



Dear Assignment/News/Business Section Editor

Hong Kong Institute of Certified Public Accountants takes disciplinary action against one certified public accountant (practicing) and a firm

(HONG KONG, 8 January 2016) - A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Cheng Chi Pang (membership number A03028) and Leslie Cheng & Co. ("LCC") (firm number 1926) on 18 December 2015. The Committee found that the respondents failed or neglected to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee ordered Cheng and LCC to each pay penalties of HK\$100,000 and HK\$200,000 respectively. In addition, Cheng was ordered to pay the costs of the hearing totaling HK\$10,250 and the respondents were ordered to jointly pay the remaining costs and expenses of disciplinary proceedings of the Institute and the Financial Reporting Council ("FRC") in the total sum of HK\$280,788.70.

LCC audited the financial statements of a Hong Kong listed company and its subsidiaries for the year ended 31 December 2009 and expressed an unmodified auditor's opinion. Cheng was the senior partner of LCC who acted as the engagement quality control reviewer ("EQCR") for the audit.

The Institute received a referral from the FRC regarding non-compliance with the professional standards pertaining to (i) recognition of depreciation and financial statement disclosure of plant and machinery; (ii) fair value measurements of shares issued as consideration for two substantial acquisitions; and (iii) determination of weighted average number of ordinary shares for the purpose of calculating the loss per share. The associated financial effects of the non-compliances were considered material to the 2009 financial statements.

After considering the information available, the Institute lodged complaints against the respondents under sections 34(1)(a)(vi) of the Professional Accountants Ordinance. LCC admitted the complaints but Cheng contested.

The Disciplinary Committee found that:

- (1) Cheng failed to maintain or otherwise apply professional standards namely Hong Kong Standard Auditing ("HKSA") 220 *Quality Control for an Audit of Financial Statements*; and/or the Fundamental Principle of *Professional Competence and Due Care* in paragraph 100.4 as elaborated in paragraph 130.1 of the then applicable Code of Ethics for Professional Accountants for failure to act diligently when carrying out the work as an EQCR in the audit of the 2009 Financial Statements.
- (2) LCC was in breach of a number of auditing standards.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against the respondents under section 35(1) of the ordinance.

Under the ordinance, if the respondents are aggrieved by the order, they may give notice of an appeal to the Court of Appeal within 30 days after they are served the order.

The order and findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at www.hkicpa.org.hk.

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the ordinance by a five-member Disciplinary Committee. Three members of each committee, including a chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other two are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interest of justice. A hearing schedule is available at the Institute's website. A CPA who feels aggrieved by an order made by a Disciplinary Committee may appeal to the Court of Appeal, which may confirm, vary or reverse the order.

Disciplinary Committees have the power to sanction members, member practices and registered students. Sanctions include temporary or permanent removal from membership or cancellation of a practicing certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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About the Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 39,000 members and 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation 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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