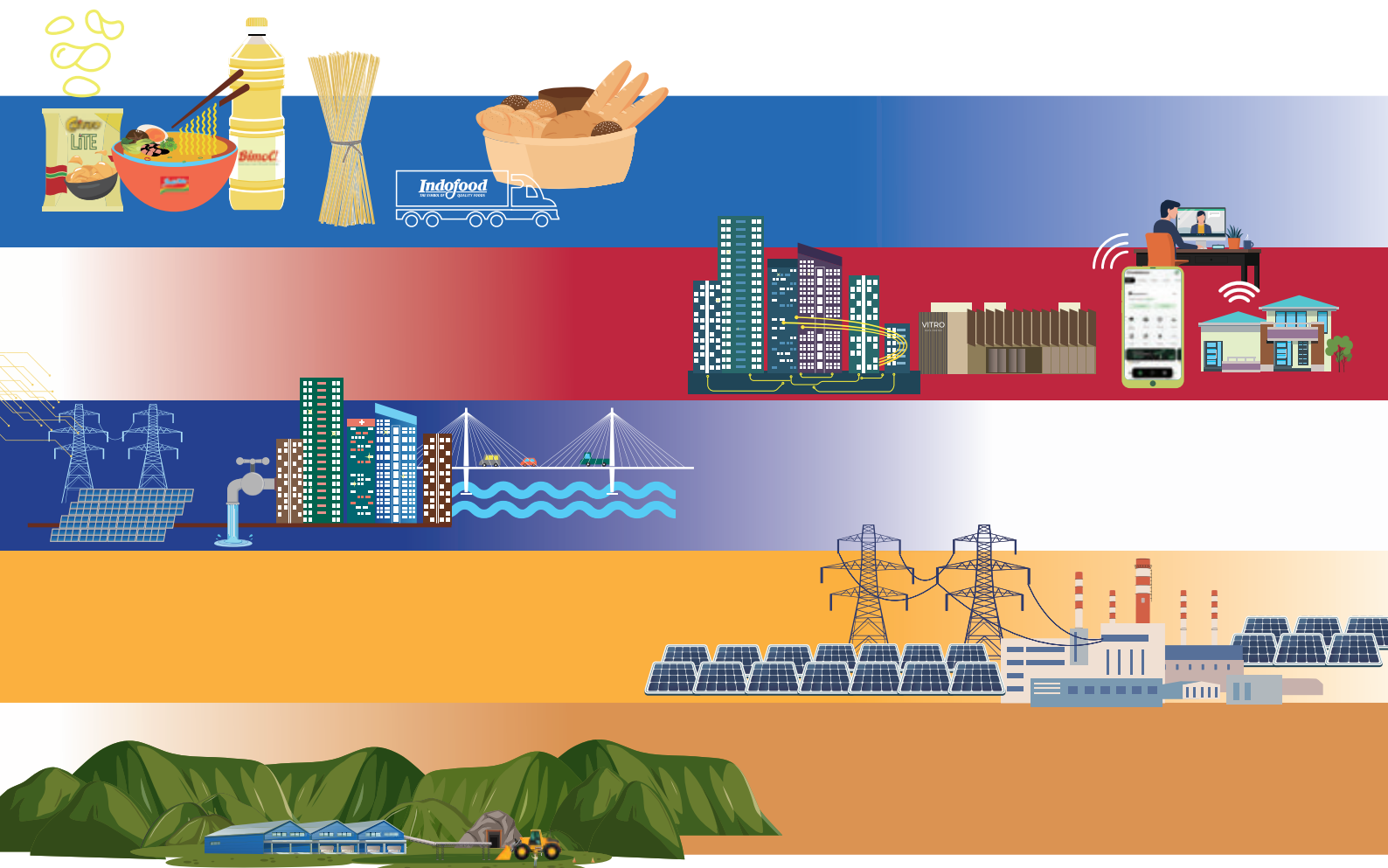
The Hongkong and Shanghai Hotels, Limited

First Pacific (HKSE: 00142) is a Hong Kong-based investment holding company with investments located in Asia-Pacific. The Company's principal investments are in consumer food products, telecommunications, infrastructure, and natural resources.

In the first half of 2024, First Pacific reported record highs for contribution from operations and recurring profit. With our core investments located in the fast-growing economies of emerging Asia, First Pacific expects again to see continued growth in turnover in local currency terms, contribution from operations, and recurring profit for the 2024 full year and continuing earnings growth in the years ahead.

Creating Long-term Value in Asia

www.firstpacific.com



Key operating companies



COMMENTS ON SPECIFIC CRITERIA BY THE PANEL OF ADJUDICATORS

GENERAL CATEGORY

1. Accounting – Conformity with the Requirements of the Relevant Financial Reporting Standards, including Hong Kong Financial Reporting Standards / International Financial Reporting Standards / China Accounting Standards for Business Enterprises; and the Provision of Accounting Information over and above the Requirements

1.1 Overall standards and comments

Entering into the post COVID-19 pandemic era, the Hong Kong economy which is shaped by a complex interplay of global and local factors remained stagnant. The global economic environment, marked by geopolitical tensions and financial market fluctuations, significantly influences Hong Kong's trade and investment landscape. Domestically, the revival of tourism, while showing some growth, has not met initial expectations. Visitor arrivals have increased, but they are still below pre-pandemic levels, reflecting a slower recovery than anticipated. This has implications for the service sectors, particularly travel and hospitality, which are crucial to Hong Kong's economy. The local stock market remains under pressure due to global economic uncertainties and geopolitical risks. However, there are signs of stabilization in the property market, which could provide some economic relief. Furthermore, Hong Kong's economic prospects are closely tied to China's economic performance, underscoring the interconnected nature of these mega factors. Companies operating in Chinese Mainland and worldwide continued to be adversely affected by China real estate property market or geopolitical uncertainties. As a result, 2024 continues to be a difficult year for most of the businesses in Hong Kong. While it was observed that the quantitative amounts of impairment or write down were less significant than those in the previous years, the extent of judgement made and the estimation uncertainties involved in arriving at the numbers were not less complicated.

In recent years, regulators and standard setting bodies had also been developing new standards in requiring principle-based yet detailed disclosures on the application of significant judgement and estimates, for example, over revenue recognition, expected credit losses and fair value measurement, in order to enable financial statement users to better understand management views over the economic uncertainties entities encountered in which the asset values or other financial numbers were based.

Traditionally, many entities place reliance on illustrative financial statements prepared by the large accounting firms to meet the accounting disclosure requirements. Given that the application of judgement and estimates is often entity-specific or circumstance-specific, following boiler-plate disclosures or providing merely bare minimum disclosures based on literal reading of standard requirements without observing disclosure objectives will no longer be sufficient to meet the expectations of financial statement users for the purpose of evaluating the financial performance and position of the company.

Overall, most entries showed a high level of compliance with the mandatory disclosure requirements as set out in the accounting standards. It was observed that companies in Hong Kong have been making continuous efforts to maintain high quality standard of financial reporting, which is the crux of preserving Hong Kong's reputation as a world-class financial center. Outstanding entries provided additional disclosures over and above the minimum mandatory requirements which were informative to readers to better understand their financial performance and position. This year, a few outstanding entries set good examples as how subjective estimates were explained, either qualitatively or quantitatively, in an appropriate level of aggregation or disaggregation of material items, and provided high quality disclosures, for example, on sensitivities associated with significant unobservable inputs used for fair value measurement, and credit quality rating grades. This continues to be the focus in the foreseeable future in the midst of the current economic environment.

1.2 Conformity with the requirements of the relevant financial reporting standards

Some entries provided tailor-made or additional information in relation to financial information in the following aspects.

(i) Presentation of financial statements

To facilitate financial statements' users to understand the relationship of accounting policies and significant judgement and estimates with relevant financial statement line items, some entries presented accounting policies, and significant judgement and estimates in notes that adjoin the notes breakdown.



共建可持續社區

Contributing to a Sustainable Community



**HONG KONG
HOUSING SOCIETY**
香港房屋協會

(ii) Complex business arrangement or accounting treatment

Some entries provided detailed disclosures to explain business arrangements or major contractual terms that are important to the understanding of the business, the financial performance and/or the respective accounting treatment. An entry included a specific section “Accounting Mini-Series” to explain topical and complex accounting topics.

(iii) Significant judgement and estimates

Improvement was observed in information provided for significant judgement and estimates as compared to the prior year. More entries spent efforts in explaining significant judgement and estimates applicable to their specific circumstances, rather than copying boilerplate disclosure format. Some provided further analysis in Management Discussion and Analysis (MD&A) section to explain the implication of this to financial performance.

(iv) Expected credit loss

A few entries disaggregated credit portfolio into groups of customers/ debtors and provided separate disclosures for different categories/ locations of customers/ debtor groups, and the respective inputs for expected credit loss measurement, for example, probability of default/ loss rate, as appropriate. A few entries provided disclosures of internal ratings.

(v) Fair value

A few entries disclosed unobservable inputs and sensitivities of underlying investments/ real estate properties held by the funds or investment vehicles which they invested in, or other complimentary qualitative information of the underlying to enable users to understand the nature and risk of the respective investments.

(vi) Impairment of non-financial assets

Some entries voluntarily provided additional information in relation to impairment tests performed, such as sensitivity analysis of key assumptions or a negative statement that no reasonably possible change in key assumptions would cause an impairment loss to be recognized, quantitative data of key assumptions other than terminal growth rate and pre-tax discount rate, recoverable amount of cash-generating unit together with the headroom available.

(vii) Non-Generally Accepted Accounting Principles (GAAP) measures and segment information

In the MD&A section, majority of the entries presented non-GAAP measures on top of audited figures, such as adjusted profits, earnings before interest, taxes, depreciation and amortization (EBITDA), debt ratios, other balance sheet item turnover ratios or even operational data, when they analyzed their financial performance or position. Many of these provided reconciliations and explanations of the ratios or the adjusting items, as applicable, to enable readers’ understanding and enhance transparency of the businesses to the readers. Some provided voluntary analysis on revenue, for example, breakdown by brands, by customers groups, and/or by distribution channels, in addition to by product types and locations as required to be disclosed in the financial statements under HKFRS 8.

