



Hong Kong Institute of Certified Public Accountants takes regulatory action against a firm of certified public accountants

(HONG KONG, 7 December 2020) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Li, Tang, Chen & Co., a firm of certified public accountants (0050), for its failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

The firm expressed an unmodified auditors' opinion on the consolidated financial statements of China Smarter Energy Group Holdings Limited, a listed company ("Company"), and its subsidiaries for the year ended 31 March 2015. Both the engagement partner and the engagement quality control reviewer of the audit have since resigned from the Institute.

In the audit, the firm did not properly assess the method, bases and assumptions used by the Company's management and valuer in valuing intangible assets acquired in a business combination. The firm also failed to identify the Company's error in accounting for the consideration shares issued for the business combination, in that the fair value of the shares was not measured at closing market price on the date of acquisition as required under Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) *Business Combinations* and HKFRS 13 *Fair Value Measurement* but at a significantly lower issue price.

The Institute concluded that the firm failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing ("HKSA") 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*, HKSA 500 *Audit Evidence*, and HKSA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*.

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 firm acknowledges the facts of the case and areas of non-compliance with professional standards;
2. the firm be reprimanded; and
3. the firm pays an administrative penalty of HK\$50,000 and costs of the Institute of HK\$15,000 and of the Financial Reporting Council of HK\$228,799.

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.

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