



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

(HONG KONG, 29 June 2022) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against HLM CPA Limited (M0481) and Ms. Yuen Suk Ching, certified public accountant (A02183) and Miss Ng Fai, Fiona, certified public accountant (practising) (A22790) (collectively “Respondents”) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

HLM CPA Limited audited the consolidated financial statements of China Investment Fund International Holdings Limited (currently known as China Investment Fund Company Limited), a Hong Kong listed company (“Company”), and its subsidiaries for the year ended 31 December 2016. It issued an unmodified opinion. Yuen was the engagement director and Ng was the engagement quality control reviewer.

The Institute received a referral from the Financial Reporting Council (“FRC”) about audit irregularities. They noted that the fair values of two available-for-sale investments included in the financial statements had declined significantly below their original costs. This was objective evidence of impairment of the investments, and would require an impairment loss to be recognized in accordance with Hong Kong Accounting Standard 39. The Company did not do so and instead inappropriately recognised the cumulative fair value decline in equity. The auditor failed to recognize the objective evidence of impairment of the investments and the inappropriate accounting treatment of their fair value decline in the financial statements.

The Institute concluded that HLM CPA Limited and Yuen failed to properly understand the applicable accounting framework, exercise professional judgement, seek appropriate consultation, and evaluate the accounting treatment and evidence on the available-for-sale investments, which was assessed as a high risk audit area. As a result, they were in breach of 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 220 *Quality Control for an Audit of Financial Statements*, HKSA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, and HKSA 700 *Forming an Opinion and Reporting on Financial Statements*. The Institute further concluded that Ng failed to perform an adequate engagement quality control review of the audit team’s procedures and conclusion, and as a result she was in breach of HKSA 220.

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 Respondents acknowledge the facts of the case and areas of non-compliance with professional standards;
2. The Respondents be reprimanded; and
3. HLM CPA Limited, Yuen and Ng pay administrative penalties of HK\$35,000 and HK\$45,000 and HK\$20,000 respectively to the Institute, and they jointly pay the costs of the Institute of HK\$15,000 and of the FRC of HK\$81,045.97.

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.

- 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 over 46,000 members and 13,000 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:

Olivia Mui

Associate Director

Phone: 2287-7002

Email: media@hkicpa.org.hk