

Press Release

## **Eighth investigation completed in 2012**

(9 November 2012, Hong Kong) The Financial Reporting Council (the “FRC”) completed an investigation in relation to the audit of the consolidated financial statements of a listed entity for the year ended 30 June 2009 (the “2009 Financial Statements”).

The FRC directed the Audit Investigation Board (the “AIB”) to conduct this investigation on 3 May 2012 following the receipt of a complaint. The FRC adopted the investigation report prepared by the AIB which summarizes the findings of the investigation on 1 November 2012.

The AIB was of the view that a significant decline in the fair value of an investment in an equity instrument below its cost was an objective evidence of impairment and was sufficient to require the recognition of an impairment loss. Accordingly, the cumulative decline in the fair value of the listed entity’s available-for-sale financial assets should have been removed from equity and recognized in profit or loss in the 2009 Financial Statements. The AIB considered that the non-compliance with the accounting requirement would have a material impact on the 2009 Financial Statements and the auditor should have modified its report in this respect.

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 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 10 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](http://www.frc.org.hk).