

Joint Statement on Financial Statements with Disclaimer of Opinion solely relating to Going Concern

The Securities and Futures Commission (**SFC**), the Accounting and Financial Reporting Council (**AFRC**) and The Stock Exchange of Hong Kong Limited (the **Exchange**), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited, jointly issue this statement to address 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. This statement clarifies the regulators' expectations of listed issuers, their management (including their boards of directors) and audit committees, as well as auditors, regarding going concern assessments in listed issuers' financial statements and the related conduct, with the objective of enhancing the quality of financial information available to investors for making informed investment decisions.

Background

In September 2019, the Exchange introduced a regulatory framework¹ relating to listed issuers' financial statements, under which trading in 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 the disclaimer of opinion or adverse opinion relates solely to going concern.

The "carve-out" from the suspension requirement was introduced after considering market consultation feedback. At that time, it was recognised that such audit modifications relate to management's use of the going concern basis of accounting, rather than gross errors or inaccuracies in the financial statements². The carve-out sought to avoid prolonged suspensions that could severely restrict investors' ability to exit their holdings as well as listed issuers' ability to raise funds or comply with certain debt covenants (which could accelerate listed issuers' demise and induce financial hardship on them).

That being said, the SFC, the AFRC³ and the Exchange were also conscious that a disclaimer of opinion means that the auditor did not express an opinion on the listed issuer's financial statements. This raises questions about the reliability of the financial statements, including whether there may be other underlying financial reporting issues and whether those issues have been appropriately evaluated and reported in the financial statements and the accompanying independent auditor's report, in accordance with the

¹ Rule 13.50A of the Main Board Listing Rules / Rule 17.49B of the GEM Listing Rules, which sets out the relevant suspension requirements and the related exception applicable to disclaimer of opinion and adverse opinion solely relating to going concern. For the avoidance of doubt, this statement focuses on cases with a disclaimer of opinion solely relating to going concern.

² Please refer to the [Consultation Conclusions on proposal relating to listed issuers with disclaimer or adverse audit opinion on financial statements](#), the Exchange (May 2019), for further details on the rationale for the "carve-out".

³ See also [Analysis of Listed Entities Suspended from Trading Due to Delay of Preliminary Annual Results Announcement](#), AFRC (July 2024).

respective responsibilities of the listed issuer (including its audit committee) and the auditor⁴.

Accordingly, it was expected that (a) such a disclaimer of opinion solely relating to going concern would be resolved within a reasonable period, and the carve-out was not intended to permit such disclaimer to continue indefinitely; and (b) the listed issuer would provide fair, full and timely disclosure of all material and relevant facts and circumstances to enable investors to assess both the situation and the resultant impact. Such disclosures should include, in particular, a description of the matters giving rise to the disclaimer of opinion, the management's going concern assessment together with its basis, and the management's feasible plans for resolving the issues⁵.

Observations

Since the change to the suspension requirement relating to listed issuers with disclaimer of opinion or adverse opinion in 2019, there has been a significant increase in the number of listed issuers receiving a disclaimer of opinion solely relating to going concern — rising from 12 in 2017 to 95 in 2025, of which 65 have had such a disclaimer of opinion for more than one year, and in the most extreme case, 14 years. This development has raised a serious regulatory concern.

Listed issuers are expected to exercise due care in preparing a robust going concern assessment and related disclosures, supported by appropriate evidence. Where listed issuers have received a disclaimer of opinion solely relating to going concern, they remain responsible for using their best efforts to resolve the underlying going concern issues and should continue to engage proactively with their auditors to address the matters giving rise to the disclaimer of opinion. Further, given the absence of an audit opinion on the listed issuers' financial statements, the Exchange places significant emphasis on listed issuers keeping the market adequately informed of such progress.

However, based on the regulators' observations, some listed issuers' disclosures have fallen short of expectations in recent years. Such disclosures have often been found to be overly generic, lacking in sufficient detail and failing to explain management's basis for the assumptions and action plans underpinning the going concern assessment, provide meaningful and entity-specific information regarding the matters giving rise to the disclaimer of opinion, and/or provide a sufficient basis for the audit committee's views⁶.

⁴ As highlighted in [Analysis of Listed Entities Suspended from Trading Due to Delay of Preliminary Annual Results Announcement](#) by the AFRC in July 2024, auditors should not issue a disclaimer of opinion to avoid providing a conclusion on the appropriateness of a particular accounting treatment, such as the use of the going concern basis of accounting, or to avoid completing all necessary work.

⁵ Note 1 to Rule 13.50A of the Main Board Listing Rules / Rule 17.49B of the GEM Listing Rules.

