



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

Dear Assignment / News / Business Section Editor

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

(HONG KONG, 30 December 2014) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Tang Wai Hung (membership number A10201), Chow Chi Kit (membership number A14433) and W.H. Tang & Partners CPA Limited (corporate practice number M053) (collectively "respondents") on 17 November 2014 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. The Committee also ordered that (i) Tang and the corporate practice each pay a penalty of HK\$50,000 to the Institute; and (ii) Chow to pay a penalty of HK\$35,000 to the Institute. In addition, the respondents were ordered to pay costs of the disciplinary proceedings of HK\$23,673.20.

The corporate practice issued an unqualified opinion on the unaudited pro forma financial information of a group of companies ("**Unaudited PFI**") contained in a circular issued by a listed company in Hong Kong for the purpose of a substantial acquisition. The corporate practice also audited the financial statements of the listed company for the year ended 30 June 2010 ("**2010 Financial Statements**") and expressed an unmodified auditor's opinion on the 2010 Financial Statements. Tang is the engagement director of both engagements and Chow is the engagement quality control reviewer in the audit of the 2010 Financial Statements.

The Institute received information from The Stock Exchange of Hong Kong Limited about the corporate practice's failures to (i) state the properties under development at their fair values in the Unaudited PFI; and (ii) measure the prepaid lease payments and equity value of the convertible bonds at fair values at the 2010 Financial Statements. The matter of the 2010 Financial Statements was referred to the Financial Reporting Council ("**FRC**") for investigation. The FRC completed its investigation in October 2013 and concluded that the respondents had not complied with the relevant professional standards in respect of the audit of the 2010 Financial Statements. After considering the information available, the Institute lodged a complaint against the respondents under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

The respondents admitted the complaint against them. The Disciplinary Committee found that:

- (1) Tang failed or neglected to observe, maintain or otherwise apply the Fundamental Principles set out in the then applicable paragraph 100.4(c) and as elaborated in paragraph 130.1 "*Professional Competence and Due Care*" of the Code of Ethics for Professional Accountants ("**Code**") for failure to act diligently in accordance with professional standards when carrying out the work, as an engagement director, on the Unaudited PFI and the 2010 Financial Statements.

- (2) Chow failed or neglected to observe, maintain or otherwise apply (i) Hong Kong Standard on Auditing ("HKSA") 220 "*Quality Control for an Audit of Financial Statements*"; and (ii) the Fundamental Principles set out in the then applicable paragraph 100.4(c) and as elaborated in paragraph 130.1 "*Professional Competence and Due Care*" of the Code for failure to act diligently and in accordance with professional standards when carrying out the work, as an engagement quality control reviewer, in the 2010 Financial Statements.
- (3) In carrying out the work on the Unaudited PFI and 2010 Financial Statements, the corporate practice failed or neglected to observe, maintain or otherwise apply any one or all of the following professional standards:
- (i) Hong Kong Standard on Investment Circular Reporting Engagements 300 "*Accountants' Reports on Pro Forma Financial Information in Investment Circulars*";
  - (ii) HKSA 200 "*Objectives and General Principles Governing an Audit of Financial Statements*";
  - (iii) HKSA 230 "*Audit Documentation*";
  - (iv) HKSA 500 "*Audit Evidence*";
  - (v) HKSA 545 "*Auditing Fair Value Measurements and Disclosures*";
  - (vi) HKSA 620 "*Using the Work of an Expert*"; and/or
  - (vii) HKSA 700 "*The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*".

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.

Under the ordinance, if the respondents are aggrieved by the order, they may give notice of an appeal to the Court of Appeal within 30 days after they are served the order.

The order and findings of the Disciplinary Committee are available at the Institute's website under the "Compliance" section at [www.hkicpa.org.hk](http://www.hkicpa.org.hk).

Disciplinary proceedings of the Institute are conducted in accordance with Part V of the ordinance by a five-member Disciplinary Committee. The majority (three members) of each committee, including the chairman, are non-accountants chosen from a panel appointed by the Chief Executive of the HKSAR, and the other two members are CPAs.

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interests of justice. A hearing schedule is available at the Institute's website. A CPA who feels aggrieved by an order made by a Disciplinary Committee may appeal to the Court of Appeal, which may confirm, vary or reverse the order.

The Disciplinary Committees have the power to sanction members, member practices and registered students. Sanctions include temporary or permanent removal from membership or cancellation of a practising certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

- End -

## **About the Hong Kong Institute of Certified Public Accountants**

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 37,000 members and more than 18,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

### **Hong Kong Institute of CPAs' contact information:**

Stella To  
Deputy Director, Communications  
Phone: 2287 7209  
Mobile: 9027 7323  
Email: [stella@hkicpa.org.hk](mailto:stella@hkicpa.org.hk)