

Press Release
17 October 2011

Fourth investigation completed in 2011

(17 October 2011, 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 31 December 2008 (the "Relevant Financial Statements").

The FRC directed the Audit Investigation Board (the "AIB") to conduct this investigation on 2 November 2010 following the receipt of a complaint of possible non-compliance with accounting requirement in the Relevant Financial Statements on which the auditor issued an unmodified report. The FRC adopted the investigation report prepared by the AIB which summarizes the findings of the investigation on 6 October 2011.

The possible non-compliance with accounting requirement relates to the measurement of the consideration shares issued on the acquisition of a subsidiary by the listed entity. The AIB considers that judgement is required to determine whether the published price at the date of exchange (i.e. the acquisition date) is an unreliable indicator of fair value and that it is not unreasonable for the management to use another valuation method instead of the published share price on the date of exchange in the fair value measurement of the consideration shares.

The AIB is of the view that the accounting treatment adopted by the listed entity could not be considered as a non-compliance with the applicable financial reporting standard based on the findings of the investigation. However, the AIB considers that the inadequate disclosure, in particular, in relation to management's decision that an alternative measure is more reliable in the Relevant Financial Statements, is a non-compliance with the applicable financial reporting standard. Since this non-compliance did not cause any material non-compliance in the Relevant Financial Statements, the AIB considers that there is no evidence to support that there is an auditing irregularity in this respect.

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

The [investigation report](#), on a no-name basis, is available on the website of the FRC (www.frc.org.hk).