



Dear Assignment / News / Business Section Editor

Hong Kong Institute of Certified Public Accountants takes disciplinary action against a certified public accountant

(HONG KONG, 23 August 2016) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered on 9 August 2016 that the name of Au Yeung Keung, Steve (membership number F02874) be removed from the register of certified public accountants for three years with effect from 18 September 2016. In addition, he was ordered to pay HK\$200,000 towards the costs of the disciplinary proceedings.

In 2002 to 2003, Au Yeung was the General Manager - Financial and Commercial Affairs and Company Secretary of a Hong Kong listed company. He knowingly made or assisted in making misrepresentations or misleading statements to the Stock Exchange of Hong Kong Limited that an investment project in a gas pipeline business in 2002 was a genuine one when he knew that it was not. He also participated in the subsequent sham disposal of the project in 2003.

After considering the information available, the Institute lodged a complaint against him under section 34(1)(a)(x) of the Professional Accountants Ordinance (Cap.50).

Au Yeung admitted the complaint against him. The Disciplinary Committee found that he was guilty of dishonourable conduct. Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Au Yeung under section 35(1) of the ordinance.

Under the ordinance, if Au Yeung is aggrieved by the order, he may give notice of an appeal to the Court of Appeal within 30 days after he is 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.

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

Disciplinary hearings are held in public unless the Disciplinary Committee directs otherwise in the interest 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.

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 practicing certificate, a reprimand, a penalty of up to \$500,000, and payment of costs and expenses of the proceedings.

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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 40,000 members and 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.

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致：編採主任／新聞／財經版編輯

香港會計師公會對一名會計師作出紀律處分

(香港，二零一六年八月二十三日) — 香港會計師公會轄下紀律委員會，於二零一六年八月九日命令將歐陽強先生(會員編號：F02874)的名字由二零一六年九月十八日起從專業會計師註冊紀錄冊中除名，為期三年。此外，歐陽先生須繳付部分紀律程序費用港幣二十萬元。

歐陽先生於2002年至2003年在一間香港上市公司任職財務及商務總經理兼公司秘書。他在知情情況下，協助該公司向香港交易所發出虛假陳述和誤導聲明，申明一項在2002年投資天然氣管道的項目屬實，而他明知並非事實。歐陽先生其後在2003年也參與了該項目的虛假出售。

公會經考慮所得的資料，根據《專業會計師條例》(第50章) 第34(1)(a)(x)條對歐陽先生作出投訴。

歐陽先生承認投訴中的指控屬實。紀律委員會裁定歐陽先生犯下不名譽的行為。經考慮有關情況後，紀律委員會根據《專業會計師條例》第35(1)條向歐陽先生作出上述的命令。

根據《專業會計師條例》，如歐陽先生不服紀律委員會對他作出的命令，可於命令文本送達後30天內向上訴法庭提出上訴。

紀律委員會的書面判決可於公會網頁內Compliance 部分查閱，網頁為 <http://www.hkicpa.org.hk>。

公會的紀律程序是根據《專業會計師條例》第V部份，由五位成員組成的紀律委員會執行。每個紀律委員會的大多數成員，即包括主席在內的三名成員，是從業外人士組成的紀律小組中選派，該紀律小組的成員是由香港特別行政區行政長官委任的；另外兩名成員由專業會計師出任。

除非負責的紀律委員會因公平理由認為不恰當，否則紀律聆訊一般以公開形式進行。紀律聆訊的時間表可於公會網頁查閱。如當事人不服紀律委員會的裁判，可向上訴法庭提出上訴，上訴法庭可確定、修改或推翻紀律委員會的裁判。

紀律委員會有權向公會會員、執業會計師事務所會員及註冊學生作出處分。紀律處分範圍包括永久或有限期地將違規者從會計師註冊紀錄冊中除名或吊銷其執業證書、對其作出譴責、下令罰款不多於五十萬港元，以及支付紀律程序的費用。

