

## CMBI Credit Commentary

### Chinese properties: A stock-take on accounting issues so far

As discussed in our Asia HY Corps Outlook published on 4 Jan'22 and our comments on Hopson's change of auditor on 28 Jan'22, we expect accounting issues on Chinese property developers including qualified opinions, account restatements, resignations of auditors or even delays in publications of FY21 results. Given all the noise on defaults and off-balance liabilities on the Chinese property sector over the past 12 months, auditors will definitely put developers under microscope for review, regulators may also put auditors under more stringent scrutiny. We highlighted before the Financial Reporting Council of Hong Kong's enquiries and investigation into the audit of Evergrande accounts by PWC in Oct'21. Click the link [here](#) for a list of Chinese property developers audited (up to 1H21) by PWC.

So far, Hopson, Ronshine and Yuzhou has replaced their auditors. Hopson replaced PWC with E&Y, another Big 4. As per our discussions with Hopson, it is confident that the audited FY21 results will be published as scheduled (i.e. 31 Mar'22). We have a buy recommendation on HPDLFs.

Ronshine and Yuzhou, on the other and, replaced their Big 4 auditors with non-Big 4 and lesser-known auditors. While Yuzhou scheduled its board meeting for its FY21 results on 31 Mar'22, Ronshine, originally audited by PWC, announced that it would delay the publication of audited FY21 results.

Evergrande, Shimao and Sunac, all audited by PWC, announced the delay in the publications of FY21 results. Shimao offered more comforting signal and mentioned that it would publish audited results on or before 30 Apr'22. Ronshine, Shimao and Sunac will publish their unaudited FY21 results on 31 Mar'22 to avoid share trading suspension. Evergrande, on the other, did not mention that whether it would publish its unaudited FY21 results on or before 31 Mar'22. Evergrande could face share trading suspension. According to HK listing rules, HKEx can suspend the shares trading of an issuer if it fails to file preliminary full-year results within 3 months of the end of a financial year. Evergrande will host an investor call tonight, we shall provide more updates after the call.

Date	Developers	Accounting issues
27 Jan'22	Hopson	Replaced PWC with E&Y. Expected audited FY21 results to be released on 31 Mar'22.
25 Feb'22	Yuzhou	Replaced E&Y with UniTax. Board meeting on FY21 results on 31 Mar'22.
21 Mar'22	Evergrande	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Shares trading suspension is likely.
21 Mar'22	Ronshine	Replaced PWC with Elite Partners. Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.
21 Mar'22	Shimao	Delay in publication of audited FY21 results to on or before 30 Apr'22. Unaudited FY21 results to be released on 31 Mar'22.
21 Mar'22	Sunac	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.

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