

The Financial Reporting Council publishes its first Annual Report

(March 19, 2008, Hong Kong) The Financial Reporting Council (FRC) today published its first annual report covering the period from 1 December 2006 to 31 December 2007.

The FRC is an independent statutory body established on 1 December 2006 under the Financial Reporting Council Ordinance. It has been in full operation since 16 July 2007.

Speaking to the media, Ms. Sophia Kao, Chairman of the FRC, said: "As of today, the FRC has received twenty complaints; ten came from the public and ten from the regulators. Most of the complaints are related to non-compliance. Up to now, we have completed the review of nine complaints."

"We took on average six weeks to complete the review of a complaint. This included the time required to collect information from the relevant listed companies and auditors. In order to optimize the use of resources, we try to resolve issues without launching a formal investigation or enquiry." Mr. M.T. Shum, Chief Executive Officer of the FRC, explained.

"Of the nine complaints that had been reviewed, two cases were referred to other regulators and law-enforcement agencies for follow-up actions. Five cases were closed as no further action was considered necessary. Finally, one investigation and one enquiry were initiated. Both the investigation and enquiry are now near completion." added Mr. Shum.

"We would like to express our thanks to the listed companies and auditors involved for their prompt response to our inquiries. Their support and co-operation are pivotal to the effective performance of our statutory duties." said Ms. Kao.

"To ensure smooth co-operation with other regulators, we have set up protocols with them in the form of Memoranda of Understanding (MoUs). We are also in close contact with the Hong Kong Police and the ICAC and have established contacts with relevant mainland China regulators, including the Ministry of Finance."

As of today, the FRC has signed MoUs with the Stock Exchange of Hong Kong Limited, the Hong Kong Monetary Authority, the Insurance Authority, the Securities and Futures Commission and the Hong Kong Institute of Certified Public Accountants.

The FRC has been in full operation for five and half months up to 31 December 2007. It recorded a financial surplus of \$25 million for the period ended 31 December 2007. This surplus included the one-off contributions from the four funding parties for the setting up of a reserve fund of \$20 million. In the year 2008, the FRC expects that the recurrent annual funding will be adequate to cover the recurrent expenditures.

"The FRC will strive to maintain a level playing field for all players in the Hong Kong securities market. We are committed to strengthening regulatory oversight of auditors and the quality of financial reporting in Hong Kong to protect the interests of the investing and general public." concluded Ms. Kao.