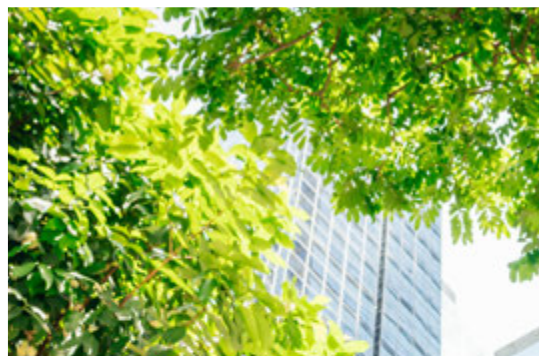
(viii) Other examples of good disclosures:

- Only significant accounting policies that were material were disclosed. Some entries provided specific information in related to the application of accounting policies to entity specific circumstances.
- Breakdown of income and expenses items were provided where material.
- A few entries provided additional disclosures for investment properties on amounts analyzed by locations, types of properties (residential and commercial), and/or occupancy rates.

On the other hand, examples of omission and incomplete disclosures of information required by the accounting standards, or boiler-plate disclosures which were not sufficient to meet the disclosure objectives, were noted. Some of them are highlighted below.



100 Years of Lee Gardens For a Sustainable Community



HKAS 1 (Revised) "Presentation of Financial Statements" – disclosures for material items

In accordance with HKAS 1 (Revised) paragraph 31, additional disclosures are required for material balances or transactions which are not covered by specific disclosure requirements under other HKFRSs.

HKAS 1.31 Some HKFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

In the past, the market was generally good at providing details and breakdowns of revenue/ income, but not expenses, such as costs of sales and research and development costs. There were still a number of entries without such detailed disclosures. For example, research and development (R&D) expenses are one of the significant items in the profit and loss statement, although there are no specific additional disclosure requirements under HKFRS on details of R&D expenses, as financial statements' users would like to understand the components and natures of R&D expenses, e.g. direct staff cost, professional fee and depreciation on R&D equipment. This is important for them to evaluate management's strategy for deploying resources on R&D activities.

In addition, details and breakdown of various natures of expenses allow financial statements' users to evaluate the performance and cost-effectiveness of the company as well as the performance of management. This also enables investors or analysts to appreciate the quality of earnings as to whether the financial performance would be vulnerable to specific economic factors, for example, commodity prices or labour costs. Furthermore, some entries did not provide enough details for material balance sheet items like "other receivables" and "other payables".

HKAS 1 (Revised) "Presentation of Financial Statements" – disclosures of material accounting policies

The amendment effective from the accounting period beginning from 1 January 2023, changed the term "significant" in the context of disclosing accounting policy information, it has been replaced with "material" in HKFRS. This change was made because "material" is a defined term in HKFRS and is widely understood by the users of financial statements. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Paragraph 117B of the amendment provides illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to HKAS 1 clarifies that immaterial accounting policy information need not to be disclosed. If it is disclosed, it should not obscure material accounting policy information.

Quite a lot of the entries also had no significant change in accounting policy disclosure in comparison with the prior year. Companies are recommended to have a more detailed assessment going forward, to allow financial statements to focus on accounting policies that really material to the financial statements.

HKAS 36 "Impairment of Assets" – disclosures for key assumptions

In accordance with HKAS 36 paragraph 134, there is a requirement for specific disclosure requirements if the unit's (group of units) recoverable amount is based on fair value less costs of disposal. Entries have had more detailed disclosures year-to-year, in particular on the key assumptions disclosures which is a great development. However, the "relevancy" of key assumptions disclosures is equally important. Most entries under the scope of HKAS 36 disclosed growth rate(s) and discount rate(s) assumptions following the requirements under HKAS 36.134(d)(iv) and (v), but no other key assumptions to which the unit's (group of units) recoverable amount is most sensitive (that is HKAS 36.134(d)(i)). Only a few entries disclosed other key and sensitive assumptions like the gross profit ratio.

One of the entries had an impairment charge during the year, and with terminal growth rate and the discount rate that were disclosed with no significant change in comparison with the last year. The impairment charge is likely arising from the change of other key assumptions that have not been disclosed, so no information was provided for readers to evaluate the reasons of charges that led to the impairment charge during the year.





投資者及理財教育委員會
Investor and Financial
Education Council

Secure Your Financial Future



The Investor and Financial Education Council (IFEC) is a public organisation and a subsidiary of the Securities and Futures Commission, dedicated to improving investor and financial education in the Hong Kong Special Administrative Region. The IFEC is supported by the four financial regulators and the Education Bureau.

With our range of digital content, tools, programmes, as well as social media presence, we bring investor and financial education to the Hong Kong public, in a bid to induce positive attitudinal and behavioural change in people's investment and financial management habits and decisions.



www.ifec.org.hk

Learn Financial Management
with The Chin Family!



For example, for mature and stable businesses, terminal growth rate and discount rate are likely to be the most significant assumptions adopted. However, for new or fast-growth businesses, the most significant assumption would also include the growth rate in the first five years or any adjustments made on the first-year base case. Entries are advised to further consider what the key assumptions in their situations are which may not necessarily be terminal growth rate and discount rate.

Furthermore, HKAS 36.134(f) requires quantitative disclosure when a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount (that is sensitivity analysis). This includes the disclosures on (i) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount; (ii) the value assigned to the key assumption; and (iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

A lot of entries under the scope of the HKAS 36 only disclosed a statement that mentioned management considered any reasonably possible change in key assumptions would not result in an impairment of relevant assets. However, no disclosure on what are those key assumptions under this reasonably possible change. Also, no quantitative disclosures following HKAS 36.134(f)(i)-(iii) mentioned above. Given the recent increase in uncertainty of the global economic environment, adequate disclosures that allow financial statements' users to assess the impact on the financial statements become more important.

HKFRS 7 "Financial Instruments: Disclosures" – disclosures in relation to ECL assessments

In accordance with HKFRS 7.35G, an entity should explain the inputs, assumptions and estimation techniques used to measure expected credit losses. In addition, HKFRS 7 paragraph 35M&N require the disclosure of credit quality rating grades (either internal or external) in order to understand management view over the credit quality of the credit exposures, or provision matrices if ECL was determined as such. This information should be aggregated or disaggregated to an extent in order to provide meaningful information to financial statement users (HKFRS 7.35D).

Generally, entries provided detailed disclosures about techniques and methodology for applying the expected credit assessment. However, still, quite a lot of the entries with significant financial assets under ECL assessment did not provide adequate (or just boiler-plated) disclosures on key inputs and assumptions that allow the financial statements' users to assess and judge whether the ECL was adequate. Information about grouping of financial assets or trade receivables based on shared credit risk characteristics was very limited. A few entries disclosed the loss rates for a particular group of receivables based on a range, but such range was too wide (e.g. from less than 1% to over 40%) to be meaningful in order for a user to understand the credit quality among this group of receivables. The entry instead might consider providing disaggregated information, for example, \$X, \$Y and \$Z with loss rates of 1%-5%, 5%-20% and 20%-50%, respectively.

Many entries provided no or little information over credit quality rating grades. This is particularly important to certain industries in which credit risk management is fundamental to the core business (e.g. financial institutions). A few banking entries did not disclose credit quality rating grades for loans and advances to customers. Given that HKFRS 7 requires the disclosure of credit risk based on management information, banks should disclose internal ratings at least at a level which is not less than the minimum 5 grade loan classification as required by the banking regulations.

HKFRS 12 "Disclosure of Interests in Other Entities"

Some entries did not provide disclosures of financial information of subsidiaries with non-controlling interests, associates or joint ventures in accordance with HKFRS 12 B10-B15 on the basis that management determined such non-controlling interests/ associates/ joint ventures were not individually material. While the determination of materiality involves judgement, entities should still consider if the extent of disclosures is sufficient to meet the disclosure objective under HKFRS 12.10&20. In one case, the non-controlling interest balance and the profits attributable to non-controlling interests amounted to approximately 10% of total equity and the profits for the year. Yet, only minimal disclosures were made in respect of non-controlling interests.





About Kroll's Valuation Practice in the Greater China Region

The Greater China valuation practice of Kroll was established in 1975 under the former China team of American Appraisal. In 2015, American Appraisal was acquired by Duff & Phelps, the world's largest valuation firm with over 1,600 valuation professions in around 60 offices globally-which acquired Kroll and unified into Kroll in 2022. Kroll is the first foreign company with official approval to provide valuation services in China and established its presence in Beijing in 1994. Our expertise is well recognized by regulatory bodies in Hong Kong, China, US and other major capital markets, and our senior executives have contributed to raising local valuation standards. Kroll has expertise in

handling cross-border projects, with proven capabilities to provide valuation insights to meet complex international M&A, corporate governance, and IPO activities. Our Greater China offices include regional headquarters in Hong Kong, with fully staffed offices in Beijing, Shanghai, Guangzhou, Shenzhen, and Taipei. **We have over 50 professionals across the country advising clients**, including foreign multi-national corporations and Chinese listed companies, both state-owned and private, for purposes such as M&A, corporate restructurings, Sino-foreign joint ventures, tax filing, statutory approval, dispute resolution, and financial reporting. We assisted hundreds of Chinese companies in their Hong Kong or US IPO process.

Valuation Advisory Highlights

World's Leading Independent Valuation Provider



1,551

Professionals
including 171 Managing Directors,
dedicated to Valuation Advisory



In 2023 we performed over

10,536



Engagements for more than

3,840

clients



Across

36

countries and territories

Some entities did not explain the significant judgements and assumptions made in respect of determination of control or significant influence. An entity did not explain that it had control over the subsidiaries in which they held less than 50%.

