



Dear Assignment/News/Business Section Editor

Hong Kong Institute of Certified Public Accountants takes disciplinary action against a certified public accountant (practising)

(HONG KONG, 29 February 2016) - A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered cancellation of the practising certificate of Chan Bing Chung (membership number A17643) beginning 14 March 2016 with no issuance of a practising certificate to him for nine months. In addition, Chan was ordered to pay a penalty of HK\$50,000 and costs of the disciplinary proceedings of HK\$125,966.70, which included costs of the Financial Reporting Council ("FRC").

Chan was previously a practising director of a corporate practice, K.M. Choi & Au Yeung Limited, which is now de-registered. The corporate practice issued an unmodified auditor's report on the financial statements of a Hong Kong listed company for 2009. Chan was the engagement quality control reviewer ("EQCR") for the 2009 audit.

The company failed to correctly account for issued share options in its 2009 financial statements in accordance with International Financial Reporting Standard 2 "Shared-based Payment". The Institute received a referral from the FRC about deficiencies in the work carried out by Chan as the EQCR in the 2009 audit. After considering the information available, the Institute lodged complaints against Chan under sections 34(1)(a)(vi) of the Professional Accountants Ordinance.

The Disciplinary Committee found that Chan failed to maintain or otherwise apply paragraphs 100.4(c) and 130.1 of the Code of Ethics for Professional Accountants for his failure to act diligently when carrying out the work as an EQCR in the audit of the company's 2009 financial statements.

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

Under the Ordinance, if Chan is aggrieved by the order, he may give notice of an appeal to the Court of Appeal within 30 days after he is 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 remaining two members 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 with (where appropriate) an order that a practice certificate shall not be issued either permanently or temporarily, 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.

Hong Kong Institute of CPAs' contact information:

Stella To
Head of Corporate Communications
Phone: 2287 7209
Mobile: 9027 7323
Email: stella@hkicpa.org.hk