

Press Release

7 February 2020

Completed investigation

On 4 February 2020, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 March 2017.

The FRC found that the auditor, the engagement partner and the engagement quality control reviewer failed or neglected to observe, maintain or otherwise apply certain professional standards in the relevant audit in relation to the impairment assessment of the listed entity's interest in an associate.

The investigation revealed that the auditor and the engagement partner failed to properly perform the relevant audit in relation to the estimation of the recoverable amount of the interest in an associate in accordance with the relevant provisions of Hong Kong Standard on Auditing (HKSA) 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 500 (Clarified) *Audit Evidence*, and HKSA 540 (Clarified) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.

It was also found that the engagement quality control reviewer of the relevant audit failed to properly perform the quality control review in accordance with the relevant provisions of HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements*.

The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants to determine if any disciplinary actions are warranted. Names of the relevant parties are withheld because of the potential disciplinary proceedings.

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Note to editors

About the FRC

The FRC is the full-fledged independent listed entity auditor regulator for Hong Kong committed to achieving its mission of upholding the quality of financial reporting of listed entities of Hong Kong so as to enhance protection for investors and deepen investor confidence in corporate reporting. For more information about the statutory functions of the FRC, please visit www.frc.org.hk.

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