

## The Financial Reporting Council publishes its second Annual Report

(March 18, 2009, Hong Kong) The Financial Reporting Council (FRC) publishes its second [annual report](#) for the year ended 31 December 2008 today.

The FRC is an independent statutory body established to investigate, in relation to listed entities, auditing and reporting irregularities, to enquire into non-compliance with accounting requirements and, where appropriate, to require listed entities to remove any non-compliance identified.

Speaking to the media, Ms. Sophia Kao, Chairman of the FRC, said: “2008 was a productive year for the FRC. Besides handling complaints, some new initiatives were launched. We began the review of modified auditor's reports on 16 July 2008, a year after the FRC became fully operational.”

“As auditors are the first line of defense responsible for alerting users of financial statements of any material misstatements, the FRC proactively reviews all auditors' reports to enable the instigation of prompt action to follow up on any non-compliance with accounting requirements identified by auditors.” Ms Kao continued, “Up to now, we have reviewed 31 modified auditor's reports, one of which warranted an enquiry. The enquiry was initiated in November 2008 and is in progress.”

“Besides, we have been keeping an eye on the news of listed entities which may indicate non-compliance with accounting requirements or auditing irregularities. In 2008, we had requested information in relation to the profit warning announcement of a listed entity. After consideration of the information available, we were satisfied that the listed entity had made disclosure in accordance with the relevant accounting requirement. Therefore, no further action was taken.” added Ms. Kao.

Since the commencement of operation, the FRC has received 33 complaints. 16 came from the public and 17 from Government bodies and specified enforcement agencies. More than 60% of the complaints are related to non-compliance with accounting requirements. To date, the FRC has completed the review of 29 complaints.

Mr. M.T. Shum, the Chief Executive Officer of the FRC said, “The FRC completed its first investigation and first enquiry in 2008. The findings of the investigation have been referred to a specified enforcement agency for follow-up action. The report on the enquiry was published on our website on 5 March 2009. The publication of enquiry reports will enable the public to make informed decisions on their investments.”

“Under the current business environment, the role of the FRC in detecting problems with financial reporting and auditing, which in turn acts as a preventive to deter future problems, is particularly important. We look forward to continue working closely with the accounting and auditing professions and other regulators to safeguard investors' interests in Hong Kong.” concluded Ms. Kao.