

Press Release
17 March 2011

FRC publishes its third investigation report

(17 March 2011, Hong Kong) Today, the Financial Reporting Council ("FRC") publishes its third investigation report in respect of the preparation of an accountants' report required for a listing document issued on behalf of a listed entity.

The FRC directed the Audit Investigation Board (the "AIB") to conduct this investigation on 27 September 2010 and adopted the investigation report prepared by the AIB.

The AIB found that the earnings per share presented on the face of the income statement were not calculated based on the number of ordinary shares outstanding after a share split. The share split occurred between the latest balance sheet date of the financial information included in the accountants' report and the issuance date of the accountants' report. The AIB is of the view that the earnings per share were not correctly presented in accordance with the applicable financial reporting standard.

The FRC would like to remind preparers of financial statements that the calculation of basic and diluted earnings per share should be adjusted for all periods presented for any change in the number of ordinary or potential ordinary shares outstanding as a result of a capitalization, bonus issue, share split or reverse share split occurred after the reporting period but before the financial statements are authorized for issue. The presentation of basic and diluted earnings per share based on the number of shares outstanding before the changes mentioned above on the face of the statement of comprehensive income could not be rectified by way of explanatory note disclosure.

The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants to determine if any disciplinary actions are warranted. In the meantime, the investigation report is published on a "no-name" basis to avoid the disclosure of the identity of the reporting accountant.

The AIB is chaired by the CEO and its members are full-time staff of the FRC.

The [investigation report](#) is available on the website of the FRC (www.frc.org.hk).