



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 a corporate practice, a certified public accountant (practising) and a certified public accountant

(HONG KONG, 2 February 2021) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Zenith CPA Limited (M0399) and Mr. Cheng Po Yuen, certified public accountant (practising) (F06724) on 22 December 2020 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. In addition, the Committee ordered Zenith, Cheng and Ms. Keung Yee Man, certified public account (A32928) (collectively “Respondents”) to pay a penalty of HK\$150,000, HK\$150,000 and HK\$10,000 respectively, and to pay costs of the Institute and the Financial Reporting Council (“FRC”) totalling HK\$225,000 to be shared equally among them.

Zenith expressed an unmodified auditor’s opinion on the consolidated financial statements of China Healthcare Holdings Limited (now known as China Health Group Limited), a Hong Kong listed company (“Company”), and its subsidiaries (collectively “Group”) for the year ended 31 March 2011. Cheng was the engagement director and Keung was the engagement quality control reviewer.

The Institute received referrals from the FRC about deficiencies in the audit. The audit team failed to perform sufficient audit procedures and prepare adequate documentation in relation to the classification, recognition and measurement of certain convertible bonds and notes, convertible cumulative preference shares and share options. There were also deficiencies in audit procedures and documentation regarding the accounting treatment of a subsidiary in which the Company’s equity interest was below 50%, the preferred shares issued by the subsidiary and the related cumulative dividends. In addition, the audit procedures and documentation on assessing the Group’s ability to continue as a going concern were inadequate.

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

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

- (i) Zenith failed or neglected to observe, maintain or otherwise apply the following professional standards:
 - Hong Kong Standard on Auditing (“HKSA”) 230 *Audit Documentation*;
 - HKSA 500 *Audit Evidence*;
 - HKSA 510 *Initial Audit Engagements-Opening Balances*;
 - HKSA 570 *Going Concern*; and

- *HKSA 710 Comparative Information-Corresponding Figures and Comparative Financial Statements.*
- (ii) Cheng failed or neglected to observe, maintain or otherwise apply the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants (“Code of Ethics”) in conducting his duties as engagement director.
- (iii) Keung failed carry out an adequate engagement quality control review in accordance with *HKSA 220 Quality Control for an Audit of Financial Statements*, and as a result she neglected to observe, maintain or otherwise apply the fundamental principle of professional competence and due care in sections 100.5(c) and 130.1 of the Code of Ethics.

Having taken into account the circumstances of the case and regulatory records of Zenith and Cheng, 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 over 46,000 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.

Hong Kong Institute of CPAs' contact information:

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

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