⁶ Where a disclaimer of opinion persists for a prolonged period, there may also be a concern as to whether the issuer complies with the continuing listing requirement to maintain a sufficient level of operations and assets under Rule 13.24 of Main Board Listing Rules / Rule 17.26 of the GEM Listing Rules. The Exchange may suspend trading of the listed issuer's shares where it fails to comply with the requirement.

Since early 2025, the Exchange has further tightened its regulatory scrutiny with a view to enhancing disclosure practices and standards in this area. Listed issuers with a disclaimer of opinion relating to going concern are requested to provide quarterly updates to the market on the implementation and outcome of management's action plans. However, some disclosures continue to be devoid of details on the implementation progress of the action plans, changes to the original plans and whether revisions are required, and information to demonstrate adequate oversight by the audit committee. The Exchange has also published further guidelines⁷ in December 2025 explaining the expected disclosures concerning management's basis for the assumptions and action plans underpinning the going concern assessment.

Beyond disclosure deficiencies, these observations also raise questions about:

- (i) whether **management** of listed issuers has diligently sought to resolve with their auditors the matters giving rise to the disclaimer of opinion, particularly by properly assessing the feasibility and achievability of the assumptions and action plans underpinning the going concern assessment, so as to reasonably conclude that the listed issuer is able to continue as a "going concern". For instance, in many cases, no explanation or appropriate supporting evidence is given to substantiate a proposed action plan (including alternative plans if the original action plans fail to materialise), demonstrate its viability or justify its inclusion in the underlying cash flow forecasts supporting the going concern basis of accounting. Some listed issuers also provide only generic quarterly updates, such as stating that negotiations with creditors or potential investors are "ongoing", without providing details of any meaningful progress made, key milestones achieved, expected next steps or reasons for delay;
- (ii) whether the **audit committee** has actively provided effective and independent oversight of management's preparation of the going concern assessment, the resolution of the matters giving rise to the disclaimer of opinion and management's implementation of its action plans, particularly when actual performance deviates from forecasts. For instance, in some of the cases observed, disclosures in the annual reports are limited to a short statement that the audit committee has discussed the going concern assessment with management and agreed with its position. Such disclosures provide little insight into how the audit committee discharged its oversight responsibilities; and
- (iii) whether the **auditors** have clearly communicated to the audit committee the basis for the disclaimer of opinion, including any deficiencies identified in management's going concern assessment; the significant assumptions, underlying data or management's plans for which sufficient appropriate audit evidence was not obtained; and the reasons why the information or documents provided by management and/or disclosures prepared by management, were considered insufficient to support the auditors' evaluation of those issues.

⁷ [Guide on Preparation of Annual Report \(Updated Dec 2025\)](#) and [Annual Review of Issuers' Reports 2025](#), the Exchange, 11 December 2025.

Message to market

The continued trading of securities of an increasing number of listed issuers with a disclaimer of opinion solely relating to going concern, where no audit opinion is expressed on their financial statements, is a growing regulatory concern, particularly where such disclaimers persist for multiple consecutive years.

To uphold overall market quality and investor confidence, **the SFC, the AFRC and the Exchange urge listed issuers' management, audit committees, and auditors to properly discharge their respective responsibilities in addressing the above regulatory concerns.** In particular,

- **Listed issuers' management** should prepare a robust going concern assessment supported by reasonable assumptions, reliable data and feasible action plans; implement those plans diligently; reassess them as circumstances evolve; and provide detailed annual and quarterly disclosures on implementation, progress, deviations and revisions.
- **Audit committees** should critically review and challenge management's assessment; engage proactively with management and auditors; oversee implementation of the action plans; and ensure that the listed issuer's disclosures clearly explain the auditors' concerns, the audit committee's assessment and the basis for its conclusions.
- **Auditors** should critically evaluate management's assessment and the sufficiency of disclosures; communicate identified deficiencies clearly and promptly; consider alternative audit procedures; explain precisely the basis for disclaimer of opinion; and continue to discharge their audit responsibilities for all other areas of the financial statements.

The [Appendix](#) sets out further details of the actions and disclosures expected of listed issuers' management, audit committees and auditors.

Way Forward

The SFC, the AFRC and the Exchange will continue to monitor the situation and the conduct of listed issuers and their management, audit committees and auditors. Where misconduct or non-compliance (including false or misleading disclosure and material misstatement by way of omission) is identified, each regulator will take appropriate regulatory, disciplinary or enforcement actions against the relevant parties under the Securities and Futures Ordinance, the Accounting and Financial Reporting Council Ordinance and the Listing Rules, as the case may be.

