



Dear Assignment/News/Business Section Editor

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

(HONG KONG, 25 October 2016) — On 12 October 2016, a Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Wong Wing Hong (membership number F06719) and ordered that a practising certificate shall not be issued to him for 2016 and 2017. In addition, Wong was ordered to pay a penalty of HK\$60,000 and costs of the disciplinary proceedings of HK\$24,730.

Wong was formerly a partner of Leslie Cheng & Co. ("LCC") which issued an unmodified auditor's opinion on the financial statements of **a Hong Kong listed company** and its subsidiaries for the year ended 31 December 2009. Wong was the engagement partner of the 2009 audit.

The Institute received a referral from the Financial Reporting Council about deficiencies in the audit work carried out in the 2009 audit. They found non-compliances with professional standards regarding (i) recognition of depreciation and financial statement disclosure of plant and machinery; (ii) fair value measurements of shares issued as consideration for two acquisitions; and (iii) determination of weighted average number of ordinary shares for the purpose of calculating the loss per share in the 2009 financial statements.

After considering the information available, the Institute lodged a complaint against Wong under section 34(1)(a)(vi) of the Professional Accountants Ordinance. Wong admitted the complaint against him.

The Disciplinary Committee found that Wong, as the engagement partner, failed to act diligently in accordance with section 100.4(c) as elaborated in section 130.1 of the then applicable Code of Ethics for Professional Accountants because LCC failed or neglected to observe, maintain or otherwise apply a number of auditing standards in the 2009 audit.

Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Wong under section 35(1) of the ordinance.

Under the ordinance, if Wong 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](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. 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 practising 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 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.

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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，二零一六年十月二十五日) — 香港會計師公會(「公會」)轄下一紀律委員會，於二零一六年十月十二日譴責黃永康先生(會員編號:F06719)，並命令在2016及2017年內不向他發出執業證書。此外，黃先生須繳付罰款港幣六萬元及支付公會的紀律程序費用港幣二萬四千七百三十元。

黃永康先生是鄭志鵬會計師事務所的前合夥人，該事務所曾就一間香港上市公司及其附屬公司截至2009年12月31日的財務報表，發出了無保留意見的核數師報告。黃先生是2009年審計項目的合夥人。

公會收到財務匯報局(「財匯局」)的轉介，指該2009年的審計工作有不足之處。財匯局發現該審計工作不符合專業準則的範圍包括 (i) 確認廠房和機械的折舊及其財務報表披露；(ii)對於因兩項收購而發出股票的公平估值；及(iii)就2009年度財務報表中計算每股虧損的普通股加權平均數。

經考慮有關情況後，公會根據《專業會計師條例》第34(1)(a)(vi)條對黃先生作出投訴。黃先生承認投訴中的指控屬實。

紀律委員會裁定黃先生作為項目合夥人，沒有根據Code of Ethics for Professional Accountants第100.4(c)段及第130.1段盡責謹慎，因鄭志鵬會計師事務所在審核有關公司2009年度的財務報表中，沒有或忽略遵守、維持或以其他方式應用數項審計準則。

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)條向黃先生作出上述的命令。

根據《專業會計師條例》，如黃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。

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## 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)(a) 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. Wong Wing Hong  
Membership No. F06719 RESPONDENT

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

Members: Ms. Julia Frances Charlton (Chairman)

Mr. Vincent Chin

Mr. Lam Yin Shing Donald

Ms. Li Yin Fan Fanny

Mr. Yeung Chi Wai Edwin

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**ORDER & REASONS FOR DECISION**

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1. This is a complaint made by the Registrar of the Hong Kong Institute of Certified Public Accountants (the "**Institute**") against Mr. Wong Wing Hong, a certified public accountant (the "**Respondent**"). Section 34(1)(a)(vi) of the Professional Accountants Ordinance ("**PAO**") applied to the Respondent.
2. The Complaints as set out in a letter dated 25 May 2016 (the "**Complaint**") from the Registrar to the Council of the Institute are as follows:-

**BACKGROUND**

- (1) China Post E-Commerce (Holdings) Limited (now known as Luxey International (Holdings) Limited) ("Company") was incorporated in the Cayman Islands and its shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong (Stock code: 8041).

