

The FRC publishes its first investigation report

(26 June 2009, Hong Kong) Today, the Financial Reporting Council (the “FRC”) publishes its first investigation report.

The investigation relates to the audit of the consolidated financial statements of a listed entity.

The FRC has issued a statement accompanying the investigation report. The statement provides a brief chronology and the findings of the investigation and an account of the events subsequent to the adoption of the investigation report by the FRC.

On 31 October 2007, the FRC directed the Audit Investigation Board (the “AIB”) to conduct the investigation. On 26 November 2008, the AIB completed the investigation and prepared a report on the findings. The investigation report was adopted by the FRC on 4 December 2008.

Ms. Sophia Kao, the Chairman of the FRC, said “This is the first investigation report of the FRC. Its publication will provide the public with more information on the investigation work performed by the FRC on suspected auditing irregularities and allow the society to have a better understanding of the regulation of auditors of listed entities in Hong Kong.”

Mr. M.T. Shum, the Chief Executive Officer of the FRC said, “The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The HKICPA has issued a “Disapproval Letter” to the auditor and the engagement director concerned advising them to exercise due care and to have proper regard to the legal and professional obligations expected of them.”

“In terms of the regulation of auditors, the legal function of the FRC is to investigate auditing irregularities and report on the findings. The AIB, under the direction of the FRC, has identified all the relevant facts relating to the suspected auditing irregularities and also expressed its views on the issues. Under the existing regulatory framework, the HKICPA is responsible for determining if disciplinary actions are warranted.” Mr. Shum further explained.

“Since the HKICPA has decided that disciplinary action is not warranted, and in the light of the merits of the case in question, the FRC considers that it is appropriate to publish the report without disclosing the identity of the auditor.” Ms. Kao added.

The AIB is chaired by the CEO and its members are full-time staff of the FRC.

The [full report](#) is available on the website of the FRC (www.frc.org.hk).