The regulators expect that this joint statement, together with the guidelines, will bring about positive changes in the behaviour of all relevant parties and improvements in disclosure, resulting in the timely resolution of the underlying issues and better information for investors. **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 relating to going concern to be suspended.**

Appendix

Expected actions and disclosures applicable to listed issuers' management, audit committees and auditors

A. Expectations for listed issuers' management

1. Listed issuers are expected to prepare a robust going concern assessment based on feasible management action plans and supported by reasonable assumptions and reliable underlying data.
2. Where listed issuers publish financial statements with a disclaimer of opinion relating to going concern, they are expected to:
 - (i) disclose the details of the disclaimer of opinion in the annual reports, including the details of the audit modification, the facts and circumstances giving rise to the modification, and the actions taken and/or to be taken by the listed issuer to address the modification⁵, as well as the audit committee's view towards the modification, and whether the audit committee reviewed and agreed with management's position concerning major judgemental areas⁸; and
 - (ii) provide progressive updates by way of quarterly update announcements on the implementation of action plans. As sufficient appropriate evidence may not be available at the reporting date due to the inherently forward-looking nature of the assumptions and action plans, such updates could help bridge the information gap over time as supporting evidence becomes available.
3. In their annual reports, listed issuers should provide sufficient details of management's action plans to address the going concern issues, including the specific actions and measures that management will take, and explain how these action plans, taken together, can enable the listed issuer to generate sufficient cash flow to operate on a going concern basis. The disclosed action plans should:
 - (i) typically represent the key drivers for improving their operating, investing or financing cash flows during the forecast period and be reflected in the cash flow forecast provided to the auditors in support of the going concern basis;
 - (ii) include details of the implementation timelines, quantify the cash flow contributions or savings, and set out the key assumptions adopted in deriving their expected timing and amounts; and
 - (iii) be supported by entity-specific bases and concrete evidence so as to demonstrate the feasibility of the action plans and the reasonableness of the key assumptions.

⁸ Paragraph 3.1(c) of Appendix D2 to the Main Board Listing Rules / Note 3 to Rule 18.47 of the GEM Listing Rules.

4. In addition to the aforesaid guiding principles, the following is a non-exhaustive list of examples of action plans and related disclosures that are expected but commonly found to be lacking:

(i) Operating activities

- (a) **Revenue growth / sales increase** – quantify the expected increase in cash flows arising from revenue growth. Explanations for the growth should be based on specific commercial or operational drivers (e.g. expected contract wins, product launches, changes in product mix or capacity expansion) rather than merely generic macro-level factors (e.g. a favourable market environment or changes in government policy) without explaining how these factors specifically affect the entity's revenue growth
- (b) **Cost reduction / decrease in expenses** – quantify and specify the nature of the cash flow savings and disclose the implementation status
- (c) **Recovery of receivables** – quantify the expected increase in cash flows and explain how the collection period will be shortened or accelerated (i.e. shortened receivable days), or set out the proposed action plans to recover long-outstanding balances

(ii) Investing activities

- (a) **Asset disposals** – disclose the nature of assets, expected disposal proceeds, timeline and current status (e.g. whether negotiations have commenced)

(iii) Financing activities

- (a) **Debt restructuring or loan extensions** – disclose the total amount of debt subject to restructuring, refinancing and/or the amount of loans requiring extension during the forecast period, the status of negotiations and whether any written binding agreement has been obtained
- (b) **Fundraising** – disclose the nature and the expected fundraising amount required to support the going concern basis, the timeline and latest status
- (c) **Financial support from controlling shareholders (if applicable)** – disclose the nature, amount and expected timing of the financial support provided (or to be provided) and an explanation to demonstrate that the controlling shareholders are financially capable of providing such financial support

5. In addition, listed issuers are expected to, among other things:
- (i) continue to publish quarterly updates providing detailed status updates with reference to previously disclosed action plans and cash flow forecasts, including material events, changes and developments in each quarter; and where the target date for a milestone has passed, disclose whether it was achieved as planned, or the expected next steps to implement the action plans; and
 - (ii) provide an adequate explanation of the reasons for any deviation from the original action plans, how forecasts and assumptions will be adjusted, how the adjustments were determined, and how the adjusted action plans are achievable.

