

Press Statement

10 July 2024

AFRC's Response to PricewaterhouseCoopers Whistle-blower Allegations

Following the press release issued on 19 April 2024 concerning a whistle-blower report circulating in the media alleging deficiencies in PricewaterhouseCoopers' systems of quality management and the quality of the audits of China Evergrande Group, the Accounting and Financial Reporting Council (**AFRC**) conducted a rigorous review of the internal investigation carried out by PricewaterhouseCoopers.

The AFRC has now concluded the review. The evidence gathered during our review process does not support the following three allegations regarding PricewaterhouseCoopers' quality management systems:

- (i) Failure to establish and maintain an effective system of quality control to ensure audit quality and compliance with professional standards and applicable legal and regulatory requirements;
- (ii) Failure to adhere to professional standards in respect of the acceptance and continuance of its client relationship with China Evergrande Group for the provision of audits and other professional services; and
- (iii) Failure to assign appropriate personnel to key positions responsible for the firm's system of quality management which might have compromised the monitoring functions of the firm.

Regarding the allegation (iv) on the quality of the audits of China Evergrande Group, it is under a separate investigation by the AFRC into the relevant audits carried out by PricewaterhouseCoopers which is still ongoing.

The AFRC has made this announcement in the light of the gravity of the public allegations, the potential impact on public confidence in the integrity of the accounting profession and the public interest involved. We are committed to upholding public trust in the auditing profession and will not hesitate in taking all necessary actions promptly to address any public concerns.

We also urge the public to report any complaint or whistle-blower allegation directly to the AFRC through our official channels. This would allow the AFRC to investigate an issue thoroughly, effectively and confidentially, thereby maintaining the fairness and

integrity of the investigation process while protecting the public interest at the same time.

End

About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council is an independent body established under the Accounting and Financial Reporting Council Ordinance. As an independent regulator, AFRC spearheads and leads the accounting profession to constantly raise the level of quality of professional accountants, and thus protects the public interest and promotes the healthy development of the accounting profession.

For more information about the statutory functions of the AFRC, please visit www.afrc.org.hk.

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