

## Press Release

19 October 2023

### **AFRC, ICAC and SFC first tripartite operation against suspected misconduct and corporate fraud**

The Accounting and Financial Reporting Council (**AFRC**), the Independent Commission Against Corruption (**ICAC**) and the Securities and Futures Commission (**SFC**) conducted the first tripartite joint operation (**Joint Operation**) involving two Hong Kong-listed companies on suspicion that they falsified corporate transactions totalling HK\$193 million (approximately RMB177.56 million) (Notes 1 & 2).

The Joint Operation involved a search of the offices of three public interest entities (**PIE**) auditors associated with two listed companies. The search also covered the premises of these two listed companies and other relevant parties.

The suspected fictitious transactions were uncovered during the course of a joint SFC-ICAC operation against a suspected ramp-and-dump syndicate (Note 2).

The investigation revealed that the management of the two listed companies had allegedly conspired with members of the syndicate to falsify corporate transactions, purporting that the two listed companies had conducted corporate transactions with a number of companies in Hong Kong and Mainland China between May 2018 and December 2021, resulting in overstatements of HK\$83.9 million (approximately RMB77.2 million) in their revenue and misappropriation of assets in the sum of HK\$109.2 million (approximately RMB100.5 million). The overstatements and misstatements of assets might have led to disclosure of false or misleading information in the interim results and/or annual reports of the two listed companies. The three PIE auditors expressed unmodified opinions on all relevant financial statements for the years ended 31 December 2018 to 2021.

More than 50 AFRC officers participated in the Joint Operation. A total of 16 premises were jointly searched by AFRC, ICAC and SFC. Three persons, including an executive director of a listed company, were arrested by the ICAC for suspected offences of agent using documents with intent to deceive its principal under the Prevention of Bribery Ordinance.

The Joint Operation and collaboration with the other two agencies manifests the staunch determination of the AFRC to combat financial crime, illicit activities and professional misconduct in order to restore public trust in the financial reporting quality of listed entities and their auditors.

Ms Janey Lai, Acting Chief Executive Officer of the AFRC, said, "The Joint Operation represents the AFRC's absolute commitment to take all necessary actions to ensure

integrity and quality of financial reporting and audit in Hong Kong. As the financial markets of Mainland China and Hong Kong are interconnected, the cross-border collaboration between regulators on both sides will intensify and is expected to bring about more effective enforcement. These positive outcomes contribute to the resilience of the financial market, safeguard the interests of investors, reinforce public confidence in the quality of financial reporting, and uphold Hong Kong's status as an international finance centre.”

Deputy Commissioner and Head of Operations of the ICAC, Mr Ricky Yau Shu-chun, said: “The tripartite operation showcases our common goal in upholding the integrity of the financial market. The ICAC will continue to closely collaborate with the SFC and the AFRC, as well as other financial regulators, to combat corruption, illicit activities and misconduct relating to listed companies. By adopting our time-tested three-pronged strategy combining enforcement, prevention and education, the ICAC will continue to work in concert with financial regulators to enhance corporate governance and professionalism. We will strive to maintain a fair business environment in Hong Kong, to sustain Hong Kong's status as a clean international financial centre and to ensure the trust of stakeholders in the financial system.”

The SFC's Executive Director of Enforcement, Mr Christopher Wilson, said: “Directors of listed companies are entrusted to govern truthful and accurate financial disclosures which serve as the bedrock of our capital markets. Today's first tripartite joint operation, and the first with the AFRC, underscores our shared commitment to holding accountable those who abuse that trust and defraud investors. Partnership with the ICAC and AFRC allowed us to pool our resources, expertise and intelligence to bring swift enforcement actions against individuals and corrupt corporate practices that undermine market integrity and erode investor confidence.”

“We appreciate the China Securities Regulatory Commission for their extensive assistance and continued support in combating cross-boundary offences and misconduct,” added Mr Wilson.

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Notes:

1. The Joint Operation was conducted under the arrangement of the Memoranda of Understanding respectively signed by the AFRC with the [ICAC](#) and [SFC](#). Please see the websites of the [AFRC](#), the [ICAC](#) and the [SFC](#).
2. Please see the joint press releases of the SFC and the ICAC dated [10 November 2022](#) and [15 March 2023](#).

## About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (AFRC) 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.

For more information about the statutory functions of the AFRC, please visit [www.afrc.org.hk](http://www.afrc.org.hk).

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