— 完 —

關於香港會計師公會

香港會計師公會是香港唯一獲法例授權負責專業會計師註冊兼頒授執業證書的組織，會員人數超過四萬，註冊學生人數逾一萬八千。公會會員可採用「會計師」稱銜（英文為 **certified public accountant**，簡稱 **CPA**）。

公會(Hong Kong Institute of Certified Public Accountants)於一九七三年一月一日成立，當時的英文名稱為 **Hong Kong Society of Accountants**。

公會根據《專業會計師條例》履行職責，以公眾利益為依歸。其職能廣泛，包括開辦專業資格課程(**Qualification Programme**)以確保會計師的入職質素，以及頒布香港的財務報告、審計及專業操守準則。此外，公會亦負責在香港監管和推動優良而有效的會計實務，以鞏固香港作為國際金融中心的領導地位。

香港會計師公會是全球會計聯盟（**Global Accounting Alliance**，**GAA**）的成員之一。全球會計聯盟於二零零五年成立，聯合了全球頂尖的專業會計團體，推動優質服務，並積極與各地監管機構、政府及關連人士就國際重要議題共同合作。

香港會計師公會聯絡資料

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IN THE MATTER OF

A Complaint made under Section 34(1) and 34(1A) of the Professional Accountants Ordinance (Cap.50) (“the PAO”) and referred to the Disciplinary Committee under Section 33(3) of the PAO

BETWEEN

The Registrar of the Hong Kong Institute of Certified Public Accountants

COMPLAINANT

AND

Mr. Au Yeung Keung Steve
Membership No. F02874

RESPONDENT

Before a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants

Members: Mr. Kaung Wai Ming Alexander (Chairman)
Mr. Au Yeung Wai Lun
Ms. Cheng Wei Yan Vena
Mr. Ho Kam Wing Richard
Mr. Shen Ka Yip Timothy

ORDER & REASONS FOR DECISION

1. This is a complaint made by the Registrar of the Hong Kong Institute of Certified Public Accountants (the “**Institute**” or the “**Complainant**”) against Mr. Au Yeung Keung Steve, a certified public accountant (practising) (the “**Respondent**”).
2. A Notice of Commencement of Proceedings and procedural timetable was issued to the parties on 9 May 2016 and they were requested to make submissions and filings regarding the complaint made by the Complainant dated 4 January 2016 (the “**Complaint Letter**”).
3. By consent between the parties, the Disciplinary Committee has directed that Complaints 1, 2 and 4 set out in the Complaint Letter be consolidated into one complaint (the “**Amended Complaint**”). On this basis, the Complainant agreed not to pursue Complaint 3 further, and the Respondent admitted the Amended Complaint against him. The Respondent has also confirmed that he does not dispute the facts as set out in the letter from the Complainant to the Institute’s Council dated 4 January 2016 (the “**Facts**”).

4. Also, in light of the admission by the Respondent and by consent between the parties, the Disciplinary Committee has directed that the steps set out in Rules 17 to 30 of the Disciplinary Committee Proceedings Rules be dispensed with, and that the parties make written submissions as to sanctions and cost which should be imposed by the Disciplinary Committee.
5. The Respondent has admitted the Amended Complaint which is as follows:-

“Section 34(1)(a)(x) of the Professional Accountants Ordinance applies to the Respondent in that he was guilty of dishonourable conduct by reason of his conduct set out below:

