

Press Release

23 September 2016

Completed investigation

On 8 September 2016, the FRC adopted the investigation report on the audits of (i) the financial information as included in the prospectus for the purpose of listing of a company's shares (**the Financial Information**); and (ii) the first consolidated financial statements of the listed entity after listing of its shares (**the Relevant Financial Statements**).

The Audit Investigation Board (**the AIB**) found that the reporting accountant/auditor failed or neglected to observe, maintain or otherwise apply a number of professional standards in the audits of the Financial Information and the Relevant Financial Statements in relation to turnover, operating costs and major assets.

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

On 6 September 2012, the FRC directed the AIB to conduct an investigation on the audits of the Financial Information and the Relevant Financial Statements in relation to turnover, operating costs and major assets.

As a result of the investigation, the AIB found that:

In the audit of the Financial Information, the reporting accountant failed to: (i) question the validity or reliability of certain audit evidence obtained; (ii) consider the risk of material misstatement due to fraud; (iii) perform additional procedures to dispel matters of concern arising from other procedures; (iv) consider the appropriateness of certain substantive procedures to obtain sufficient appropriate audit evidence in relation to their testing objectives; and (v) adequately document their conclusions in accordance with:

- Paragraph 15 of Hong Kong Standard on Auditing (**HKSA**) 200 (Revised) *Objective and General Principles Governing an Audit of Financial Statements* (**HKSA 200 (Revised)**);

- Paragraph 9 of HKSA 230 *Audit Documentation* (**HKSA 230**) ;
- Paragraph 55 of HKSA 240 *The Auditor's Responsibilities to Consider Fraud in an Audit of Financial Statements*;
- paragraphs 2 and 11 of HKSA 500 *Audit Evidence* (**HKSA 500**) ;
- Paragraphs 30 and 33 of HKSA 505 *External Confirmations* (**HKSA 505**) ;
- Paragraph 12 of HKSA 520 *Analytical Procedures*; and
- Paragraph 35 of HKSA 530 *Audit Sampling and Other Means of Testing* (**HKSA 530**)

In the audit of the Relevant Financial Statements, the auditor failed to: (i) consider the reliability of certain audit evidence obtained; (ii) perform additional procedures to dispel matters of concern arising from other procedures; and (iii) consider the appropriateness of certain substantive procedures to obtain sufficient appropriate audit evidence in relation to their testing objectives in accordance with:

- paragraph 15 of HKSA 200 (Revised) ;
- paragraphs 2 and 11 of HKSA 500;
- paragraph 28 of HKSA 505;
- paragraph 35 of HKSA 530; and
- paragraph 9 of HKSA 550 *Related Parties*.

On 8 September 2016, the FRC adopted the investigation report prepared by the AIB, which summarised the findings of the investigation. The investigation report has been referred to the HKICPA to determine if any disciplinary actions are warranted. Names of the relevant parties are withheld pending the conclusion of such disciplinary proceedings, if any.

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Note to editors

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 or 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.

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