

Press Release

15 March 2019

Completed investigation

On 13 March 2019, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 March 2014.

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 convertible note that contained contingent settlement provisions.

In particular, the investigation revealed that the auditor and the engagement partner failed to perform the relevant audit, in relation to the convertible note, in accordance with 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 510 (Clarified) *Initial Audit Engagements – Opening Balances*.

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 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 by auditors of listed entities and to enquire into possible non-compliance with accounting requirements by 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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