- (2) The financial statements of the Company and its subsidiaries ("Group") for the year ended 31 December 2009 ("2009 Financial Statements") were stated to have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants .
- (3) Leslie Cheng & Co. ("LCC") was appointed as auditor of the Company and issued an unmodified auditor's report on the 2009 Financial Statements on 19 March 2010. The auditor's report stated that the audit was conducted in accordance with the Hong Kong Standards on Auditing ("HKSA").
- (4) The Respondent was formerly a partner of LCC who acted as the engagement partner for this audit.
- (5) During 2009, the Group acquired 53% in equity interest of iKanTV Limited ("iKanTV") and 20% in equity interest of Info-Source Media Limited ("Info-Source"). The acquisitions of iKanTV and Info-Source were partly settled by issuance of a total of 970 million shares and 395,820,895 shares of the Company respectively.
- (6) The Financial Reporting Council ("FRC") received a complaint of possible non-compliance and auditing irregularity in relation to the 2009 Financial Statements.
- (7) In carrying out its investigation, the FRC found non-compliances with accounting standards regarding (i) recognition of depreciation and disclosure of the carrying amount of the plant and machinery; (ii) fair value measurements of the shares issued as consideration for the acquisitions of iKanTV and Info-Source; and (iii) determination of weighted average number of ordinary shares for the purpose of calculating the loss per share in the 2009 Financial Statements. These non-compliances were subsequently corrected by retrospective restatements in the Group's financial statements for the year ended 31 December 2010.
- (8) In his representations to the FRC, the Respondent admitted that he had misinterpreted HKAS 16 and consequently omitted to recognize the depreciation and disclose the carrying amount of the plant and machinery under the cost model. He also admitted that he had failed to advise the engagement team to perform necessary audit procedures and document their judgment regarding the use of the valuation report as audit evidence.
- (9) In addition, he agreed that he should have performed additional audit work to justify the Company's accounting treatment and document the work done in relation to the fair value measurements of shares. The Respondent also admitted to have failed to ensure the accuracy of the calculation of the weighted average number of the Company's shares and the loss per share .

- (10) On 17 September 2013, the FRC referred to the Institute a report of the Audit Investigation Board ("AIB") dated 8 August 2013 to the Institute pursuant to section 9(f) of the FRC Ordinance, Cap.588 (Appendix 1).
- (11) The complaint against LCC and the engagement quality control reviewer in respect of the audit of 2009 Financial Statements was concluded by a Disciplinary Committee on 18 December 2015. The Disciplinary Committee found that LCC failed or neglected to observe, maintain or otherwise apply professional standards (as set out under paragraphs 14 and 15 below) under section 34(1)(a)(vi) of the PAO. **The Respondent was not a party in that disciplinary proceeding since he had been removed from the Institute's register of certified public accountants. He was aware that he would be subject to this complaint upon his re-admission.**

#### *SUMMARY OF PRINCIPAL ISSUES*

- (12) In the 2009 Financial Statements, the Company failed to:
- (a) recognize depreciation and disclose the carrying amount of the plant and machinery measured under the cost model, in accordance with paragraphs 31 and 77 of the Hong Kong Accounting Standard ("HKAS") 16 "Property, Plant and Equipment";
  - (b) use the published price of the Company's shares to measure the fair value of the shares issued as consideration for the acquisition of iKanTV, in accordance with paragraphs 24 and 27 of HKFRS 3 "Business Combinations";
  - (c) use the published price of the Company's shares in the initial measurement of the fair value of the shares issued as consideration for the acquisition of Info-Source, in accordance with paragraphs 43, 48A and Application Guidance 64 of HKAS 39 "Financial Instruments: Recognition and Measurement"; and
  - (d) determine the weighted average number of the Company's ordinary shares for the purpose of calculating the loss per share, in accordance with paragraphs 19 and 20 of HKAS 33 "Earnings per Share".
- (13) The associated financial effects of the above non-compliances were considered material to the 2009 Financial Statements.
- (14) LCC failed to express a modified auditor's opinion on the 2009 Financial Statements in respect of the above non-compliances with HKAS 16, HKFRS 3, HKAS 39 and HKAS 33, in accordance with paragraphs 11 and 13 of the HKSA 700 "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements".

