



Dear Assignment/News/Business Section Editor

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

(HONG KONG, 7 October 2016) — On 12 September 2016, a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Yuen Suk Ching (membership number A02183) and Leung Tai Keung (membership number A01132) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. Yuen and Leung were ordered to pay penalties of HK\$70,000 and HK\$50,000 respectively. In addition, they were ordered to pay costs and expenses of the disciplinary proceedings of the Institute and the Financial Reporting Council ("FRC") totalling HK\$54,123.60.

Yuen and Leung were previously partners of HLM & Co., a firm which is now de-registered. The firm issued an unmodified auditor's opinion on the financial statements of a Hong Kong listed company and its subsidiaries ("Group") for the year ended 31 March 2012. Yuen was the engagement partner who signed the audit report. Leung was the engagement quality control reviewer. The audited financial statements of the Group for the year ended 31 March 2013 recorded retrospective restatements in relation to the Group's investment in two convertible bonds.

The Institute received a referral from the FRC about non-compliance with professional standards in the audit work carried out by HLM & Co. on the accounting treatment and valuation of the two convertible bonds for the year ended 31 March 2012. After considering the information available, the Institute lodged complaints against Yuen and Leung under section 34(1)(a)(vi) of the Professional Accountants Ordinance, Cap 50.

Yuen and Leung admitted the complaints against them. The Disciplinary Committee found that:

- (1) Yuen was in breach of Hong Kong Standard on Auditing ("HKSA") 700 *Forming an Opinion and Reporting on Financial Statements* and HKSA 500 *Audit Evidence*; and
- (2) Leung was in breach of HKSA 220 *Quality Control for an Audit of Financial Statements*.

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

Under the ordinance, if Yuen and Leung 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 practising 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 40,000 members and more than 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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