



To: Assignment/News/Business Page Editor

Statement from the Hong Kong Institute of CPAs Regarding Ernst & Young and Akai Holdings

(HONG KONG, 4 October 2009) — The Hong Kong Institute of CPAs learned of allegations of document tampering at the time these allegations were made by lawyers for liquidators of Akai Holdings Limited during court proceedings against the accounting firm of Ernst & Young, which was the auditor of Akai.

At the same time that Ernst & Young found there might have been some substance to the document tampering allegations made in court, the firm informed the Institute of the firm's internal investigation and undertook to keep the Institute up-to-date as the case evolved.

As part of Hong Kong's regulatory reform, the Financial Reporting Council was set up in 2006 as an independent body vested with full powers to investigate irregularities in the audit and financial reporting of listed companies. This case falls within its investigative jurisdiction.

The FRC and the Institute have been liaising with Ernst & Young and their legal advisers to understand what documents may have been falsified and identify those responsible.

The seizure by police on 29 September of the original audit working papers and other documents makes this matter at the same time a criminal investigation. If charged and convicted of any criminal offence, those involved will be subject to criminal penalties.

Once sufficient evidence emerges from the FRC and police investigations to show that any Institute member may have been involved in the falsification of documents, the Institute will initiate its disciplinary process.

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Note to editors

About Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is the only body authorised by law to register and grant practising certificates to Certified Public Accountants in Hong Kong. The Institute has nearly 29,000 members and more than 13,000 registered students. Members of the Institute are entitled to the description *Certified Public Accountant* and to the designatory letters *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate Qualification Programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of The Global Accounting Alliance - an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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