

Press Release

14 April 2020

### Completed investigation

On 7 April 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 2015.

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 (a) the purchase price allocation of a business combination; and (b) the measurement of the acquisition-date fair value of the consideration shares issued for the business combination.

The investigation revealed that the auditor and the engagement partner failed to properly perform the relevant audit, in relation to the above matters, 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 fully comply 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 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](http://www.frc.org.hk).

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