HKFRS 13 “Fair Value Measurement” – disclosure for fair value measurement using significant unobservable inputs (Level 3)

Although almost all entries provided disclosures over significant unobservable inputs, many of which did not disaggregate the information to an appropriate extent to provide meaningful information to financial statement users. For example, the ranges of inputs disclosed for income per annum and development costs for investment property valuations were HK\$1m to HK\$581m and HK\$50m to HK\$17,420m, respectively. These ranges were too broad to convey meaningful information. They may consider disaggregate the disclosure further, for example by category (commercial or residential) and by location, and consider using alternative presentation format such as income or cost per gross floor area (HKFRS 13.93(d)).

In relation to valuation of real estate properties, given that each property is unique, considerations of making or not making price adjustments for specific features (e.g. floor, sea view vs park view) are often significant. Vast majority of the entries classified all or substantially all real estate properties as level 3 owing to the above reason. It was noted that a few entries classified all investment properties (or properties in a particular class) as level 2, and accordingly, these entries provided a lesser extent of disclosures comparing to their peers. Given the property profile as otherwise disclosed in their annual reports was not perceived to be significantly different from their peers, such classification might not be consistent with the market practice.

Some entries invested in funds and investment vehicles which the fair value measurement was relied upon the financial information of the funds and investment vehicles provided by intermediaries. Some of them failed to disclose significant unobservable inputs and sensitivity information (HKFRS 13.93(d)&(h)). There is no exemption of disclosure of unobservable inputs and sensitivities even if such valuation was based on, for example, fund statements provided by fund managers/ trustees/ other intermediaries, where quantitative information relevant to the unobservable inputs was available to the entity.

HKFRS 15 “Revenue from Contracts with Customers”

Some entries did not disclose transaction price allocated to unsatisfied or partially satisfied performance obligations and the time bands for the duration of remaining performance obligations (HKFRS 15.120), nor disclosed if they applied practical expedient (HKFRS 15.122).

Accounting and disclosures in relation to climate-related matters:

Sustainability reporting has been rising steadily up the accountancy agenda, and ESG reporting has attracted more management and market focus in recent years. However, in the financial statements, entries in Hong Kong seldom have related accounting considerations and disclosures. The following lists a few relevant questions that are worth to consider:

- Are climate-related risks considered in the impairment assessment under HKAS 36: (i) reflected in discount rates? (ii) reflected in cash flow projections under different scenarios? and (iii) use different growth rates for medium-term and longer-term cash flows?
- Are there any key assumptions used to determine value in use under HKSA 36 that are required to be disclosed?
- Does the accounting department consider additional carbon costs to achieve the carbon zero target disclosed in the ESG report?
- Does the business have a constructive obligation to comply with environmental or carbon-related matters that require a provision on the balance sheet as at year end?
- Is there any share-based compensation and remuneration policy for senior management with carbon or ESG-related KPIs that should be disclosed?



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Other common inadequate disclosures:

- Financial Instrument: Disclosures - equity instruments at fair value through other comprehensive income - HKFRS 7: Some entries did not provide the required detailed disclosures in accordance with HKFRS 7.11A&11B, for example, which investments were designated as such and their fair values.
- Revenue from contracts with customers - HKFRS 15.110: For revenue recognition that is subjected to significant judgments, there were inadequate disclosures related to “significant judgments, and changes in the judgments, made in applying this Standard to those contracts”.
- Revenue from contracts with customers - HKFRS 15.116 “revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period” and “revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price)”.
- Inventories - HKAS2.36 “the carrying amount of inventories carried at fair value less costs to sell”: Generally entries only disclosed the provision amount and not the carrying amount of inventories impacted by the provision. This allows financial statements’ users to understand whether such provision is an isolated case or the general issue for the inventories as a whole.
- Related party disclosures - HKAS24(R).23 “related party transactions were made on terms equivalent to those that prevail in arm’s length transactions are made only if such terms could be substantiated”.



1.3 Provision of accounting information over and above the requirements

Some entries provided additional information in relation to financial information in the following aspects:

(i) Presentation of financial statements

To help users of the financial statements understand the relationship between accounting policies, significant judgments, and estimates with the relevant line items, some entries included these details in the accompanying notes. Some entries offered extra currency disclosures in core financial statements, catering to users with varying backgrounds. Improving the overall presentation and layout of financial statements in a more user-friendly manner is also considered a recommended practice.

(ii) Disclosures on complex business arrangements

Financial statements represent the outcomes of business arrangements and transactions. Providing additional disclosures about the details and terms of significant contracts helps users of the financial statements gain a clearer understanding of the organization’s financial performance and position.

(iii) Disclosures of operational data together with financial information

Some entries disclosed segment analysis including operational data such as the number of customers and cost efficiency ratios, along with information on the fair value of financial instruments and the associated control framework.

(iv) Disclosures on properties owned

Outstanding entries provided detailed disclosures to present unobservable data for investment properties categorized under Level 3, broken down by property type. Since properties could vary significantly based on their locations, providing more detail would help users of the financial statements better understand the quality of the assets.

(v) Disclosures on segment information

Additional disclosures of segment information went beyond just the nature of business and geographic location, by customer types; by business units, even those with similar business activities; excluding certain significant accounting impacts, such as HKFRS 16 Lease; and separating tax impacts based on primary and other locations with varying tax rates.



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1.4 Outstanding companies deserving special mention

Champion REIT, Chow Tai Fook Jewellery Group Limited, CLP Holdings Limited, FSE Lifestyle Services Limited, HSBC Holdings plc, SF REIT and Swire Properties Limited.

2. Conformity with the Disclosure Requirements of the Hong Kong Stock Exchange and Hong Kong Companies Ordinance, and Provision of Information Relating to Environmental, Social and Governance (ESG)

2.1 Overall standards and comments

With the compliance of the ESG disclosure requirements as specified under the Hong Kong Stock Exchange Listing Rules (Appendix 27), an overall enhancement in ESG governance had been well evident in the entries of the “General” Category. It was pleased to observe that many companies invested significant time and resources in ESG and how to maintain the companies’ sustainable growth.

In addition to the minimum disclosure requirements, it was encouraging to observe that an increasing number of companies incorporated ESG/ sustainability as an important corporate strategy, which reflected their positive approach/ attitude/ value towards matters relevant to environmental concerns, society engagement, and governance professionalism. ESG has been clearly seen as a vital element along corporate development, and the information disclosed highlighted the sustainable business development in terms of achieving “Operational Excellence” through ESG initiatives, delivering “Corporate Transformation” associated with ESG strategy, and/or emerging with “Sustainable Business Model” along ESG incorporation.

However, some companies failed to present different areas of disclosure such as strategy, governance, operational highlights, financial highlights, and company information in a logical and systematic manner. This lack of organization made it difficult for readers to obtain a clear and concise understanding of the companies. Disclosure regarding relevant market or industry performance and the underlying calculations or formulas also remained relatively weak. Some companies relied excessively on tables and charts instead of employing graphical illustrations to convey information or ideas effectively.

2.2 Areas in which this year’s entries have shown very good performance

There was a remarkable improvement in the standard of ESG reporting. Many companies have put more efforts to comply with the overall standards outlined in the ESG Guides released by the Hong Kong Stock Exchange.

There was an increasing trend for companies to take ESG reporting as a major corporate tactic and clearly communicate with stakeholders their aims and objectives, especially those beyond financial viability. There was a rising trend of having companies provided Vision 2030/ 2050 or 5-year/ 10-year forward-looking strategic plan in aligning with the ESG development, which instead demonstrated corporate focus on ESG as a core business strategy (rather than a mere compliance tool) and revealed corporate commitment towards sustainable development. Climate change has become a significant concern for corporate management who actively provides discussion of, and supports work done by, the Task Force on Climate-related Financial Disclosures (TCFD). Issues relevant to improving the whole ecosystem and/or promoting biodiversity have also been identified.

In line with emphasizing on ESG initiatives/ development, more and more listed companies have formally elevated CSR/ sustainability committee to one of the board committees, while many companies established an ESG steering committee/ working group and/or created a professional position (say, Chief Sustainability Officer or Executive Director on ESG) to oversee ESG activities and address compliance issues. It was also a good practice of having senior management involved in steering the ESG committees/ workforces. Few companies also set up Development Fund for promoting ESG and sustainability within corporate environment and handling responsible investment projects. Such recognition of the importance of ESG and its impacts contributed to communicating corporate attitudes towards commitment to ESG concerns, as well as highlighting accountability of sustainability issues to the general public.

Some entries made use of a “Case Study” approach to describe their tangible actions contributing to environmental preservation, enhancing well-being, and improving corporate ethical standards, among other things. Some entries incorporated the concepts of sustainability along business processes and/or corporate transactions. For example, sustainable design or construction of properties, responsible sourcing, sustainable marketing, responsible investment, and green finance were explicitly mentioned in corporate decisions regarding supply-chain management, investment decisions, and financing activities.



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New World values the development of local culture and, with passion and innovation, it is breathing new life into the State Theatre, an iconic Grade I Historic Site. Together, we are preserving history, and continuing its legacy for the next generation.

we create
we are artisans
we are csv.

The Artisanal Movement

It was exciting of noting that some companies (especially those outstanding ones) took the ESG policy refinement as an important on-going corporate strategy to address the timely needs and dynamic development of global sustainability initiatives. Few entries also emphasized social impacts being captured by their ESG efforts in additions to mere discussions on work done, which possibly reflected corporate eagerness to evaluate/ quantify their contributions for further enhancement. In addition, it was interesting to observe that digitalization has been identified as a catalyst for ESG transformation. In general, companies have placed greater responsibility and commitments towards ESG activities.

2.3 Areas in which this year's entries deserve improvement

External verification/ assurance continues to be an area for improvement. While the number of ESG reports with external verification and/or assurance has increased (up to about two-thirds of the entries), strengthening the external assurance mechanism that helps improve credibility of reporting should be emphasized.

