China Property

Screening for companies with a "disclaimer of audit opinion"

Mainland China/Hong Kong Property & Conglomerates

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On October 8th, HK regulators released a joint statement to address the growing number of listed issuers receiving a "disclaimer of audit opinion solely relating to going concern" (僅因持續經營問題核數師發出「無法表示意見」). They warned that, **absent meaningful improvement, affected companies could be required to suspend trading.** China Property is one of the sectors with more such cases, and **we have identified 23 Chinese developers with a "disclaimer of opinion" as of FY25 (including Sunac, Country Garden & Shimao)**. Any trading suspension could further strain distressed developers' liquidity, as many debt restructuring plans rely on mandatory convertible bonds (MCBs), a key debt-to-equity instrument in negotiations with creditors. No company has yet been ordered to suspend trading, but regulatory scrutiny is set to tighten, raising the risk.

What is the joint statement about?

- **What's new?** On October 8th, Hong Kong's SFC, the Accounting & Financial Reporting Council & the Stock Exchange jointly released a statement to address the growing regulatory concerns arising from the increasing number of listed issuers publishing financial statements with "a disclaimer of audit opinion solely relating to going concern" (會財局、證監會及聯交所攜手應對上市發行人財務報表載有僅因持續經營問題而發出之「無法表示意見」個案增加所引起的監管關注).
- **What is a "disclaimer of opinion"?** It means that the auditor has not expressed an opinion on the listed issuer's financial statements, raising questions about their reliability.
- **"Carve-out" of suspension requirement was introduced in 2019:** Back in September 2019, the HK Exchange introduced a regulatory framework, under which a listed issuer's securities would normally be suspended where it publishes financial statements with a disclaimer of opinion or an adverse opinion, **except where it is related *solely* to going concern**. The "carve-out" was intended to avoid prolonged suspensions that would severely restrict investors' ability to exit their holdings as well as listed issuers' ability to raise funds or comply with certain debt covenants.
- **However, the number of issuers receiving a disclaimer of opinion has gone up significantly:** Since the change to the suspension requirement in 2019, the number of issuers receiving a "disclaimer of opinion solely related to going concern" has risen from 12 in 2017 to 95 in 2025, of which 65 have had such a disclaimer of opinion for >1 year.
- **Quarterly updates to investors are required:** Regulators expect issuers receiving a disclaimer of opinion to exercise due care in preparing a robust going concern assessment, supported by appropriate evidence, and they are required to provide quarterly updates to the market on the implementation & outcome of management's action plans. However, based on the regulators' observations, some listed issuers' disclosures still fall short of expectations (e.g. overly generic, lacking sufficient detail).
- **If no significant improvement is observed, regulators may require trading suspension:** The regulators pledge to continue to monitor the situation and the

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

conduct of listed issuers & their management, audit committees & auditors, and they expect this joint statement will "bring out positive changes in the behavior of all relevant parties & improvement in disclosure, resulting in a timely resolution of the underlying issues". However, **if no significant improvement is observed, the Exchange will consider amending the Listing Rules as necessary, including requiring listed issuers with "a disclaimer of opinion solely related to going concern" to be suspended from trading.**

Screening for Chinese developers with a "disclaimer of opinion"

Within the HK listing universe, we did a screening on Chinese developers:

- Table 1 lists 23 companies which received a disclaimer of opinion in their latest annual results (FY25), i.e., **higher risk of trading suspension.**
- In Table 2, we include companies with liquidity issues (defined as debt default/ restructuring/extension) but have NOT received a disclaimer of opinion over the past 3 financial years, i.e., **lower near-term risk of trading suspension.**
- In Table 3, we list companies that have previously received a disclaimer of opinion, but cleared the disclaimer in the latest results (FY25), i.e., **lower near-term risk of trading suspension.**

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Screening for Chinese developers with a disclaimer of opinion

Table 1: HK-listed Chinese developers with a disclaimer of opinion (核數師無法表示意見) in FY25