B. Expectations for audit committees

Audit committees are expected to take a proactive and substantive role, including, without limitation:

- (i) **Critically reviewing and challenging management's assessment** – Audit committees should critically review and challenge management's going concern assessment before concurring with its conclusion. In doing so, they should satisfy themselves that management has properly identified and assessed the events and conditions giving rise to the going concern uncertainty, developed feasible action plans with reasonable and supportable assumptions and data to address those matters, and provided an adequate basis for adopting the going concern basis of accounting. Where the audit committees are not satisfied that management has adequately supported its assessment, they should require management to provide further analysis, supporting evidence or revised assessments before concurring with management's assessment. Audit committees are expected to confirm whether they have reviewed and concurred with the going concern assessment, including the underlying assumptions.
- (ii) **Proactively engaging with management and auditors** – Audit committees should maintain proactive and substantive communication with both management and auditors from an early stage and throughout the audit process. Where auditors raise concerns regarding management's going concern assessment, audit committees should understand the nature and basis of those concerns and discuss with management whether additional analysis or supporting evidence could address the auditors' concerns. Audit committees should, throughout the process, remain independent, exercise professional scepticism and seek independent professional advice where appropriate. Where a disclaimer of opinion solely relating to going concern is expected, the audit committee should confirm with the auditor whether sufficient appropriate audit evidence has been obtained in all other material respects. The audit committee should also understand whether the going concern issues underlying the disclaimer of opinion have implications for other significant

accounting estimates or audit areas, or whether there are any other unresolved audit matters.

- (iii) **Ensuring clear and transparent disclosure** – Where an auditor issues, or indicates that it intends to issue, a disclaimer of opinion solely relating to going concern, and the audit committee nevertheless concurs with management's going concern assessment, the audit committee should ensure that the listed issuer's annual report provides clear, balanced and entity-specific disclosures explaining (a) the auditors' concerns (e.g. the significant assumptions, underlying data or management's action plans for which the auditors were unable to obtain sufficient appropriate audit evidence, and the reasons why the supporting information and evidence provided by management were considered inadequate); (b) the audit committee's assessment of those concerns; and (c) the basis on which the audit committee concurs with management despite the auditors' concerns, including the supporting evidence relied upon.
- (iv) **Actively monitoring implementation and progress** – Audit committees should actively monitor the implementation and progress of disclosed action plans to ensure that (a) the going concern issues leading to the disclaimer of opinion are progressively being addressed, and (b) management makes continuous re-assessments and implements adjustments to the action plans as necessary from time to time. Where there are material deviations from forecasts or delays in execution, they should seek explanations from management, require appropriate revisions to the action plans where necessary, and ensure that such developments are clearly and promptly disclosed in quarterly update announcements. They should also review the revised action plans and assumptions and explain in the quarterly announcements whether they concur with management's assessment and the work performed by management.

C. Expectations for auditors

Auditors are expected to take a proactive and robust approach in evaluating management's going concern assessment and discharging the related responsibilities, including but not limited to:

- (i) **Critically evaluating management's going concern assessment and the related disclosures** – Auditors should critically evaluate management's going concern assessment, including the significant assumptions, underlying data and proposed action plans supporting the use of the going concern basis of accounting. Auditors should assess whether management's assessment incorporates all relevant information of which they are aware as a result of the audit and adequately explains and disclose how the proposed action plans are expected to mitigate the identified events and conditions.

- (ii) **Communicating closely with management and the audit committee** – Where deficiencies are identified in management's going concern assessment, auditors should communicate them clearly and on a timely basis to management and the audit committee. Such communication should explain the specific assumptions, underlying data, action plans or supporting evidence that require further support, and the reasons why the information provided is considered insufficient for the purposes of obtaining sufficient appropriate audit evidence.
- (iii) **Considering alternative audit procedures** – Going concern assessments are inherently forward-looking and involve uncertainty. Auditors should distinguish between uncertainty regarding the outcome of management's plans and an inability to obtain sufficient appropriate audit evidence. Before concluding that a limitation of scope exists, auditors should consider whether sufficient appropriate audit evidence can be obtained through alternative audit procedures.
- (iv) **Clearly explaining the basis for disclaimer of opinion** – Where a disclaimer of opinion is issued in relation to going concern, auditors should clearly explain the basis for the disclaimer, including the specific aspects of management's going concern assessment for which sufficient appropriate audit evidence could not be obtained, the audit procedures performed, the evidence obtained and the reasons why such evidence was considered insufficient.
- (v) **Diligently discharging audit responsibilities for other areas of the financial statements** – A disclaimer of opinion solely relating to going concern does not relieve auditors of their responsibility to obtain sufficient appropriate audit evidence in respect of other areas of the financial statements. Where other matters have been identified that would otherwise have resulted in a modified opinion, auditors should clearly describe those matters in accordance with the applicable auditing standards.