

Press Release

11 February 2021

FRC Acts on Deloitte China Whistle-blower Allegations

The FRC met Deloitte China to understand the background to the allegations and the Firm's proposed response. The FRC communicated its expectation that the Firm's handling of the allegations must be robust to instil public confidence that all allegations are being investigated independently, will be reported back to the FRC and any findings will be addressed to our satisfaction.

The FRC also set out its expectations of actions to be taken now by Deloitte, made requests for further information, and will continue to monitor the situation closely.

In response to the allegations, the FRC is collaborating and coordinating its actions with other relevant regulators in the Mainland and Hong Kong.

The allegations include claims:

- Of improper conduct by certain Deloitte staff members in performing the audits of two Hong Kong listed entities in 2016 and 2017, and other audits
- That those staff were still involved in performing audits of Hong Kong listed entities and other entities at the end of 2020
- That the Firm has not appropriately handled related whistle-blower reports.

Given the seriousness of the allegations and in order to protect the interests of the investing public and the wider public interest in audits of listed entities, the FRC has logged the allegations as a complaint, which is now being handled in accordance with our normal procedures.

The FRC is also seeking contact with the Whistle-blower to obtain further explanations and evidence.

Maintaining justified public confidence in the quality of listed entity audits requires a dependable, swift and transparent response to the allegations. This is our expectation of PIE auditors when they face such allegations.

END

About the Financial Reporting Council

The FRC is the full-fledged independent listed entity auditor regulator for Hong Kong committed to upholding the quality of financial reporting of listed entities of Hong Kong so as to enhance investor protection and strengthen 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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