**Press Release**
13 November 2018

## Completed investigation

On 8 November 2018, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 30 June 2014.

The FRC found that the auditor, the engagement director and the engagement quality control reviewer failed or neglected to observe, maintain or otherwise apply certain professional standards in the relevant audit concerning (i) the accounting treatment of a convertible bond on issuance; and (ii) the genuineness and accuracy of the convertible bonds issuance cost.

In particular, it was found that:

(a)  the auditor and the engagement director were in breach of Hong Kong Standard on Auditing (**HKSA**) 200 *Objective and General Principles Governing an Audit of Financial Statements,* HKSA 330 *The Auditor's Responses to Assessed Risks* and HKSA 500 *Audit Evidence*.

(b)  the engagement quality control reviewer was in breach of HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements.*

The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants to determine if any disciplinary actions are warranted.  Names of the relevant parties are withheld because of the potential disciplinary proceedings.


— End —

**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 by auditors of listed entities and to enquire into possible non-compliance with accounting requirements by listed entities. The FRC has 11 members with a variety of professional backgrounds the majority of whom, including the Chairman, are lay persons. For more information, please visit www.frc.org.hk.

**For media enquiries:**

Celian Cheung
Corporate Communications Manager
Financial Reporting Council
Tel: (852) 2236 6025
Fax: (852) 2810 6320
Email: celiancheung@frc.org.hk