



Dear Assignment / News / Business Section Editor

Hong Kong Institute of CPAs takes disciplinary action Against a certified public accountant

(HONG KONG, 19 January 2012) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Li Kwok Cheung (membership number A02754) on 17 January 2012, and ordered him to pay to the Institute a penalty of HK\$70,000 for his failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute.

In addition, Li was ordered to pay HK\$79,643 towards the costs of the disciplinary proceedings.

Li was a director and the compliance officer of a Hong Kong listed group that included two companies licensed to carry out securities dealing and related activities in Hong Kong. From April 2002 to January 2003, the two licensed companies knowingly accounted for certain unbanked cheque receipts as cash at a bank, and thereby materially inflated their liquid capital positions reported to the Securities and Futures Commission. Li knew about the arrangement concerning the improper accounting treatment but did not take action to stop the arrangement.

Subsequently, the Securities and Futures Commission brought disciplinary proceedings against Li, resulting in suspension of his licence for a specified period. After hearing Li's appeal, the Securities and Futures Appeals Tribunal upheld the Commission's findings against Li in September 2007. The Institute received information in August 2010 about the Commission's sanctioning of Li. After considering the information available, the Institute lodged a complaint against Li under section 34(1A) of the Professional Accountants Ordinance. A Disciplinary Committee was constituted in April 2011.

The Disciplinary Committee held a hearing of the complaint on 29 November 2011. On the evidence which included Li's submissions, the Disciplinary Committee found that Li was in breach of the Fundamental Principles set out in Statement 1.200 "Professional Ethics – Explanatory Forward." Having taken into account the circumstances of the case, the Disciplinary Committee made the above order against Li under section 35(1) of the ordinance.

Under the Professional Accountants Ordinance, if Li 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 Professional Accountants Ordinance by a five-member Disciplinary Committee. The majority (three members) of each committee, including the chair, 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 is 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 no more than \$500,000, and payment of costs and expenses of the proceedings.

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About the Hong Kong Institute of CPAs

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 33,000 members and nearly 16,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation of *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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