

Completed investigation

On 20 May 2019, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 May 2012 (**the 2012 Financial Statements**).

The FRC found that the auditor, the engagement partner and the engagement quality control reviewer failed or neglected to observe, maintain or otherwise apply certain professional standards in the relevant audit in relation to (a) the Group's investment in an available-for-sale investment; (b) the issuance of convertible notes for future management services; (c) impairment assessment of the Company's interests in subsidiaries; and (d) revenue recognition.

The investigation revealed that the auditor and the engagement partner failed to plan and/or perform the relevant audit, in relation to the above matters, in accordance with the relevant provisions of HKSA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with Hong Kong Standards on Auditing*; HKSA 300 *Planning an Audit of Financial Statements*; HKSA 330 *The Auditor's Responses to Assessed Risks*; HKSA 500 *Audit Evidence*; HKSA 510 *Initial Audit Engagements – Opening Balances*; HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; HKSA 620 *Using the Work of an Auditor's Expert*; HKSA 700 *Forming an Opinion and Reporting on Financial Statements*.

It was also found that the engagement quality control reviewer of the relevant audit failed to comply with the relevant provisions of HKSA 220 *Quality Control for an Audit of Financial Statements* in relation to the quality control review.

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.

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.

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