

Press Release

Fourth investigation completed in 2013

(5 November 2013, Hong Kong) The Financial Reporting Council (**the FRC**) completed an investigation relating to the audit of the consolidated financial statements of a listed entity for the year ended 30 June 2010 (**the Relevant Financial Statements**).

On 29 November 2012, the FRC directed the Audit Investigation Board (**the AIB**) to conduct the investigation following the receipt of a complaint. On 29 October 2013, the FRC adopted the investigation report prepared by the AIB which summarized the findings of the investigation.

The AIB noted that the listed entity did not measure the assets acquired and the consideration transferred by the Company in the acquisition of a subsidiary at their acquisition-date fair values in the Relevant Financial Statements.

The listed entity had retrospectively restated the above non-compliance with accounting requirements in its consolidated financial statements for the year ended 30 June 2011.

The AIB found that, in respect of the above issues of non-compliance with accounting requirements, the auditor failed to comply with the relevant auditing standards to

- develop and document a proper audit plan.
- obtain sufficient appropriate audit evidence to support their audit opinion.
- prepare audit documentation that provided a sufficient and appropriate record of the basis for the auditor's report which evidenced that the audit was performed according to the auditing standards and applicable legal and regulatory requirements.

The AIB found that the engagement quality control reviewer did not properly perform an engagement quality control review. The AIB also found that both the engagement partner and the engagement quality control reviewer failed to act diligently according to the applicable technical and professional standards when providing professional services in the audit.

The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants to determine if any disciplinary actions are warranted.

The AIB is chaired by the Acting Chief Executive Officer and its members are full-time staff of the FRC.

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Note to editors

About the FRC

The FRC is a statutory body established in December 2006 under the Financial Reporting Council Ordinance. The FRC is entrusted with the statutory responsibilities to conduct independent investigations into possible auditing or reporting irregularities in relation to listed entities and to enquire into possible non-compliance with accounting requirements on the part of listed entities. The FRC has 11 members with diverse professional backgrounds and the majority of whom, including the Chairman, are lay persons. For more information, please visit www.frc.org.hk.