



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Hong Kong Institute of Certified Public Accountants takes regulatory action against two certified public accountants (practising), one certified public accountant and a corporate practice

[Hong Kong, 27 November 2017] The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Wong Chi Wai, certified public accountant (practising) (membership number A06577); Chung Mun Leung, certified public accountant (practising) (membership number A37788); Wong Fei Cheung, certified public accountant (membership number A18467); and Centurion ZD CPA Limited (corporate practice number M0561, formerly known as DCAW (CPA) Limited and AWC (CPA) Limited) (collectively "**Respondents**") for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

The Public Company Accounting Oversight Board ("**PCAOB**") found that the Respondents violated PCAOB rules and standards, as well as the Securities Exchange Act, in the performance of the financial statement audits of a U.S. listed company, Kandi Technologies Group, Inc., for the years from 2010 to 2012. AWC was the auditor of the company and was registered with the PCAOB at all relevant times. Wong Chi Wai and Chung Mun Leung were respectively engagement director and engagement quality reviewer ("**EQR**") of the audits. Wong Fei Cheung, acting as Director of Audit, reported to the engagement director and was significantly involved in the audits at the relevant times.

The PCAOB found that there were a number of audit deficiencies which included failures in indentifying related party transactions, preparing sufficient and appropriate audit documentation, and identifying an independence violation in 2012. In addition, there was a breach of the relevant objectivity rules and standards by the EQR; and of PCAOB's quality control standards by the engagement director which resulted in his failure to identify the EQR's lack of objectivity in performing his role in the audits.

Based on the findings of the PACOB, the Institute concluded that the Respondents were in breach of sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants for failure to act diligently in accordance with applicable technical and professional standards when they provided professional services.

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council concluded that the following should resolve the complaint:

1. the Respondents acknowledge the facts of the case and their non-compliance with the relevant professional standards;
2. they be reprimanded;
3. each of Centurion ZD and Wong Chi Wai pay an administrative penalty of HK\$25,000; and
4. the Respondents jointly pay costs of HK\$10,000.

About Resolution by Agreement

In order to better serve the interests of the public and the profession, the Hong Kong Institute of Certified Public Accountants (the Institute) ensures complaints are dealt with in an effective and transparent manner. In accordance with Council powers outlined in the Professional Accountants Ordinance, a Resolution by Agreement (RBA) may be offered in uncontested cases considered to be moderate after taking into account the nature and gravity of the complaint, past disciplinary records of the Respondent and any aggravating or mitigating circumstances. An RBA will not be offered in cases involving complaints of dishonesty.

The RBA includes a mandatory public censure which entails publication of the name of the respondent, facts of the case and areas of non-compliance with professional standards. Information on the Institute's complaint handling process and guidelines for Resolutions by Agreement are available at the Institute website under the "Compliance" section at www.hkicpa.org.hk.

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About HKICPA

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the statutory body established by the Professional Accountants Ordinance responsible for the professional training, development and regulation of certified public accountants in Hong Kong. The Institute has more than 41,000 members and 18,000 registered students.

Our qualification programme assures the quality of entry into the profession, and we promulgate financial reporting, auditing and ethical standards that safeguard Hong Kong's leadership as an international financial centre.

The CPA designation is a top qualification recognized globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

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