



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

(HONG KONG, 14 January 2020) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Mr. Chan Wai Nam, William, certified public accountant (practising) (A33344), Mr. Jimmy Siu, certified public accountant (practising) (A32710), and Elite Partners CPA Limited (M0269) (collectively “Respondents”) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

Elite audited the consolidated financial statements of China Finance Investment Holdings Limited (“Company”) (formerly known as Cypress Jade Agricultural Holdings Limited), a Hong Kong listed company and its subsidiaries for the year ended 31 December 2015 and expressed an unmodified auditor’s opinion. Chan was the engagement director and Siu was the engagement quality control reviewer.

Under an agreement made with a third party during the year, the Company acquired an option (“Option”) to require the third party to subscribe for the Company’s convertible bonds up to a certain amount. The Company recognized the Option as a financial asset in the financial statements at a year-end fair value determined by an external valuer, with a corresponding gain on changes in fair value of the financial asset recognized in the income statement. The Company did not eventually exercise the Option.

In the audit, the Respondents failed to obtain sufficient evidence of the assumptions adopted by the valuer in valuing the Option. The Respondents also failed to prepare adequate documentation of their purported discussions with management concerning the Option and other audit procedures purportedly carried out on it. In addition, the Respondents failed to identify the inadequate financial statement disclosures of the fair value measurement and risks associated with the Option.

The Institute concluded as follows:

- (i) Chan and Elite 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*; and
  - HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.

- (ii) Siu failed or neglected to observe, maintain or otherwise apply HKSA 220 *Quality Control for an Audit of Financial Statements*.

### **Regulatory action**

Based on the foregoing and in lieu of further proceedings, the Council of the Hong Kong Institute of Certified Public Accountants 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; and
3. Chan, Siu and Elite pay an administrative penalty of HK\$35,000, HK\$20,000 and HK\$50,000, respectively, and they jointly pay costs of the Institute and the Financial Reporting Council totalling HK\$173,241.20.

### **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 ("HKICPA") 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, which are handled through a separate disciplinary process.

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](http://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 44,000 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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