

Press Release  
12 January 2012

### First investigation completed in 2012

(12 January 2012, Hong Kong) The Financial Reporting Council (the "FRC") completed an investigation in relation to the audits of the consolidated financial statements of a former listed entity for the years ended 31 March 2001 and 2002 (the "Relevant Financial Statements").

The FRC directed the Audit Investigation Board (the "AIB") to conduct this investigation on 5 November 2009 following the receipt of a complaint. The FRC adopted the investigation report prepared by the AIB which summarizes the findings of the investigation on 5 January 2012.

Based on its findings, the AIB is of the view that in performing the audits of the Relevant Financial Statements, the auditor did not sufficiently document the nature, timing and extent of certain audit procedures performed and the conclusion reached in relation to the audits of two property projects under development and a loan to a debtor. The AIB also considers that the auditor had not exercised sufficient professional scepticism in testing a property project under development during the course of the audits.

The FRC would like to remind auditors that they should prepare sufficient and appropriate audit documentation, exercise sufficient professional scepticism and carry out its professional work with a proper regard for the technical and professional standards expected of it in performing an audit.

The investigation report has been referred to the Hong Kong Institute of Certified Public Accountants to determine if any disciplinary actions are warranted.

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

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### **About the FRC**

The FRC is a statutory body established in December 2006 under the Financial Reporting Council Ordinance. The FRC is entrusted with the statutory responsibilities to conduct independent investigations into possible auditing and reporting irregularities in relation to listed entities and to enquire into possible non-compliance with accounting requirements on the part of listed entities. The FRC has 11 members with a variety of professional backgrounds and the majority of whom, including the chairman, are lay persons. For more information, please visit [www.frc.org.hk](http://www.frc.org.hk).