



Dear Assignment / News / Business Section Editor

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

(HONG KONG, 1 November 2013) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered on 10 October 2013 that (a) the name of Choi Kwok Man (membership number A03798) be removed from the register of certified public accountants for 18 months with effect from 18 November 2013 and (b) K.M. Choi & Au Yeung Limited (corporate practice number M043) be reprimanded for their failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute.

In addition, Choi and the corporate practice (collectively "respondents") were ordered to pay the costs of the disciplinary proceedings of HK\$162,265.40, which included the investigation costs of the Financial Reporting Council of HK\$81,016.40.

The corporate practice audited the financial statements of a listed company in Hong Kong for the years ended 31 December 2007, 2008 and 2009. Choi is one of the practising directors of the corporate practice and the relevant audit reports were signed by Choi. The FRC's investigation of the audits revealed that the respondents issued unqualified audit reports on the relevant financial statements notwithstanding that the listed company did not apply International Financial Reporting Standard 2 "*Share-based Payment*" to account for share options granted to the employees of the listed group. After considering the FRC's investigation report and information available, the Institute lodged a complaint against the respondents under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

The Disciplinary Committee found that the respondents failed or neglected to observe, maintain or otherwise apply a professional standard issued by the Institute, namely section 130 "Professional Competence and Due Care" of the Code of Ethics for Professional Accountants in that they were not aware of the existence of International Financial Reporting Standard 2 "*Share-based Payment*".

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.

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 nearly 36,000 members and more than 17,000 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