



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

(HONG KONG, 15 January 2021) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Mr. Chan Kam Fuk, certified public accountant (practising) (membership number A20032) and Dominic K. F. Chan & Co., a firm of certified public accountants (firm number 1777) for their failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute.

Chan was the sole proprietor of Dominic K. F. Chan & Co. The firm issued an unmodified review report on the interim financial statements of Summi (Group) Holdings Limited and its subsidiaries (collectively, “Group”) for the six months ended 31 December 2018, noting material uncertainty about the Group’s ability to continue as a going concern.

The Group made significant payments for capital expenditures during the period. The payments depleted the Group’s bank balances as at 31 December 2018. Most of the payments were for land improvement contracts and were incorrectly classified as “lease prepayments for orange plantations”.

The respondents’ working papers reflected: insufficient understanding of the Group’s accounting system; insufficient assessment of the impact of the inappropriate classification; and inadequate procedures in relation to impairment assessments. The respondents’ review report also did not include an adequate explanation of management’s responsibility for the preparation of the interim financial statements.

The Institute concluded that the respondents failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Review Engagements 2400 (Revised) *Engagements to Review Historical 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 areas of non-compliance with the relevant professional standard;
2. the respondents be reprimanded; and
3. the respondents jointly pay an administrative penalty of HK\$50,000 and the Institute’s costs of HK\$15,000.

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 ("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.

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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