Company Name		Ticker	Market Cap (US$ bn)	Disclaimer of Opinion? FY23	FY24	FY25
Companies which received a Disclaimer of Opinion in FY25						
Sunac China Holdings	融创中国	1918 HK	1.590	Y	Y	Y
Country Garden Holdings	碧桂园	2007 HK	1.091	Y	Y	Y
Radiance Holdings	金辉控股	9993 HK	0.536	N	N	Y
Shimao Group	世茂集团	813 HK	0.127	Y	Y	Y
R&F Properties	富力地产	2777 HK	0.124	N	Y	Y
Huijing Holdings	汇景控股	9968 HK	0.112	Y	Y	Y
Sino-Ocean Group	远洋集团	3377 HK	0.069	Y	Y	Y
Redco Properties	力高集团	1622 HK	0.061	Y	Y	Y
Guorui / Glory Land	国瑞置业	2329 HK	0.052	Y	Y	Y
Road King Infrastructure	路劲	1098 HK	0.048	N	N	Y
China Aoyuan Group	中国奥园	3883 HK	0.023	Y	Y	Y
Times China	时代中国	1233 HK	0.022	Y	Y	Y
Zhuguang Holdings	珠光控股	1176 HK	0.021	Y	Y	Y
Zhongliang Holdings	中梁控股	2772 HK	0.020	Y	Y	Y
Ronshine China	融信中国	3301 HK	0.019	N	N	Y
Ganglong China	港龙中国地产	6968 HK	0.018	N	Y	Y
Central China Real Estate	建业地产	832 HK	0.018	Y	Y	Y
Fantasia Holdings	花样年控股	1777 HK	0.017	Y	Y	Y
Zhenro Properties	正荣地产	6158 HK	0.014	Y	Y	Y
Yida China	亿达中国	3639 HK	0.013	Y	Y	Y
Redsun Properties	弘阳地产	1996 HK	0.011	Y	Y	Y
JY Grandmark	景业名邦集团	2231 HK	0.003	Y	Y	Y
Sunshine 100	阳光100中国	2608 HK	0.003	Y	Y	Y

Source: HKEx, Company data, Bloomberg Finance L.P. Based on 9 Oct closing prices.

Table 2: HK-listed Chinese developers without a disclaimer of opinion

Company Name		Ticker	Market Cap (US$ bn)	Disclaimer of Opinion? FY23	FY24	FY25
No Disclaimer of Opinion in the past 3 fiscal years						
China Vanke	万科	2202 HK	6.644	N	N	N
Red Star Macalline	美凯龙	1528 HK	1.301	N	N	N
Logan Group	龙光集团	3380 HK	0.866	N	N	N
SOHO China	SOHO中国	410 HK	0.182	N	N	N
CIFI Holdings	旭辉控股	884 HK	0.100	N	N	N
Vanke Property Overseas	万科海外	1036 HK	0.090	N	N	N
KWG Group	合景泰富	1813 HK	0.050	N	N	N
Greenland Hong Kong	绿地香港	337 HK	0.043			
Kaisa Group	佳兆业集团	1638 HK	0.034			
China SCE	中骏集团	1966 HK	0.025			
Yuzhou Group	禹洲集团	1628 HK	0.021			

Source: HKEx, Company data, Bloomberg Finance L.P.
Note: We include companies (including related companies such as parents/subsidiaries) with debt default/
on 9 Oct closing prices.



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Table 3: HK-listed Chinese developers with a disclaimer of opinion previously (but removed in FY25)

Company Name		Ticker	Market Cap (US$ bn)	Disclaimer of Opinion? FY23	FY24	FY25
Companies which received a Disclaimer of Opinion before (but removed in FY25)						
LVGEM China	绿景中国地产	95 HK	0.150	N	Y	N
Agile Group	雅居乐集团	3383 HK	0.123	N	Y	N
Powerlong Real Estate	宝龙地产	1238 HK	0.094	N	Y	N
Zensun Enterprises	正商实业	185 HK	0.014	Y	Y	N
Golden Wheel Tiandi	金轮天地	1232 HK	0.013	Y	N	N

Source: HKEx, Company data, Bloomberg Finance L.P. Based on 9 Oct closing prices.