Although most entries acknowledged the power of ESG reporting in reflecting corporate attitudes towards non-financial concerns and revealing corporate social responsibility, a few of them only provided minimum regulatory disclosures. They might not fully grasp the motivation and merit of reporting ESG activities and failed to use the ESG/ sustainability report to reveal the strategic plan and/or capture the future business development.

The Hong Kong Stock Exchange disclosure requirements improved information transparency and motivated companies to increase ESG/ sustainability awareness. However, few companies treated ESG/ sustainability reporting as a "separable" reporting merely to satisfy listing requirements, resulting in content that misaligned with the corporate financial, strategic, and operational information reported in the annual report. By contrast, those outstanding entries incorporated ESG/ sustainability elements as an important corporate strategy for developing business practices.

2.4 Outstanding companies deserving special mention

CK Hutchison Holdings Limited, CLP Holdings Limited, Hong Kong Exchanges and Clearing Limited, The Hongkong and Shanghai Hotels, Limited, Hysan Development Company Limited, Lenovo Group Limited, New World Department Store China Limited, Swire Properties Limited and Towngas Smart Energy Company Limited.

3a. General Presentation such as Design, General Layout, Photographs, Graphs, Charts, Diagrams, Illustrations, Infographics and Indexing

Outstanding design consistently showcased key characteristics including strong brand identity through logo usage, typography, and colour; consistent and effective layout design; simple and creative infographics; dynamic photography and art direction; and professional writing and editing. This year, the majority of companies continued to present their overall performance concisely and engagingly, utilizing effective design and presentation styles. They summarized key results, KPIs and key messages, and supported the detailed information with carefully selected photographs, colourful charts and graphs, bold font and well-structured indexing and headlines, making it easier to read and understand. Overall, the reports maintained a high standard, and it was evident that significant effort was made to enhance readability and facilitate understanding.

In several reports, the design, layout, and photographs were eye-catching and impressive, effectively showcasing the companies' performance. Many companies excelled in using vibrant on-site photos to illustrate their various business sectors or product lines. An increasing number of companies adopted innovative and creative approaches by incorporating customized animal logos or avatars throughout their annual reports, capturing readers' attention and encouraging them to explore further details.

More companies emphasized key strategies and business results at the forefront of their reports, placing detailed financial information in the latter half. This sequence of presentation allowed readers, especially those unfamiliar with the companies, to grasp the essential concepts and key information before delving into the detailed analysis. The outstanding reports also paid attention to font size, font colour, paragraph spacing and general layout, and described their business, products, markets and customer drivers in clear terms, as well as describing investments they plan to make.

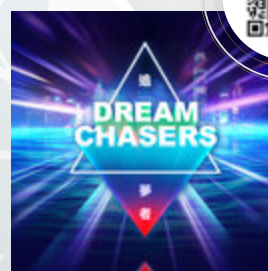
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HK- Business Made Easy



Investing Now for Future in Hong Kong and the Middle East



Money Talk



一桶金之財經新思維



RTHK English News Instagram



Halo Jakarta!
Hello Hong Kong!



However, readability performed poorly for some. As an example, a green font against a green background was very difficult to read, but many entries used this scheme in their ESG section. In other cases, the section with photographs and bios of directors and non-executive directors was longer than the management discussion. Brevity and relevance for board experience were encouraged. Some management discussion sections contained pages and pages of detailed paragraphs with no summary, no graphics, inadequate spacing and “flowery” language. Organizations are encouraged to consider the reader experience in both physical and online format. Some companies also struggled with presenting organizational charts. The messages conveyed by these charts were often unclear, or the charts themselves were too complicated to interpret.

An annual report is not Facebook or Instagram; there is no need to include photos from every event, training session and staff party, especially if it detracts from the report's effectiveness. Photos should support the message and the branding. Some annual reports were too lengthy with hundreds of pages and some were printed on glossy non-recyclable material. The “less is more” message was not getting through. Also, a small number of companies used highly technical terms to describe their business, results and operations, making it very difficult for the average readers to understand. This was occasionally compounded by a glossary that was even less clear.

Furthermore, ESG has become a significant focus for many corporations in recent years, raising questions about the necessity of physical copies. Digital or online formats are often more convenient and flexible for audience, allowing for greater interactivity and dynamic design to communicate information effectively. Although digital versions represent the future of reporting, physical copies provide a tangible connection and a sense of permanence that many organizations still value. As we navigate this transition, it is essential to strike a balance between traditional and modern formats to meet diverse audience needs.

Companies which deserve a special mention for their striking and effective highlights pages are:

ANTA Sports Products Limited, Chow Tai Fook Jewellery Group Limited, CK Hutchison Holdings Limited, CLP Holdings Limited, Hang Lung Properties Limited, Hong Kong Exchanges and Clearing Limited, The Hongkong and Shanghai Hotels, Limited, Hysan Development Company Limited, Lenovo Group Limited, Link Real Estate Investment Trust, MTR Corporation Limited, New World Department Store China Limited, New World Development Company Limited, Swire Pacific Limited and Swire Properties Limited.

3b. Understandability, Clarity and Conciseness

Majority of the companies put extra effort into their annual reports to make them readable and easier to follow. Most entries did well in providing corporate information with vision and mission. Some of them even incorporated sections related to their corporate strategies and core competence. The companies generally applied a concise approach to present their annual reports in order to highlight their annual results. They included useful information such as financial highlights, corporate milestones and summaries of operating statistics in the corporate overview section. Another area where most entries excelled was the Chairman's Statement and the Directors' Report, most provided complete and concise information. Historical analysis on the company's business operation was also well-presented. Same as previous years, most companies emphasized on corporate governance, for example, remuneration committee, risk and management committee and sustainability committee.

Conversely, a few companies employed overly complex charts and infographics, as well as excessively long sentences, which distracted readers and diminished their engagement. Some companies relied too much on tables and charts rather than graphical illustration in the presentation of information or ideas. The inclusion of too many photos and lengthy profile of directors and officers cluttered the reports, making it difficult for readers to focus on the key messages. This lack of clarity hindered effective communication and reduced the overall impact of the reports. Disclosure on relevant markets or industries' performance/ data and their bases of calculation or formulae also remained relatively weak. Another weakness was relevant information on a subject spreading out in the report. This resulted in readers overlooking the important information.

Outstanding companies deserving special mention are:

Chow Tai Fook Jewellery Group Limited, CK Hutchison Holdings Limited, CLP Holdings Limited, Hang Lung Properties Limited, Hang Seng Bank, Hong Kong Exchanges and Clearing Limited, The Hongkong and Shanghai Hotels, Limited, HSBC Holdings plc, Lenovo Group Limited, Link Real Estate Investment Trust, MTR Corporation Limited, New World Development Company Limited, Shui On Land Limited, Swire Pacific Limited and Swire Properties Limited.



INVESTING FOR THE LONG-TERM



4. Summary of Past Results and Highlights

Many companies provided a clear and concise summary of past results and key highlights. Most of them showed good summary of their performance in the areas of “Key Figures for 2023”, “Milestones of the Companies” and “Performance Highlights”. Most entries focused on highlighting their key strategies and business results which captured the readers’ attention and interest in their key business information. The more effective companies typically offered additional information including segment comparisons, key factors influencing performance, and other valuable financial and business metrics. Such disclosure helped the readers better understand the basic idea and key information before examining and doing detailed analysis of the performance of the entries. In addition, the Chairman’s Statement and Directors’ Report presented were informational and insightful, providing detailed information on the companies’ business operations as well as the impact of the economic environment on the companies’ results.

Organizations which are particularly outstanding in this aspect include:

Bank of China Limited, China Minsheng Banking Corp., Ltd., CK Hutchison Holdings Limited, CLP Holdings Limited, Hang Seng Bank, Henderson Land Development Company Limited, Hong Kong Exchanges and Clearing Limited, The Hongkong and Shanghai Hotels, Limited, HSBC Holdings plc, Industrial and Commercial Bank of China Limited, MTR Corporation Limited, Swire Pacific Limited and Swire Properties Limited.



5. Management Discussion and Analysis

Overall, the standard of Management Discussion and Analysis remained high. Many companies clearly explained their business operations and performance, and effectively reviewed the factors influencing their operations, including economic conditions and industry-specific factors such as production capacity expansion and product diversification. Companies provided both qualitative and quantitative information on how the macro environment impacted the company, and what the management’s strategy was to overcome the challenges. More companies started to make tailor-made descriptions or to voluntarily disclose entity-specific quantitative information to supplement financial statement items involving the use of significant judgement and estimates. Some included a specific discussion section on this in the MD&A.

However, there were still some companies which only provided a “revenue down, profit down” statement with no explanation of the underlying business drivers except general references to the macro-economic situation, failing to provide stakeholders with the necessary information to understand the specific challenges affecting their performance, and how the macro environment explained in the MD&A section impacted the financial performance and financial position of the companies as a whole.

Companies which deserve mention for extensive and informative management discussion and analysis include:

CLP Holdings Limited, Hang Lung Properties Limited, Hong Kong Exchanges and Clearing Limited, MTR Corporation Limited, Swire Pacific Limited, Swire Properties Limited and Tencent Holdings Limited.

6. Indications of Prospects / Forward Looking Statements

The quality and depth of future prospects and strategies in many reports raised concerns and required further improvements. While reports provided detailed plans with examples of where they planned to invest or how they would manage cost, a sizable minority of reports gave a brief economic outlook statement and followed by a generic commitment to “strive to do better”. This lack of specificity undermined the effectiveness of the reports, leaving stakeholders without a clear understanding of the companies’ strategic direction or how they planned to address future challenges. To enhance clarity and confidence, companies should provide more concrete examples and actionable plans in their outlook sections.

Companies deserving special mention in this area include:

AAC Technologies Holdings Inc., ANTA Sports Products Limited, China Mobile Limited, CLP Holdings Limited, Hang Lung Properties Limited, The Hongkong and Shanghai Hotels, Limited, HSBC Holdings plc and Swire Properties Limited.

