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Ernst & Young produces audit working papers in Hong Kong and appeals order over Mainland papers

23 Jun 2014

The Securities and Futures Commission (SFC) notes that, on 20 June 2014, Ernst & Young (EY) filed a Notice of Appeal in respect of the court order to produce documents held by its Mainland affiliate, EY Hua Ming (EYHM), having produced a disc of documents it held in Hong Kong (Note 1).

The disc of documents produced to the SFC last Friday were found by EY on various hard drives in its Hong Kong office on the eve of the trial in this case, in March 2013, when production of the documents were refused by EY on the basis that the hard drives belonged to EYHM.

EY now informs the SFC that it needs another five weeks to complete its search of the hard drives in its Hong Kong office to find additional documents required to be produced to the SFC.

EY's Notice of Appeal relates to documents held by EYHM, EY's agent in carrying out specific audit activities as part of EY's engagement as reporting accountant and auditor of Standard Water Limited.

EY had argued during the trial that it was prevented from producing audit working papers held by EYHM because of restrictions under PRC law. The SFC argued and the court accepted that PRC law does not prohibit the production of these documents and there is no blanket prohibition against their production under PRC law.

The SFC also argued that EY had not done anything to follow the process under PRC law for obtaining clearance of these documents. EY has informed the SFC that it has now provided these documents to the China Securities Regulatory Commission as part of this process.

EY's Notice of Appeal contends that the court was wrong in respect of the documents held by EYHM in the Mainland.

The SFC is investigating the materials contained in the disc produced last Friday to determine whether EY has fully complied with the court order and whether any further action needs to be taken against EY.

No date has been set for the hearing of EY's appeal.

End

Note:

1. Please see the judgment (HCMP1818/2012) which is available on the Judiciary's website (www.judiciary.gov.hk) and the SFC's press releases dated [27 August 2012](#), [7 September 2012](#), [20 September 2012](#), [12 October 2012](#) and [23 May 2014](#).

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