



HKICPA takes disciplinary action against a corporate practice and two certified public accountants (practising)

(HONG KONG, 7 May 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Lau Shiu Wai, Franklin (F03825), Mr. Au Yeung Tin Wah (F03806) and Lau & Au Yeung C.P.A. Limited ("Corporate Practice") (M0005) (collectively "Respondents") on 27 March 2018 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered Lau and Au Yeung, to each pay a penalty of HK\$100,000 and the Corporate Practice to pay HK\$180,000. The Respondents were ordered to pay costs and expenses of disciplinary proceedings of the Institute in the total sum of HK\$154,567.90.

The Corporate Practice audited the financial statements of a Hong Kong listed company, China Environmental Resources Group Limited ("Company"), for the years ended 30 June 2011 and 2012 ("Financial Statements"). Lau was the engagement director who issued the auditor's reports on behalf of the Corporate Practice and Au Yeung was the engagement quality control reviewer.

The Institute received a referral from the Financial Reporting Council about auditing irregularities relating to the Company's Financial Statements regarding (i) re-measurement of contingent consideration in respect of acquiring the interest of a target group; (ii) loss per share calculation; (iii) recognition of intangible assets of the acquired target group; and (iv) evaluation of impairment assessment of patents and operating rights of the Company.

After considering the information available, the Institute lodged complaints against the Respondents under section 34(1)(a)(vi) of the Professional Accountants Ordinance (Cap 50).

The Respondents admitted the complaints against them. The Disciplinary Committee found that:

- i) The Corporate Practice was in breach of Hong Kong Standard on Auditing ("HKSA") 230 and HKSA 500;
- ii) Lau failed to act with professional competence and/or diligently in accordance with section 100.5 (c), as elaborated in section 130.1 of the Code of Ethics for Professional Accountants ("COE"); and
- iii) Au Yeung failed to act with professional competence and/or diligently in accordance with section 100.5 (c), as elaborated in section 130.1 of the COE for

failure to carry out an objective engagement quality control review under HKSA 220.

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.

About HKICPA Disciplinary Process

The Hong Kong Institute of Certified Public Accountants (HKICPA) enforces the highest professional and ethical standards in the accounting profession. Governed by the Professional Accountants Ordinance (Cap. 50) and the Disciplinary Committee Proceedings Rules, an independent Disciplinary Committee is convened to deal with a complaint referred by Council. If the charges against a member, member practice or registered student are proven, the Committee will make disciplinary orders setting out the sanctions it considers appropriate. Subject to any appeal by the respondent, the order and findings of the Disciplinary Committee will be published.

For more information, please see:

<http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

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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 42,000 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 recognised 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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