Sustainability: Key to Blossoming Future



As an energy company with the longest history in Hong Kong, our pioneering spirit has always been underpinned by emphasising the public good. We have not only taken the initiative to conserve energy and reduce emissions through utilising clean energy, such as hydrogen energy, photovoltaic and other renewables, but also upheld our commitment to corporate social responsibility, as evident in our efforts in doing our best to help the underprivileged in society.

Throughout our growth, we have been making the achievement of an excellent environment, social and governance (ESG) performance a top priority across our operation, in order to ensure great business resilience to overcome various challenges. We shall continue to invest in projects contributing towards decarbonisation as we join the rest of the world in tackling climate change, while adding value to safeguard the interests of our stakeholders for positive impact.

7. Environmental, Social and Governance (ESG) Reporting

7.1 Overall standards and comments

ESG has continued to evolve, with companies further embedding ESG principles into their core strategies. Building on the foundation of recent years, companies have shown a stronger commitment to aligning their operations with the ESG disclosure requirements, particularly those outlined in the Hong Kong Stock Exchange Listing Rules, Appendix 27. This year's entries reflected a heightened understanding of the strategic importance of ESG, with many companies moving beyond mere compliance to actively engage with ESG as a driver of long-term value creation.

The significant increase in corporate resources dedicated to ESG reporting was evident, with more comprehensive and focused reports that address sustainability, corporate social responsibility, and environmental concerns. Many companies have demonstrated resilience and adaptability in the face of ongoing global challenges, such as climate change and post-pandemic recovery, using ESG frameworks not only to mitigate risks but to explore new opportunities for sustainable growth.

A notable trend this year is the proactive approach of companies to integrate ESG considerations into their long-term corporate strategies. Visionary plans, such as "Vision 2030" or "Vision 2050," are becoming more prevalent, reflecting a forward-looking perspective that aligns with global sustainability goals. Companies that excelled in this category were those that actively engaged in discussions surrounding climate change, biodiversity preservation, and carbon neutrality. These companies were not only meeting the minimum requirements but were also innovating their business models to ensure long-term sustainability.

Despite the overall improvement, there remained a noticeable variance in the quality of ESG reporting. Companies with more experience in ESG reporting displayed higher sophistication, while those newer to the process still have room to grow. Surprisingly, some large companies went backwards compared to previous years. These companies generally suffered from having too much material, resulting in reports exceeding 100 pages filled with information. As the global standard for ESG reporting continues to advance, it is expected that all companies will need to continue refining their ESG strategies and reporting methodologies to remain competitive and transparent.

7.2 Areas in which this year's entries have shown good performance

Excellent ESG reports laid out a clear mission, had clear targets, current year and baseline year comparison metrics, and presented information in easy-to-read formats using graphics and clear tables, showing progression in achieving goals. Most had a balance between governance, employee engagement, environmental impact and community engagement.

Companies have made significant progress in several key areas of ESG reporting:

(i) Board-level oversight

Most companies complied well with the tightened ESG reporting deadlines and expanded disclosure requirements from the Hong Kong Stock Exchange. This included the new board statement on oversight of ESG issues, managing material ESG matters and reviewing progress on goals. Many provided increased detail compared to last year, reflecting a deeper commitment to ESG governance at the highest levels of the organization. In line with emphasizing on ESG initiatives and development, more and more companies have formally elevated CSR/ sustainability committee to one of the board committees. With a great recognition of importance of ESG and its impacts, such moves are contributory to communicating corporate attitudes towards commitment and emphasis of ESG concerns, as well as highlighting accountability of sustainability issues, to the general public.



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Branding

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Environmental, Social and Governance

(ii) Materiality assessments

The majority of companies conducted thoughtful materiality assessments, explaining their process for identifying and prioritizing material ESG issues. Most companies organized discussions into ESG sections to enhance report structure. Some detailed stakeholder engagement underpinning assessments.

(iii) Compliance with ESG Guide and Global Standards

Most companies structured their reports according to the ESG Guide, with increasing reference to the Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainable Development Goals (SDGs). This alignment with global standards has improved the transparency, comparability, and reliability of the reports.

(iv) Incorporation of sustainability concepts in business processes and corporate transactions

Some entries incorporated the concepts of sustainability in business processes and corporate transactions. For example, sustainable design or construction of properties, responsible sourcing, sustainable marketing, responsible investment, green finance were explicitly mentioned in the corporate decisions on supply-chain management, investment, and finance. A few entries also emphasized social impacts being captured by their ESG efforts in addition to mere discussions on work done, which possibly reflected corporate eagerness to evaluate or quantify their contributions for further enhancement.

(v) Climate change initiatives

Many companies have made strides in addressing climate change, with detailed analyses of both transition and physical risks. Several organizations have developed specific climate policies and have begun to integrate these strategies into their broader corporate objectives. Companies also addressed pandemic impacts, integrating lessons learned over the past few years into their ESG and operational practices. Some entries made use of “Case Study” to describe their solid actions contributing to environmental preservation, enhancing well-being, improving corporate ethical standards.

(vi) External assurance

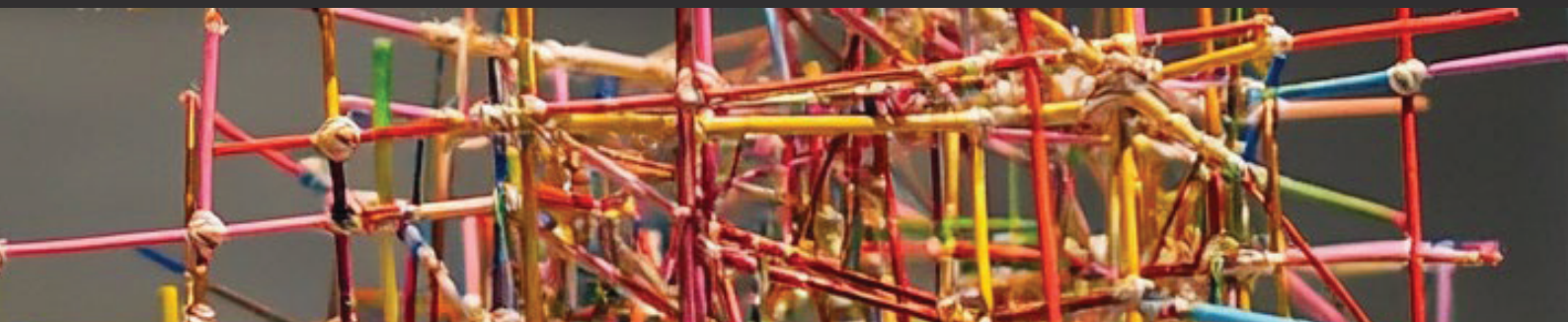
While still limited, a growing number obtained external assurance and review. This bolstered credibility of disclosed information. Companies also increasingly engaged external experts to evaluate and advise on ESG matters. Some entries engaged more than one independent professional party to provide additional external assurance to their ESG/ sustainability reports.

(vii) Integration of digitalization

Digital transformation has been increasingly recognized as a key enabler of ESG strategy. Several companies have leveraged new technologies to improve their ESG performance, particularly in areas such as environmental monitoring, supply chain transparency, and resource efficiency.

Overall, these positive developments reflected a growing recognition of the strategic importance of ESG in maintaining corporate resilience and competitiveness.





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Changing regulations and standards increases the complexity of the operating environment

Evolving Risk Landscape

Implementing new processes introduces new risks and control needs

Emerging Compliance Challenge

Difficulties in scaling businesses due to exponential compliance burden

>90%

of Fortune 500 companies using GRC software and AI to ease compliance workload



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7.3 Areas in which this year's entries deserve improvement

(i) Lack of external assurance

External assurance continued to be an issue for improvement. While the number of ESG reports with external verification and assurance had been increased, strengthening the engagement with external assurance shall improve credibility of reporting. Few entries merely listed events attended or stated that they conducted ESG risk management without elaboration. This lack of detail made it hard to evaluate strategy and progress. They might not fully grasp the motivation and merit of reporting ESG activities and failed to use the ESG/ sustainability report to reveal the strategic plan and/or capture the future business development.

(ii) Limited disclosure of ESG targets

A significant number of companies failed to clearly disclose specific ESG targets, particularly in areas such as emissions, water usage, and energy consumption. Many reports vaguely mentioned having targets without providing details on how these targets were being measured or the steps being taken to achieve them. This would become increasingly unacceptable as corporate ESG accountability solidifies. Regarding the requirement to disclose the ESG targets about emissions, energy use, water efficiency and water reduction; and the steps taken to achieve them, it was noted that many entries simply stated that they had set targets without providing further details on their evaluation in these aspects. Investors need more comprehensive insights into risk management and progress monitoring. Companies should be setting strategic goals and measurable objectives.

(iii) Inconsistent methodology disclosure

While some companies improved their transparency around methodologies, many still failed to provide sufficient details on how ESG data was captured, calculated, and verified. This lack of methodological rigor undermined the comparability and reliability of the data.

(iv) Failure to address global ESG concerns

Some companies remained overly focused on local issues without adequately addressing global ESG concerns, particularly those related to climate change. Companies are encouraged to broaden their perspectives and engage with global sustainability challenges.

(v) Missing or incomplete ESG reports

A small number of entries still lacked comprehensive ESG reports, or the reports were missing key elements such as vision statements, long-term goals, or stakeholder feedback mechanisms. This reflected a minimalistic approach to ESG reporting, which would not meet the rising expectations of investors and stakeholders.

7.4 Companies to be commended on their ESG reporting

Chinachem Group, CK Hutchison Holdings Limited, CLP Holdings Limited, Fosun International Limited, Hong Kong Exchanges and Clearing Limited, The Hongkong and Shanghai Hotels, Limited, HSBC Holdings plc, Hysan Development Company Limited, Link Real Estate Investment Trust, MTR Corporation Limited, New World Department Store China Limited, Swire Pacific Limited, Swire Properties Limited and Tencent Holdings Limited.