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Valuation Summary

Table 4: China Property – Valuation summary

Company	Stock Code	JPM Rating	JPM Price Target	Last Close (HK$)	Mkt Cap US$B	ADV US$M	P/E 1FY (x)	P/E 2FY (x)	Yield 1FY (%)	P/B 1FY (x)	Share price return 5D	1M	YTD	vs. peak
Mainland China Developers														
	1109.HK	OW	**40.00**	30.44	27.7	96.4	9.7	8.6	3.8%	0.6	3%	2%	12%	-21%
China Overseas Land	0688.HK	OW	**16.00**	13.27	18.5	44.7	9.6	8.9	3.8%	0.3	4%	4%	8%	-40%
China Jinmao	0817.HK	N	**1.18**	1.29	2.2	11.2	17.7	9.8	2.7%	0.4	0%	2%	7%	-72%
C&D International	1908.HK	NC	**-**	13.13	3.9	12.0	7.6	7.1	7.0%	0.7	-1%	5%	-16%	-37%
Greentown China	3900.HK	NC	**-**	6.14	2.0	10.1	50.3	23.9	1.1%	0.4	-2%	5%	-28%	-61%
Yuexiu Property	123.HK	NC	**-**	3.35	1.7	4.2	44.0	20.9	1.5%	0.2	0%	7%	-15%	-69%
COGO	81.HK	NC	**-**	3.21	1.5	2.3	18.1	13.8	1.8%	0.3	3%	8%	62%	-58%
SOEs							**12.5**	**9.7**	**3.8%**	**0.5**	**3%**	**3%**	**8%**	**-34%**
Longfor	0960.HK	N	**5.60**	5.35	4.8	16.2	-	-	-	0.2	-2%	-11%	-38%	-87%
Seazen Group	1030.HK	N	**1.40**	1.43	1.3	3.8	-	-	-	0.2	-1%	0%	-30%	-86%
Private							**-**	**-**	**-**	**0.2**	**-2%**	**-8%**	**-36%**	**-87%**
China Vanke - H	2202.HK	UW	**1.60**	2.65	6.6	10.2	-	-	-	0.3	-1%	13%	-19%	-91%
Country Garden	2007.HK	UW	**0.10**	0.18	1.1	8.0	-	-	-	-	-1%	2%	-56%	-99%
Sunac China	1918.HK	UW	**0.30**	0.63	1.6	21.6	-	-	-	0.2	0%	9%	-52%	-99%
Shimao	0813.HK	UW	**0.03**	0.10	0.1	0.5	-	-	-	-	123%	140%	-50%	-100%
Distressed							**-**	**-**	**-**	**0.2**	**1%**	**13%**	**-29%**	**-94%**
Mainland China Developers (Overall)							**9.8**	**7.6**	**3.0%**	**0.4**	**2%**	**3%**	**-1%**	**-46%**
Mainland China Property Management & Services														
	1209.HK	OW	**49.00**	38.60	11.2	23.9	17.2	15.9	5.8%	4.8	4%	0%	-8%	-21%
China Overseas PH	2669.HK	UW	**2.90**	3.35	1.4	2.7	7.3	7.3	6.4%	1.4	3%	-4%	-26%	-65%
Poly Property Services	6049.HK	OW	**41.50**	27.68	2.0	2.2	8.0	7.7	6.2%	1.1	1%	0%	-13%	-65%
Greentown Service	2869.HK	OW	**5.50**	4.17	1.7	1.4	10.5	9.7	6.8%	1.3	2%	-1%	-9%	-62%
Backed by SOE developers							**14.6**	**13.6**	**6.0%**	**3.7**	**3%**	**0%**	**-10%**	**-34%**
Country Garden Services	6098.HK	N	**5.40**	5.23	2.2	4.2	5.9	5.8	10.2%	0.4	1%	-4%	-5%	-92%
A-Living	3319.HK	UW	**1.50**	1.80	0.3	0.4	2.9	3.3	7.6%	0.2	10%	4%	-21%	-96%
Sunac Services	1516.HK	UW	**0.70**	0.74	0.3	0.3	4.1	4.8	7.3%	0.4	-1%	-9%	-47%	-96%
Backed by POE developers							**5.3**	**5.4**	**9.6%**	**0.4**	**2%**	**-3%**	**-11%**	**-93%**
Mainland China Property Management & Services							**13.2**	**12.4**	**6.6%**	**3.2**	**3%**	**-1%**	**-11%**	**-43%**
KE Holdings	2423.HK	OW	**59.00**	45.44	20.0	58.7	14.2	12.9	1.9%	1.9	5%	3%	9%	-36%
Mainland China Property Agent							**14.2**	**12.9**	**1.9%**	**1.9**	**5%**	**3%**	**9%**	**-36%**

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. Note: Companies marked "NC" are not under J.P. Morgan coverage; all estimates for such companies are based on consensus estimates from Bloomberg Finance L.P. Pricing as of close of October 9 2026.