



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 certified public accountant (practising) and a firm

(HONG KONG, 15 July 2019) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Chan Kam Fuk, a certified public accountant (practising) (A20032) and Dominic K. F. Chan & Co. (1777) on 5 June 2019 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee further ordered the respondents to pay a penalty of HK\$80,000 and costs of the disciplinary proceedings of HK\$36,630.

Chan is the sole proprietor of Dominic K. F. Chan & Co. which issued an unmodified auditor's opinion on the consolidated financial statements of a Hong Kong listed company, Art Textile Technology International Company Limited (now known as Art Group Holdings Limited), and its subsidiaries for the year ended 30 June 2015.

The Institute received a referral from the Financial Reporting Council about irregularities in the audit of the company's financial statements. The financial statements disclosed basic and diluted loss per share that incorrectly included profits attributable to non-controlling interests. In addition, the diluted loss per share wrongly took into account potential ordinary shares which had an anti-dilutive effect. As a result of the errors, there was non-compliance with Hong Kong Accounting Standard 33 *Earnings Per Share*. In their audit, the respondents failed to identify the incorrect amounts of loss per share disclosed in the financial statements.

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

The respondents admitted the complaint against them. The Disciplinary Committee found that the respondents were in breach of 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.

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. The Committee considered that amounts of loss or earnings per share reflect the performance of a company and are key indicators for steering equity investment decisions, so their accuracy is crucial. The Committee further noted that the respondents had a past record of non-compliance with professional standards in reporting on a listed company's financial information.

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 44,000 members and 17,100 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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