8. Promptness of Reporting

This year, 67% of companies released their annual reports 91 days or more after the end of their financial year, and less than 4% of companies were able to publish their reports within 60 days, reflecting slight improvement when compared to 2023. Prompt reporting enhances transparency and accountability, fostering trust among stakeholders such as investors, employees, and regulators. By providing up-to-date financial information, companies enable informed decision-making, allowing stakeholders to assess risks and opportunities accurately, and building confidence in investors. It is highly recommended for companies to aim for more timely publication of annual reports to support effective governance and strengthen stakeholder relationships, hence contributing to their long-term success and sustainability.

9. Presentation and Accessibility of the Report(s) with ESG Information on the Organization's Website

The ESG reporting has kept improving years on years, and the overall accessibility of annual reports and ESG reports maintained in a good shape. A rising number of entries recognized the significance of communicating sustainability-related information to stakeholders, and displayed online concise ESG/ sustainability-related messages that reflected corporate attitude and development towards goals beyond conventional financial measures. The presented sustainability-related information also acutely aligned with respective core business, regardless of industries with perceived stronger or weaker ESG relevance, and successfully demonstrated corporate efforts in response to ESG needs.

Some outstanding companies even revamped corporate websites to increase sustainability coverage and highlight business sustainability, which demonstrated strong sustainability commitment at the front end. The ESG/ sustainability reports of almost all the entries were easily accessible in speedy manner. Some entries made use of reader-friendly icons for direct access to respective ESG/ sustainability reports, increasing visibility and emphasis of ESG and corporate sustainability. It was also quite common that the management disclosure tone in the corporate profile or top management message has been refined to highlight the corporate commitments towards sustainable business development.

10. Conclusion

This year's annual reports exhibited several strengths, particularly in design and layout, which significantly enhanced readability and engagement. Many organizations effectively utilized infographics, clear presentation techniques and special design to showcase corporate information, strategies, and financial highlights, effectively simplifying intricate data and enhancing the reports' understandability. A notable achievement was the high level of compliance with mandatory disclosure standards, reflecting a strong commitment to maintaining quality financial reporting. Outstanding entries went beyond minimum requirements, offering additional insights into subjective estimates, including fair value measurement sensitivities and credit ratings. These detailed disclosures provided stakeholders with a better understanding of the companies' financial positions and performance metrics, fostering greater transparency.

Moreover, as ESG reporting continues to evolve, it is evident that companies are increasingly viewing ESG as a strategic imperative rather than merely a compliance requirement. ESG reporting has seen marked improvements, with many companies recognizing the importance of communicating their sustainability efforts in alignment with core business objectives. This year, several organizations revamped their websites to enhance sustainability coverage, making ESG reports more accessible through user-friendly icons and refined management messages that emphasized commitments to sustainable development. Such initiatives demonstrated a growing awareness among companies of the need to integrate sustainability into their broader business strategies.

Despite these positive developments, there remained significant areas for improvements. While many reports showcased strong design, some struggled with clarity due to overly complex visuals and excessive detail, which hindered effective communication. Companies need to prioritize concise messaging and relevant visuals, ensuring that their presentations are straightforward and easy to digest. Balancing physical and digital reporting formats is also essential to cater to diverse audience needs effectively.

Many companies also exhibited a lack of depth in their future prospects, often presenting vague strategies that undermined their effectiveness. There is a pressing need for companies to include specific investment plans and actionable steps in their reports, offering stakeholders clearer insights into how they intend to navigate future challenges and capitalize on opportunities. Timeliness in reporting was another critical area needing attention for fostering transparency, building stakeholder trust, and ensuring effective governance. To maintain momentum, organizations must also strive for greater transparency, especially regarding target-setting, external assurance, and global ESG issues.

This year's Island Shangri-La, Hong Kong Best Report Award winner, **CLP Holdings Limited**, has continued to set a high standard by publishing an exceptionally transparent and professional report. CLP's creative approach utilized a graphic style aligned with its brand identity, along with thoughtful use of photography and visuals, appealing to a diverse audience and enhancing the brand's reputation. Other medal winners have also achieved high standards, serving as excellent role models to inspire other companies in their pursuit of excellence.

Winners of the lead award categories and those receiving Excellence Report Awards had already attained an outstanding level in each of the judging criteria. As in previous years, they were deemed ineligible for consideration for an award in Citation for Design and Judges' Special Award this year.

NON-PROFIT MAKING AND CHARITABLE ORGANIZATIONS CATEGORY

1. General Presentation of Financial Statements

For non-profit making and charitable organizations, stakeholders focus more on expenses than on revenue or income, which primarily comes from subsidies, as the effective use of funds and resources is an important area for evaluating performance. Similar to the observation in the previous years, the scale of operations varied between entries, therefore the level of details of financial statements varied as well. A few outstanding entries included not only the full set of financial statements in their annual reports, but also provided analysis or qualitative discussions against the organizations' plan or performance indicators. Excluding additional disclosures under the Listing Rules, the level of disclosures under HKFRSs was significantly less than listed companies in general.

Over 50% of the entries presented a full set of financial statements prepared in accordance with HKFRSs, with cash flow statements and supplementary notes and comparative figures for public scrutiny. The financial information of these entries was generally of a good standard for understandability, detail, and clarity. Out of the 15 entries where an auditor's report was included: 11 used Big 4 auditors and one used non-Big 4 audit firm which conducted the audit in accordance with HKSA's. The remaining three entries were audited by the Audit Commission of the HKSAR. In addition to the inclusion of financial statements, some entries also provided discussions or analysis of how the organization evaluated their financial performance, similar to listed companies.

Financial statement users value more detailed information beyond the minimum HKFRS requirements to assess whether management has effectively managed its resources throughout the year. If the non-profit making organization managed a number of different operating functions, although not compulsory, additional disclosures by operating function, like segment disclosures for public interest entity would be appreciated. As most of the entries in the non-profit category are funded by government or public sources, an effective usage of funds or resources would be an important area to evaluate the performance of a non-profit making and charitable organization. Organizations should discuss in detail about information on funding sources, and more importantly how and in which areas these organizations have allocated their financial resources. High quality financial information should be an essential component of the annual report, and the information should be further analyzed to uphold reporting standards and enhance corporate governance. This would strengthen accountability and transparency regarding how funds are used. External audits over the financial information also enhance public confidence and the reliability of the reported data.

The remaining provided very limited financial information. A few organizations particularly those charitable in nature and government departments only selectively disclosed financial information. Some did not seem to make transparent disclosures of financial information to the public. Nine entries did not disclose if their financial information was audited. Four entries included extracts of financial statements, typically the statement of financial position and statement of income and expenditure. A few entries provided no or only very limited financial disclosures. The remaining included only financial highlights, and/or narrative financial discussions. Non-profit making and charitable organizations should continue to strive for making transparent financial disclosures to the public.

Outstanding organizations which deserve special mention are:

Construction Industry Council, Consumer Council, Equal Opportunities Commission, Hong Kong Housing Society, The Hong Kong Jockey Club, Hong Kong Monetary Authority, Hospital Authority, Mandatory Provident Fund Schemes Authority and Securities and Futures Commission.

2. Provision of Information Relating to Environmental, Social and Governance (ESG)

The overall ESG reporting standards among non-profit making and charitable organizations have continued to improve, with organizations increasingly recognizing the importance of ESG reporting in enhancing accountability and building trust with stakeholders, despite the challenges posed by limited resources and ongoing global disruptions. Many organizations demonstrated a strong commitment to transparency and accountability, particularly in the areas of corporate governance and social responsibility. There has been a noticeable increase in the depth and quality of disclosures.



This year's entries continued to reflect a strong understanding of stakeholder expectations, with many organizations focusing on improving transparency and providing relevant information about their operating environments. Most organizations clearly presented their corporate governance and corporate social responsibility to the readers with varying degrees of depth. Most reports included detailed descriptions of governance structures, including the roles and functions of various committees, and many organizations provided clear explanations of the relationships between their boards and senior management. However, there is still a need to strengthen the link between governance and the achievement of organizational goals, particularly in relation to the board's role in driving success.

The below key areas of improvement were noted in this year's entries:

(i) Corporate governance

Most organizations provided detailed insights into their governance structures, including descriptions of board committees, management hierarchies, and the roles of senior management. The inclusion of organizational charts and the clear identification of board members and executives have significantly enhanced the transparency of governance practices.

(ii) Social responsibility

Many organizations excelled in reporting their social responsibility initiatives. Most reports clearly explained their brief or charter and how they contribute to Hong Kong and society in general. Some of the NGOs and some Government departments really came across that they were passionate about executing their responsibilities. Good reports also explained where money was spent and what projects and campaign areas the organization intended to focus on. This year's reports included comprehensive ESG or sustainability sections, with measurable targets and clear strategies for addressing key social issues. The utilization of key performance metrics, service pledges, and case studies provided a deeper understanding of each organization's impact on the community.



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(iii) Community engagement and philanthropy

Several organizations demonstrated leadership in community investment and partnership initiatives. These organizations leveraged their resources to address pressing social issues such as food insecurity, digital inclusion for vulnerable groups, and mental health support. Reports were rich in detail, providing measurable outcomes and demonstrating how organizations aligned their missions with societal needs.

(iv) Climate action

Some organizations produced robust climate-related disclosures, aligned with global reporting frameworks such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD). These reports included detailed emissions inventories, climate mitigation strategies, and progress updates on targets such as carbon neutrality and renewable energy adoption.

Despite the above good practices, some companies continued to adopt the approach of simply telling their stakeholders their societal impact and failed to address current sustainability concerns. Only a handful of organizations included a section on employment and labour practices for discussion in their annual reports. Disclosures of governance-related information could be further strengthened. In particular, (1) attendance record and (2) breakdown of top management compensations represents vital governance areas for public assessment of the operating/ governance effectiveness, while most reviewed entries missed the disclosure of such information. It is important to note that many of the members of the councils/ committees of the reviewed entries, particularly those with the non-profit making and charitable organizations, are serving on voluntary basis, and thus disclosing their participations, contributions, and rewarding mechanisms is of value for public scrutiny.