 - (a) he knowingly made or assisted in making misrepresentations or misleading statements to the Stock Exchange, in letters dated 19 March 2003 and 8 April 2003 issued by Grand Field (as defined below), that the Project (as defined below) was a genuine one when he knew that it was not; and*
 - (b) he participated in the sham disposal of the Project, and thereby failed to conduct himself in a manner consistent with the good reputation of the profession and the Institute.”*
6. For the purposes of deciding on the appropriate sanction against the Respondent, the Disciplinary Committee has considered the Facts. A summary of the Facts which are relevant to the decision of the Disciplinary Committee is set out below.
7. Grand Field Group Holdings Limited ("**Grand Field**", or the "**Group**") was a listed company in Hong Kong.
8. In 2002 to 2003, Grand Field purported to invest in and then subsequently sell off an interest in a gas pipeline business in Chongqing, China (the "**Project**"). The Project was in fact fictitious as the Group had no intention of pursuing the Project beyond entering into the formal agreements "on paper" and establishing the corporate vehicles.
9. At the material time Wayland Tsang Wai-lun ("**Tsang**") was the chairman of Grand Field, while his wife Nancy Kwok Wai-man ("**Kwok**") was the executive director. The Respondent joined Grand Field in April 2002 as the General Manager – Financial and Commercial Affairs. He subsequently also took up the position of Company Secretary.
10. In about mid-March 2002, through introductions by various persons including one Ivan Wong and his partner Li Tai Pang ("**TP Li**"), Tsang was introduced to some potential energy projects in China. Tsang expressed interest in participating in the project "on paper", as such an "investment" could impact favourably on Grand Field's share price.
11. A new company Sino Richest Limited ("**Sino Richest**") was established on 3 May 2002 of which the shareholders were Ivan Wong and 2 other corporate vehicles controlled by Lin Xianguo ("**Lin**") and Zeng Qinqchun ("**Zeng**") respectively. Lin and Zeng were

nominees of Tsang and Kwok. A purported valuation report of the Project giving a valuation of \$106 million was produced.

12. On 25 May 2002 a joint venture agreement ("**JV Agreement**") was signed between Sino Richest and the purported PRC partner, Chongqing Wansheng Coal Carbonization Gas Company Limited ("**Wansheng Coal**"). Under the JV Agreement a joint venture vehicle, Chongqing Sino Richest Wansheng Gas Company Limited ("**Sino Richest Wansheng**"), was set up with a registered capital of \$30 million, of which 80% was to be contributed by Sino Richest and 20% by Wansheng Coal.
13. On 30 May 2002 a share transfer agreement was entered into under which a wholly-owned subsidiary of Grand Field acquired a 75% share of Sino Richest for \$63 million payable by the issue of 315 million shares at \$0.20 per share to Sino Richest's 3 shareholders.
14. On 4 June 2002 Grand Field issued a public announcement which stated that the acquisition of the Project represented an excellent opportunity for the Group to diversify its business "into natural gas business in PRC...". The valuation of \$106 million was stated to have been prepared by "an independent firm of professional valuers". Completion of the JV Agreement was conditional upon obtaining the necessary approvals and licenses from governmental authorities. Eventually a Business License and an Approval Certificate were obtained. In September 2002, the new shares issued by Grand Field for the acquisition started to be traded on the Stock Exchange of Hong Kong ("**Stock Exchange**").
15. As the capital injection envisaged under the JV Agreement did not take place as scheduled, the Stock Exchange began to make enquiries from late October 2002. In the ensuing correspondence, Grand Field was unable to give any satisfactory explanation as to why the Project had not advanced forward.
16. A plan was devised by Grand Field to "sell-off" the Project to get rid of the continuing inquiries. Upbest Group Limited ("**Upbest**"), another listed company, was brought in as financial consultant to advise on the purported sale and the enquiries from the Stock Exchange. Li Kwok Cheung George ("**George Li**") and Charles Cheng Kai-ming ("**Cheng**") were executive directors of Upbest Group. In addition, advice was also obtained from David Wong, who ran a tax advisory company.
17. The "sale" went ahead at the end of July 2003. Using a sum made available by Upbest and based on advice from George Li and David Wong, Grand Field purported to sell its interest in Sino Richest back to one of the 3 original shareholders for the sum of \$32 million, and the proceeds was passed from the purported buyer to Grand Field, and then to Tsang, and eventually returned to Upbest.

