



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

(HONG KONG, 25 May 2020) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Miss Fok Joyce Sing Yan, certified public accountant (practising) (A37795) for her failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

Fok was the engagement quality control reviewer (“EQCR”) in the audit of the consolidated financial statements of Ceneric (Holdings) Limited (now known as TFG International Group Limited), a Hong Kong listed company, and its subsidiaries (collectively “Group”) for the year ended 31 December 2014 undertaken by a corporate practice that has now been deregistered.

The Group entered into a very substantial acquisition during the year, and the assets acquired included a hotel in mainland China of which the right to operate, manage and maintain had been granted to a hotel management company.

The audit engagement team failed to appropriately assess the audit risks associated with the transaction and hence the planned audit procedures were inadequate to address the risks of material misstatement in respect of the acquisition. Consequently, the audit engagement team failed to properly evaluate the fair values of the assets acquired. They also failed to identify the non-compliance with accounting requirements in relation to the gain on bargain purchase and the erroneous classification of the hotel. Those areas were material and involved significant judgements. As EQCR, Fok failed to properly perform an objective evaluation of the significant judgements made by the audit engagement team and the conclusions reached in formulating the auditor’s report.

The Institute concluded that Fok failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing 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. Fok acknowledge the facts of the case and her non-compliance with professional standards;
2. Fok be reprimanded; and

3. Fok pay an administrative penalty of HK\$50,000 and costs of the Institute and the Financial Reporting Council totalling HK\$50,403.

#### 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).

- End -

#### **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 45,000 members and 19,000 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:**

Ms Gemma Ho  
Public Relations Manager  
Phone: 2287-7002  
Email: [gemmaho@hkicpa.org.hk](mailto:gemmaho@hkicpa.org.hk)

Ms Rachel So  
Head of Corporate Communications and Member Services  
Phone: 2287-7085  
Email: [rachelso@hkicpa.org.hk](mailto:rachelso@hkicpa.org.hk)