



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

Hong Kong Institute of Certified Public Accountants takes disciplinary action against three certified public accountants (practising) and a firm

(HONG KONG, 15 April 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Wong Wang Hei (A07115), Mr. Tsang Yiu Chung (A20592), Mr. Lui Chi Wang (A24164) and Deloitte Touche Tohmatsu (Deloitte) (0166) (collectively, Respondents) on 6 March 2019 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered Wong and Tsang to pay penalties of HK\$60,000 each, Lui to pay a penalty of HK\$80,000 and Deloitte to pay a penalty of HK\$150,000. The Respondents were ordered to jointly pay costs of the disciplinary proceedings and of the Financial Reporting Council (FRC) totalling HK\$121,867.70.

Deloitte audited the financial statements of a Hong Kong listed company, China Vision Media Group Limited (now known as Alibaba Pictures Group Limited) and its subsidiaries for the four years ended 31 December 2010 to 2013 and issued an unqualified opinion on each of those financial statements. Wong and Tsang were respectively the engagement partners of the 2010 and 2011 audits, and Lui was the engagement partner of the 2012 and 2013 audits.

The Institute received a referral from the FRC about irregularities in the audits of the above financial statements. Convertible bonds issued by the company in an acquisition exercise in 2010 were wrongly valued due to the use of incorrect currency exchange rates. This led to misstatements in goodwill, gain from disposal of subsidiaries, effective interest expenses and exchange differences in the financial statements for the four years. During the audits, Deloitte identified the misstatements which were clearly not trivial. However, Deloitte did not accumulate the misstatements and communicate them to the company's management, nor did they request management to correct the misstatements or request written representation from management.

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

The Respondents admitted the complaints against them. The Disciplinary Committee found that the Respondents were in breach of Hong Kong Standard on Auditing 450 *Evaluation of Misstatements Identified during the Audit* and the fundamental principle of Professional Competence and Due Care in sections 100.5 (c) and 130 of the Code of Ethics for Professional Accountants.

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 43,000 members and 19,000 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.

Hong Kong Institute of CPAs' contact information:

Gemma Ho
Manager, Public Relations
Phone: 2287-7002
Email: gemmaho@hkicpa.org.hk

Rachel So
Head of Corporate Communications and Member Services
Phone: 2287-7085
Email: rachelso@hkicpa.org.hk