



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

(HONG KONG, 20 May 2021) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Mr. Edmund Siu, certified public accountant (practising) (A15356), Mr. Yip Kai Yin, certified public accountant (A23951) 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 National Culture Group Limited (formerly known as China Railsmedia Corporation Limited), a Hong Kong listed company, and its subsidiaries for the year ended 31 March 2014. Siu was the engagement director and Yip was the engagement quality control reviewer.

The Institute received a referral from the Financial Reporting Council about deficiencies in the audit. The financial statements included goodwill arising from the group’s acquisition in 2012 of a business that engaged in the development and operation of a mobile phone application for restaurant reservations. The application was under development and had not been launched as at 31 March 2014.

In assessing impairment of the goodwill, the Respondents placed reliance on a cash flow forecast of the acquired business prepared by management. In doing so, they failed to obtain sufficient appropriate evidence to support the estimated number of subscribers to the application and subscription price adopted in the forecast. The Respondents also failed to prepare sufficient audit documentation on the expected launch date of the application, and their evaluation of the continued validity of the group’s agreement with a third party for marketing the application.

The Institute concluded as follows:

- (i) Siu 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) Yip 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 areas of non-compliance with professional standards;
2. The Respondents be reprimanded; and
3. Each of Siu, Yip and Elite pay an administrative penalty of HK\$50,000 to the Institute, and they jointly pay the costs of the Institute and the Financial Reporting Council totalling HK\$289,594.80.

### 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 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.

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