

Press Release
8 October 2014

Completed investigation

On 11 September 2014, the FRC completed the investigation on the audits of the consolidated financial statements of a listed entity for the years ended 31 December 2007 (**the 2007 Financial Statements**), 2008 (**the 2008 Financial Statements**) and 2009 (**the 2009 Financial Statements**). The Audit Investigation Board (**the AIB**) found that (a) the engagement partner failed to observe paragraph 36 of ISA 220 in the audits of the 2007 Financial Statements and the 2008 Financial Statements and (b) the engagement quality control reviewer (**the EQCR**) failed to observe paragraphs 38 and 39 of ISA 220 and section 130.1 of the Code of Ethics for Professional Accountants in the audit of the 2009 Financial Statements. The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants (**the HKICPA**) to determine if any disciplinary actions are warranted.

On 1 November 2012, the FRC directed the AIB to conduct an investigation on the audits of the 2007 Financial Statements, the 2008 Financial Statements and the 2009 Financial Statements following a complaint.

As a result of the investigation, the AIB considered that, there was no evidence that the engagement partner, for the audits of the 2007 Financial Statements and the 2008 Financial Statements, had appointed an EQCR to perform an engagement quality control review. The AIB believes that the engagement partner failed to observe paragraph 36 of ISA 220.

For the audit of the 2009 Financial Statements, the AIB found that the EQCR did not properly perform an engagement quality control review since he failed to identify the non-compliance with accounting requirements in the measurement of the employee share options. Accordingly, the EQCR failed to act diligently according to paragraphs 38 and 39 of ISA 220 and section 130.1 of the Code of Ethics for Professional Accountants.

On 11 September 2014, the FRC adopted the investigation report prepared by the AIB, which summarized the findings of the investigation. The investigation report has been referred to the HKICPA to determine if any disciplinary actions are

warranted. Names of the relevant parties are withheld pending the conclusion of such disciplinary proceedings, if any.

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

— 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 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 a variety of professional backgrounds and the majority of whom, including the Chairman, are lay persons. For more information, please visit www.frc.org.hk.