



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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

(HONG KONG, 13 November 2018) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Miss Lee Po Chi, certified public accountant (practising) (A16447) and Deloitte Touche Tohmatsu (0166) (collectively "Respondents") for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

Deloitte audited the consolidated financial statements of Culturecom Holdings Limited, a Hong Kong listed company, and its subsidiaries (collectively "Group") for each of the years ended 31 March 2013 to 2016 and expressed unmodified auditor's opinions. Lee was the engagement partner in those audits.

The financial statements for 2014 and 2015 included an impairment loss of HK\$29.6 million on the Group's investment in a listed company. This loss was inappropriately recorded, as the market value of the investee's shares was greater than their carrying amount in the two years. As a result, the Group's net assets were understated in those financial statements. In the Group's 2016 audited financial statements, the impairment loss was retrospectively reversed.

The Institute concluded that the Respondents were in breach of Hong Kong Standard on Auditing (HKSA) 500 *Audit Evidence* in the audits of the 2014 and 2015 financial statements.

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council concluded that the following should resolve the complaint:

1. The Respondents acknowledge the facts of the case and their non-compliance with HKSA 500;
2. they be reprimanded; and
3. each of Lee and Deloitte pay an administrative penalty of HK\$50,000 and they jointly pay costs of HK\$10,000.

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 (the Institute) 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 more than 42,000 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:

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