18. In 2007, the ICAC laid criminal charges in connection with the above fraud. Tsang and Kwok were charged with, inter alia, conspiring with the Respondent to defraud Grand Field's shareholders and the Stock Exchange by dishonestly concealing that there had been no genuine acquisition of the Project in Chongqing, and falsely representing that there was a genuine disposal of the Project. The Respondent testified under immunity and was not charged with any offence.
19. Both Tsang and Kwok were found guilty after a trial in the District Court. Their appeals against the conviction were dismissed by the Court of Appeal.
20. The gravamen of the Complainant's case is that the Respondent played a key role in concealing from the Stock Exchange the non-existence of the Project and also in the subsequent sham disposal.
21. The Complainant's case is that in so doing, the Respondent has failed or neglected to observe the following professional standards:-
- (1) Ethics Statement 1.291 (January 1998) which provides:-
- "5. An employed member, including one working outside the areas normally associated with accountancy, must maintain a high standard of conduct. In conforming with this standard, an employed member should not knowingly mislead or misrepresent facts to others and should use due care to avoid doing so unintentionally. At all times, an employed member should be conscious that integrity must be an overriding principle."*
- (2) Ethics Statement 1.200 (revised April 1999) which provides:-
- "The following are the Fundamental Principles on which the ethical guidance of the Hong Kong Society of Accountants is based:-*
.....
- 4. A member should follow the ethical guidance of the Society and in circumstances not provided for by that guidance should conduct himself in a manner consistent with the good reputation of the profession and the Society."*
22. The Respondent accepts that he was responsible for drafting or formulating the replies given by Grand Field to the Stock Exchange from late October 2002 onwards, and that those replies contained false information.
23. In particular, Grand Field issued letters to the Stock Exchange dated 19 March 2003 and 8 April 2003 which continued to assert the existence of the Project, even though by that stage the Respondent already knew that it was not true.
24. The letter of 19 March 2003 contained, inter alia, the following false statements:-

- (i) a continuation of the assertion that the Project existed;
 - (ii) that progress had been "*sluggish*", and "*...Sino Richest has been liaising with the China Party and the relevant local PRC government officials to go on the development of the [Project]*";
 - (iii) that Grand Field "*...is in the course of assessing the implication that [i.e. the sluggish progress] may have on the lapse of the [Business License] and [Approval Certificate] of the Chongqing JV.*"
25. The letter to the Stock Exchange dated 8 April 2003 contained, inter alia, the following false statements:-
- (i) A continuation of the assertion that the Project existed;
 - (ii) The Business License and the Approval Certificate could be either renewed or extended.
26. On 11 August 2003, Grand Field made a public announcement that it had disposed of its interest in the Project. The Respondent also accepts that certain facts stated in the announcement were not true.
27. The Respondent also accepts that he participated in the sham disposal by Grand Field by inter alia doing the following:-
- (i) In relation to the "sale" to Logistic China Enterprises Ltd. ("**Logistic China**"), a company controlled by Zeng, the Respondent met with George Li and Cheng and was advised that a sum would be made available from Upbest to enable Logistic China to "buy" the Project from Grand Field, but the sum would eventually be returned to Upbest;
 - (ii) The Respondent received documents such as assignments or agreements prepared by David Wong, and filled in the relevant details before passing them on to Tsang and/or Kwok for their signature or for them to pass on to Logistic China;
 - (iii) When George Li asked the Respondent if there was any way in which the money could be paid "legitimately" to Tsang after Grand Field had received the sale proceeds, the Respondent told him that the "amount due to director" item in the balance sheet could be utilized;
 - (iv) The Respondent instructed his subordinate Astor Wong to open an account at Wing Hang Bank for Logistic China for the fund transfers;