- (15) In addition, in carrying out the audit of the 2009 Financial Statements, LCC was found to have failed to comply with the following HKSAs:
- (a) Paragraphs 2 and 9 of HKSA 230 "Audit Documentation";
  - (b) Paragraphs 2 and 11 of HKSA 500 "Audit Evidence";
  - (c) Paragraphs 3 and 63 of HKSA 545 "Auditing Fair Value Measurements and Disclosures"; and
  - (d) Paragraphs 2, 8, 9, 11 and 12 of HKSA 620 "Using the Work of an Expert".
- (16) The principal issues are explained in the AIB report, which should be referred to for details. The issues and evidence may be further addressed in the Complainant's Case to be filed pursuant to the Disciplinary Committee Proceedings Rules.
- (17) As the engagement partner for the audit of the 2009 Financial Statements, the Respondent is accountable for LCC's multiple breaches of the above auditing standards.
- (18) In responding to the Institute's enquiry, the Respondent submitted that he had exercised his best knowledge in reviewing the audit work carried out on revalued plant and machinery by his audit team in which all members were certified public accountants. He considered that the Institute's support to small and medium practice auditors was insufficient. As regards the fair value measurement of the consideration shares concerned, the Respondent agreed that there was insufficient audit documentation to support his judgment why the market value of the shares could not be adopted as fair value .

#### *THE COMPLAINT*

- (19) Section 34(1)(a)(vi) of the PAO applies to the Respondent in that, as the engagement partner responsible for the audit of the 2009 Financial Statements, he failed to act diligently in accordance with section 100.4 (c) as elaborated in section 130.1 of the then applicable Code of Ethics for Professional Accountants because Leslie Cheng & Co. failed or neglected to observe, maintain or otherwise apply the following professional standards in the audit:
- (i) Paragraphs 2 and 9 of HKSA 230;
  - (ii) Paragraphs 2 and 11 of HKSA 500;
  - (iii) Paragraphs 3 and 63 of HKSA 545;
  - (iv) Paragraphs 2, 8, 9, 11 and 12 of HKSA 620;
  - (v) Paragraphs 11 and 13 of HKSA 700.
3. The Respondent admitted the complaints against him. He did not dispute the facts as set out in the complaints. On 25 July 2016, the parties agreed that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules ("**DCPR**") be dispensed with.



4. The Disciplinary Committee agreed to the parties' joint application to dispense with the steps set out in Rule 17 to 30 of the DCPR in light of the admission made by the Respondent and directed the parties to make written submissions on sanctions and costs.
5. The Complainant provided his submissions on sanctions and costs on 25 August 2016. The Respondent provided his submissions on sanctions on 23 August and he provided clarifications on 29 August 2016. The complaints were all found proved on the basis of the admission by the Respondent.
6. In considering the proper order to be made in this case, the Disciplinary Committee has had regard to all the aforesaid matters, including the particulars in support of the Complaints, the Respondent's personal circumstances, and the conduct of the Respondent throughout the proceedings.
7. The Disciplinary Committee orders that:-
  - (a) the Respondent be reprimanded under Section 35(1)(b) of the PAO;
  - (b) the Respondent pay a penalty of HK\$60,000 under Section 35(1)(c) of the PAO;
  - (c) a practising certificate shall not be issued to the Respondent for the year 2016 and 2017 under section 35(1)(db) of the PAO;
  - (d) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$24,730 under Section 35(1)(iii) of the PAO.

Dated the 12<sup>th</sup> day of October 2016