On the environmental side, while some organizations made strides in ESG reporting, many still provided limited information on environmental issues. Standardized disclosures were common, but many lacked specific details relevant to their operations. Risk management and contingency planning also remained areas for improvement, with few organizations providing in-depth discussions on these topics. There is a need for forward-looking elements for governance changes, personnel, and risk management. More thought should be given to these sustainability concerns. Furthermore, transparency in financial governance continued to be a challenge, with many organizations failing to fully disclose the performance of their boards, detailed income and expenditure breakdowns, and executive nomination processes.

Organizations which are particularly outstanding in this aspect include:

Construction Industry Council, Drainage Services Department, Electrical and Mechanical Services Department, Hong Kong Housing Society, The Hong Kong Jockey Club, Hong Kong Monetary Authority, Securities and Futures Commission and Tung Wah Group of Hospitals.

3a. General Presentation such as Design, General Layout, Photographs, Graphs, Charts, Diagrams, Illustrations, Infographics and Indexing

The overall standard for the quality of general presentation of 2023 Annual Reports was generally high. A small number of reports fell into the excellent category, likewise a small number fell into the “far too much information” category. Many organizations made good use of friendly infographics, tables and charts to present the performance metrics in order to promote better understanding and presentation. The outstanding reports did this but also paid attention to font size, font colour, paragraph spacing and general layout. The use of real-life stories, personal journeys and case studies enhanced the explanation of the annual report and reminded readers of the importance of the services provided to the community. Good reports used photographs in an appropriate manner and sparingly to illustrate the message. Some outstanding reports were simple yet clever in their use of clip art and vector graphics, giving the organizations a fresh and energetic image. Some reports’ main colour was green, which also effectively highlighted the ESG initiatives.



However, the not so easy to read reports had small fonts, lengthy paragraphs of text and far too many photographs of ceremonies and events attended. It was noted that some entries had an excessive use of pictures and long description of activities, which made the reports hard to follow again this year. Some reports tried to cram too much information on one page. Some organizations also provided lengthy and detailed bios for board members and committees members, and often repeated for every sub-committee. Organizations are recommended to make this section much more concise, perhaps including brief details about the main board or committee, with the rest in an appendix.

Outstanding organizations deserving special mention are:

Companies Registry, Construction Industry Council, Consumer Council, Heep Hong Society, The Hong Kong Jockey Club, The Land Registry, Save the Children Hong Kong, Securities and Futures Commission, Travel Industry Authority and Urban Renewal Authority.

3b. Understandability, Clarity and Conciseness

The overall standard of reports was as high as last year and similar to the profit taking companies. The continuing improvement of larger charities in terms of infrastructure to present their annual reports was noted.

Most of the essential elements were used to help readers understand the organizations' operations. For example, communicating with the readers about the vision and mission was one of the strengths demonstrated in the reports. Readers could easily get a glimpse of the organizations and understand their operation through summarized statistics and the service overview provided. To help people understand the activities taking place during the year, plenty of photos, charts and diagrams were included in the reports. Case studies or real-life stories were also deliberately employed to illustrate the importance of the services provided to the community. The reports also included statements from top executives addressing key issues, past performance, results and future plans.

Some entries excelled in organizing their primary statements, such as income statements, with sufficient detail that allowed users to quickly grasp their financial performance. A few entries did well in providing more relevant details about their financial performance and positions including an additional breakdown of nature and revenue and expenses in accordance with its operations. Some entries also included an analysis of financial statements, such as financial ratios, along with the financial statements themselves.

While the vast majority of the reports were very readable and easy to understand, there were still a small number that suffered from various flaws, such as the overuse of or too complicated charts and infographics that could distract readers' concentration; use of sentences that were too long to maintain readers' interest; and an excess of photos and lengthy CVs of directors and officers. Many entries failed to provide a balanced view of their organizations. Very often, the reports did not provide much information about how the organizations operate or whether they had achieved optimal efficiency. Some organizations did not effectively target their reports to all relevant stakeholders. They tended to address the interest of a particular group of stakeholders such as service users, thus decreasing the effectiveness of the messages delivered to readers.

Outstanding organizations deserving special mention are:

Construction Industry Council, Consumer Council, Hong Kong Housing Society, The Hong Kong Jockey Club, Hong Kong Monetary Authority, Hospital Authority, The Land Registry, Mandatory Provident Fund Schemes Authority, Securities and Futures Commission and Urban Renewal Authority.

4. Purpose, General Description of Activities and Performance

Most entries performed exceptionally well in this area, with many organizations incorporating infographics, clear graphs, diagrams, and indexing to effectively highlight their activities and achievements, successfully drawing readers' attention to key areas of interest. Purposes or objectives or missions and stakeholders are well-defined in most of the NGO annual reports. Due to the differentiation of these areas, the content of some NGO annual reports was found to be unique or different from each other.

In contrast, some organizations focused too heavily on their backgrounds, missions, visions, and detailed accounts of community services provided, while failing to sufficiently disclose how their performance aligned with these mission and vision statements. Often, these reports lacked information about operational efficiency and overall effectiveness. As stakeholders increasingly seek to understand the governance structures of these organizations and their operational efficiency, more comprehensive disclosures in this regard are necessary.

Organizations which are particularly outstanding in this aspect include:

Chinese YMCA of Hong Kong, Competition Commission, Electrical and Mechanical Services Department, Equal Opportunities Commission, The Hong Kong Jockey Club, Hong Kong Monetary Authority, Hong Kong Red Cross, Po Leung Kuk, Radio Television Hong Kong, Save the Children Hong Kong and Securities and Futures Commission.

5. Indications of Prospects / Forward Looking Statements

Some organizations were outstanding in presenting their prospects and some were satisfactory. Their annual reports discussed clear organizational goals, future strategies and development plans, and outlooks for business environments or economic growth, which highlighted their prospects. In the future plans, some of which were in-depth, and provided stakeholders with valuable information to make informed decisions, which enabled stakeholders to understand the strategic direction and value of the organizations.

Organizations which are particularly outstanding in this aspect include:

Construction Industry Council, Hong Kong Monetary Authority, Hospital Authority, Save the Children Hong Kong and Securities and Futures Commission.

6. Environmental, Social and Governance (ESG) Reporting

6.1 Overall standards and comments

As ESG reporting continues to gain importance in the non-profit making and charitable sectors, organizations must focus on enhancing transparency and accountability. While progress has been made, there is still room for improvement in areas such as environmental disclosures, financial transparency, and stakeholder engagement. Some organizations prepared a very comprehensive ESG/ sustainability report to highlight their efforts in promoting and implementing ESG/ sustainability initiatives within the organizations, which were close to matching the high standards of ESG reports submitted by listed companies in Hong Kong. However, there were also a number of entries that ignored ESG/ sustainability issues.

Approximately six non-profit making organizations submitted a separate ESG report for consideration. Good reports had clear KPIs, good use of graphics and showed progression in achieving goals. Most had a balance between governance, employee engagement, environmental impact and community engagement. Some of the government entities were pleasingly very specific about the programmes to reduce waste and reduce usage of electricity and water resources.

Nevertheless, the readability and conciseness factors still need attention. Most had clear tables, often at the back of the document, reporting current year and prior year metrics, but some were somewhat a repeat of the annual report. The credibility of the report on ESG/ sustainability was also affected by the incomplete coverage of the issues. Some entries addressed all the essential elements, but their credibility was undermined by insufficient content and discussion surrounding those items. Additionally, some failed to convey a compelling message regarding the sustainability of their operations. The entries as a group fell behind the listed companies in terms of communication skills related to ESG/ sustainability reporting. This could be a result of management overlooking the importance of ESG/ sustainability issues.

Looking ahead, organizations should aim to provide more detailed and quantitative data, particularly regarding environmental impacts and financial governance. Obtaining external assurance and engaging with stakeholders in a more structured and transparent manner will also be crucial for maintaining credibility and building trust with the public. As expectations for ESG reporting evolve, organizations that embrace best practices and continuously improve their reporting frameworks will be better positioned to demonstrate their commitment to sustainability and social responsibility.



6.2 Areas in which this year's entries have shown good performance

Most of the entries have achieved a good performance in the reporting of social responsibility. Most entries were effective in communicating mission and services provided by the organizations, and some of them were able to convince readers of the important contribution of their services to the society. The use of a key event table and the display of service pledge information also helped reinforce the message of social responsibility while a strong governance structure and the inclusion of well-known committee members also helped convince people about their ESG/sustainability.

All NGOs detailed their governance structure. For the environment, they disclosed information about using their resources for their impact, mainly social impacts, and in this sense, represented their investment in the community. Some reports offered transparency regarding how ESG factors were managed and how stakeholders were supported. Some organizations also presented a comprehensive ESG/ sustainability report with strategy and measurable targets of ESG/sustainability, inclusion of all relevant stakeholders and were able to identify and present the issues in terms of significance.

6.3 Areas in which this year's entries deserve improvement

Environmental issues were the weakest area in disclosure, such as emissions, use of natural resources, labour standards, contingency governance, and how the governance structure and personnel might change in line with emerging risks. For those entries that opted for ESG award assessment, strengthening the "governance" perspective is also necessary in addition to their commitments to environmental and social perspectives. For example, how the ESG strategy is devised, implemented, overseen and evaluated within the organization will contribute to stakeholders' assessment of the organization's overall ESG strategy. To add credibility to the reporting, additional information on key performance indicators and a report reference table should be included. In addition, a separate section on ESG or sustainability would help catch the attention of readers and distinguish the related issues from the organizations' main business of providing social services to the community. A wider use of graphical illustrations might also provide a clearer understanding of how the ESG or sustainability issues are related to the organization.

6.4 Organizations to be commended on their ESG reporting

Drainage Services Department, Hong Kong Housing Society, Hong Kong Monetary Authority, Hong Kong Productivity Council and Securities and Futures Commission.

