

Press Release  
10 September 2018

### Completed investigation

On 6 September 2018, the FRC adopted the investigation report on the audit of the consolidated financial statements of a listed entity for the year ended 31 December 2012.

The FRC found that the auditor and the engagement director failed or neglected to observe, maintain or otherwise apply certain professional standards in the relevant audit concerning the impairment assessment of goodwill and certain mining rights as at 31 December 2012.

In particular, it was found that:

- (a) the auditor and the engagement director failed to sufficiently challenge and evaluate the reasonableness of the assumptions used in the impairment assessment in accordance with paragraph 18 of Hong Kong Standard on Auditing 540 (Clarified) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; and failed to obtain sufficient appropriate evidence in this respect in accordance with paragraphs 6, 7 and 9 of Hong Kong Standard on Auditing 500 (Clarified) *Audit Evidence*; and
- (b) the engagement quality control reviewer of the audit of the consolidated financial statements of the group for the year ended 31 December 2012 was in breach of paragraphs 20 and 21 of Hong Kong Standard on Auditing 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.

— End —

## **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 the majority of whom, including the Chairman, are lay persons. For more information, please visit [www.frc.org.hk](http://www.frc.org.hk).

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