- (v) After the fund transfer was completed, Respondent sent to the Stock Exchange a deposit slip showing that Ka Fong Industrial Limited, a subsidiary of Grand Field, had received the sale proceeds of \$32 million.
28. In sum, the Respondent's conduct was dishonest and he participated in the making of fraudulent misstatements to the general public, shareholders of Grand Field as to the existence of the Project and its purported disposal.
29. The Disciplinary Committee agrees that such conduct constituted breaches of the professional standards referred to above, and that the Respondent was guilty of dishonourable conduct which would tend to bring the reputation of the accountancy profession into disrepute.
30. The Complainant and the Respondent provided their respective written submissions on sanctions and costs on 27 June 2016. Reply submissions were also provided by the Respondent on 30 June 2016. The Complainant elected not to file any reply submissions.
31. The Complainant has referred to two past cases which it is said have parallels to the present case (D-11-IC14QMY-H and Proceedings No.: D-11-117HLO). In one of those cases, the sanction was a permanent removal from the register. In the other case, the sanction was a removal from the register for a period of five years.
32. In deciding on the appropriate sanction, the Disciplinary Committee has a wide discretion under Section 35 of the Professional Accountants Ordinance. What would be an appropriate sanction in any particular case must be considered in the light of all of the circumstances of that particular case.
33. Having said that, the Disciplinary Committee does not agree with the submission which has been made by the Respondent that his conduct is far less serious than the conduct involved in those two past cases. On any measure, the Respondent's dishonesty and participation in the making of fraudulent misstatements was conduct of a serious nature.
34. In his submissions on sanctions, the Respondent has referred to his personal circumstances at the time of the events in question, and submits that he unwittingly obeyed the instructions of his principals due to the then tough economic circumstances and bleak prospects in the job market. However, this does not excuse the Respondent's knowing participation and conduct as described above.
35. It is accepted that the Respondent did not initiate the fraudulent scheme, and that there is no evidence that he derived any personal gain from his conduct.
36. The fact that the Respondent gave evidence under immunity in the criminal prosecution against others does not mitigate the severity of the Respondent's ethical breaches and conduct. However, it is accepted that the matter has been hanging over

the Respondent's head since 2003. It is also accepted that, as the Respondent submits, the stigma attached to the sanction to be imposed against him will inevitably affect any future career prospects which he may have.

37. The Disciplinary Committee also takes into account that the Respondent has admitted the Amended Complaint against him, which has allowed Rules 17 to 30 of the Disciplinary Committee Proceedings Rules to be dispensed with and shortened these proceedings considerably, and has no doubt resulted in the saving of time and costs.
38. However, the Respondent's breaches involved serious lapses of integrity, and his conduct fell seriously below the standard of integrity, probity and trustworthiness that the public can expect from a member of the HKICPA. They clearly warrant a removal of the Respondent from the register (of certified public accountants) for a specified period.
39. As to costs, the Disciplinary Committee has a discretion to determine the extent to which costs should be recoverable. Absent any good reason to do otherwise, costs should follow the event ie. be awarded to the successful party in the proceedings. The Disciplinary Committee orders that the Respondent pay the Complainant's costs and the costs of the Clerk to the Disciplinary Committee.
40. Both parties have already addressed the Disciplinary Committee on costs. The Complainant has produced a Statement of Costs and seeks costs in the total amount of HK\$223,355.20, of which HK\$219,945.20 represents the costs of the Complainant itself for conducting its investigation and preparing the complaint in these proceedings, and HK\$3,410.00 represents the costs of the Clerk to the Disciplinary Committee. The Complainant submits that the costs which it has incurred are eminently reasonable and are much less than what would have been incurred if any external legal advisers had been involved.
41. Adopting a broad brush approach akin to gross sum assessment conducted by the courts, the Disciplinary Committee assesses the Complainant's costs including the costs of the Clerk to the Disciplinary Committee at HK\$200,000.00.
42. For the avoidance of doubt, in considering the appropriate sanctions to be imposed in this case, the Disciplinary Committee has had regard to all the aforesaid matters, including the Amended Complaint and the Facts, and all the submissions made by the Respondent on sanctions and costs.
43. The Disciplinary Committee orders that:-
 - (1) the name of the Respondent be removed from the register of certified public accountants for a period of three years commencing on the 40th day from the date of this order under Section 35(1)(a) of the PAO; and

(2) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant including the costs of the Clerk to the Disciplinary Committee in the sum of HK\$200,000 under Section 35(1)(iii) of the PAO.

Dated the 9th day of August 2016