7. Promptness of Reporting

This year, 19% of organizations published their reports within 90 days of their financial year end, while 65% released their reports 181 days or more after the balance sheet date. It was gratifying to observe improvements in performance when compared to 2023. Organizations are strongly encouraged to further improve this area. By minimizing the time between the financial year end and the publication of annual reports, organizations could showcase their commitment to transparency and accountability, which are essential for building stakeholder trust. Timely reporting also enables stakeholders to access crucial information promptly, allowing them to make informed assessments of the organizations' performance and financial health, thus enhancing engagement and confidence among stakeholders, and fostering a culture of openness that benefits long-term sustainability and growth.

8. Presentation and Accessibility of the Report(s) with ESG Information on the Organization's Website

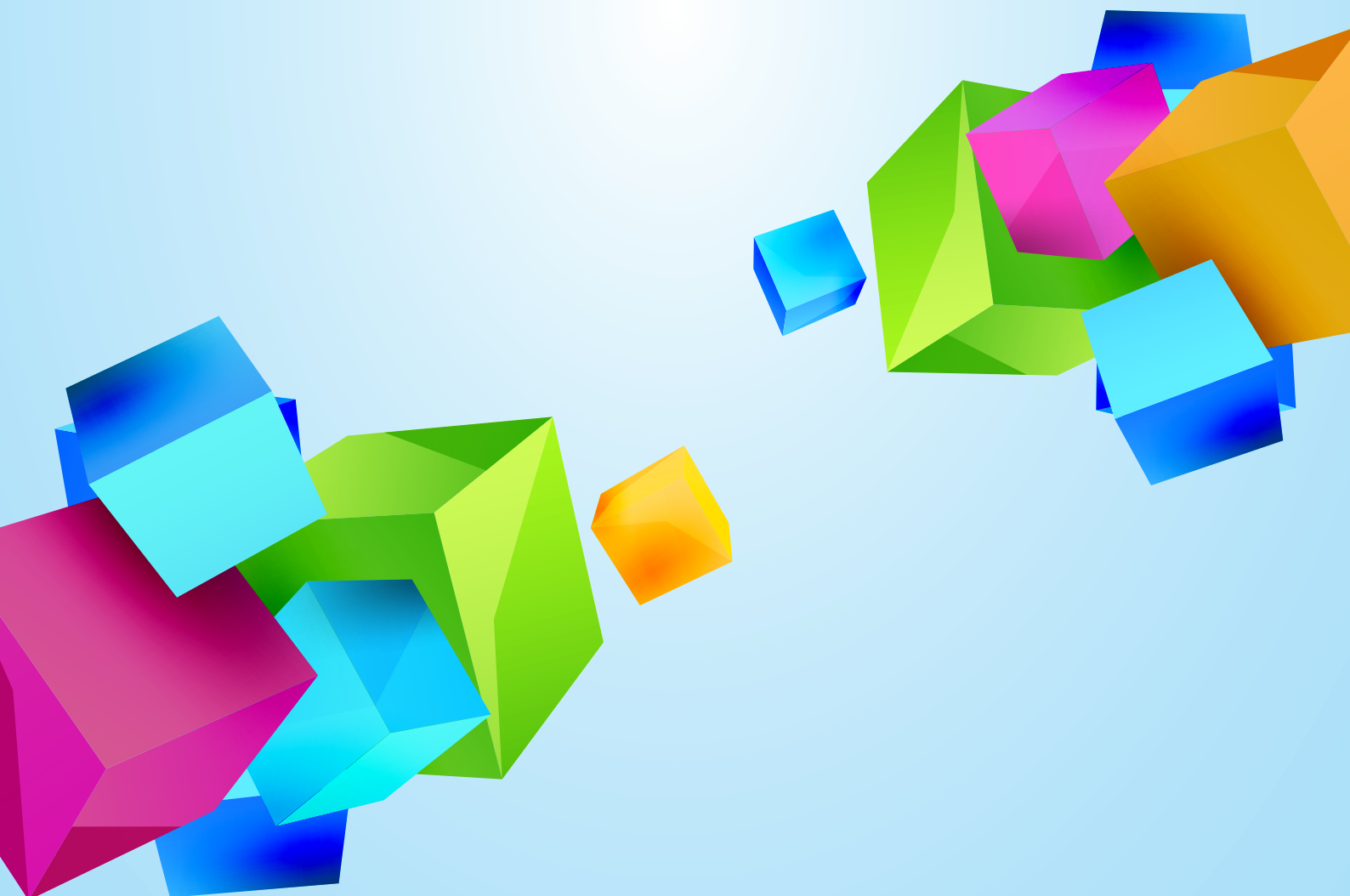
While most entries displayed their annual reports/ sustainability reports on organization websites which were easily obtainable and accessible, few entries were less motivated to make financial information available for public access, where a complete set of financial statements was not obtainable and accessible on public source and was only "accessible" through a keyword search on website. The ESG disclosure was also inadequate. Organizations are advised to disclose more information about ESG, or separate ESG disclosure on website to highlight ESG information online. Strengthening accountability and improving transparency, instead, shall be beneficial for improving communications between organizations and stakeholders as well as enhancing public image.

9. Conclusion

The annual reports of non-profit making and charitable organizations demonstrated a commendable standard of understandability, depth, and clarity. A significant number of organizations presented comprehensive financial statements in accordance with HKFRSs, reflecting a commitment to transparency and accountability. Reports that prioritized readability and clarity, alongside thorough performance analysis and well-defined future strategies, provided valuable insights into their strategic direction and organizational value. Many organizations effectively utilized photos, charts, and diagrams to present their activities and achievements, enhancing reader engagement. The incorporation of user-friendly infographics and real-life case studies made complex information more accessible, allowing stakeholders to grasp the organizations' impacts easily.

Despite the above positive developments, considerable disparities in the quality of financial information persisted among the entries. While some organizations excelled by offering detailed breakdowns and analyses of their financial data, others adhered only to the minimum requirements of HKFRSs, providing little to no financial information and failing to disclose whether their financial statements were audited. This gap was significant, as stakeholders in the non-profit sector prioritize understanding expenses and effective fund usage. Improved disclosures regarding funding sources and resource allocation are essential for enhancing accountability and fostering public confidence in these organizations.

In terms of ESG reporting, the overall quality varied significantly. Many organizations made notable progress, particularly in communicating their governance structures and social responsibility initiatives. However, environmental disclosures remained weak, with only a few organizations issuing separate ESG reports. Gaps also existed in risk management and forward-looking governance elements. Enhanced clarity, quantitative data, and external assurance are necessary to strengthen credibility and foster stakeholder engagement. While most organizations made their reports accessible online, some lacked comprehensive financial disclosures and adequate ESG information. Moving forward, a focused approach to transparency and accountability will be vital for building stakeholder trust and improving public communication. By addressing these areas for improvement, non-profit making organizations could effectively demonstrate their impact and commitment to social responsibility, ensuring long-term sustainability and development.



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Online Judges' Report

THE PANEL OF ADJUDICATORS WISHES TO RECORD ITS THANKS TO THE FOLLOWING COMPANIES AND ORGANIZATIONS WHICH HAVE SUBMITTED THEIR REPORTS FOR JUDGING

AAC Technologies Holdings Inc.	Hong Kong Exchanges and Clearing Limited
Airport Authority Hong Kong	Hong Kong Genome Institute
Analogue Holdings Limited	Hong Kong Housing Society
ANTA Sports Products Limited	The Hong Kong Jockey Club
Asiainfo Technologies Limited	Hong Kong Monetary Authority
Baguio Green Group	Hong Kong Productivity Council
Bank of China Limited	Hong Kong Red Cross
The Bank of East Asia, Limited	The Hongkong and Shanghai Hotels, Limited
Cathay Pacific Airways Limited	Hospital Authority
Champion REIT	HSBC Holdings plc
China Everbright Bank	Hung Fook Tong Group Holdings Limited
China Everbright Greentech Limited	Hysan Development Company Limited
China Minsheng Banking Corp., Ltd.	Industrial and Commercial Bank of China Limited
China Mobile Limited	Investor and Financial Education Council
China New Higher Education Group Limited	Kerry Logistics Network Limited
China Overseas Grand Oceans Group Limited	Kerry Properties Limited
China Pacific Insurance (Group) Co., Ltd.	The Land Registry
China Resources Beer (Holdings) Company Limited	Lee Kee Group
China Resources Building Materials Technology Holdings Limited	Lenovo Group Limited
Chinachem Group	Link Real Estate Investment Trust
Chinese YMCA of Hong Kong	Mandatory Provident Fund Schemes Authority
Chow Tai Fook Jewellery Group Limited	MTR Corporation Limited
CK Hutchison Holdings Limited	New World Department Store China Limited
CLP Holdings Limited	New World Development Company Limited
Companies Registry	NWS Holdings Limited
Competition Commission	PCCW Limited
Construction Industry Council	Po Leung Kuk
Consumer Council	Radio Television Hong Kong
COSCO SHIPPING International (Hong Kong) Co., Ltd.	S.K.H. St. Christopher's Home Limited
COSCO SHIPPING Ports Limited	Save the Children Hong Kong
Crown Gas Stoves (Holdings) Company Limited	Securities and Futures Commission
Crystal International Group Limited	SF REIT
Drainage Services Department	Shui On Land Limited
Electrical and Mechanical Services Department	Sing Tao News Corporation Limited
Equal Opportunities Commission	Sino Land Company Limited
Fortune REIT	Swire Pacific Limited
Fosun International Limited	Swire Properties Limited
FSE Lifestyle Services Limited	Techtronic Industries Company Limited
Great Eagle Holdings Limited	Tencent Holdings Limited
Guotai Junan International Holdings Limited	Towngas Smart Energy Company Limited
Hang Lung Properties Limited	Travel Industry Authority
Hang Seng Bank	Tung Wah Group of Hospitals
Heep Hong Society	Urban Renewal Authority
Henderson Land Development Company Limited	VTech Holdings Limited
HKR International	ZJLD Group Inc.
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