



Hong Kong Institute of  
Certified Public Accountants  
香港會計師公會

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

(HONG KONG, 10 December 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Lew Victor Robert (F02670) and Mr. So Kwok Keung, Keith (F01702), both certified public accountants (practising), and East Asia Sentinel Limited (M0032) (collectively, "Respondents") on 5 November 2018 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. **The Committee ordered the Respondents to pay penalties of HK\$55,000.** In addition, the Respondents were ordered to pay costs of the disciplinary proceedings and the Financial Reporting Council ("FRC") totalling HK\$104,517.80.

East Asia issued an unmodified auditor's opinion on the financial statements of a Hong Kong listed company, **South East Group Limited (now known as China Minsheng DIT Group Limited) for the year ended 31 March 2009.** Lew was the engagement director and So was the engagement quality control reviewer of the audit.

The Institute received a referral from the FRC about irregularities in the audit. **The company did not recognize a significant decline in the fair value of two listed, available-for-sale investments as an impairment loss in the financial statements,** contrary to Hong Kong Accounting Standard 39. East Asia subsequently failed to detect this departure from accounting standards in forming the auditor's opinion.

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

The Respondents admitted the complaints against them. The Disciplinary Committee found that:

- (i) East Asia was in breach of Hong Kong Standard on Auditing ("HKSA") 700 *Forming an Opinion and Reporting on Financial Statements* and HKSA 230 *Audit Documentation*;
- (ii) Lew was in breach of the section 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants ("Code") for his failure to carry out his audit work with professional competence and due care in relation to the above breaches of HKSAs; and
- (iii) So was in breach of section 100.5(c) and 130.1 of the Code for his failure to diligently carry out the engagement quality control review in accordance with HKSA 220 *Quality Control for an Audit of Financial Statements*.

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.

#### About HKICPA Disciplinary Process

The Hong Kong Institute of Certified Public Accounts (HKICPA) enforces the highest professional and ethical standards in the accounting profession. Governed by the Professional Accountants Ordinance (Cap. 50) and the Disciplinary Committee Proceedings Rules, an independent Disciplinary Committee is convened to deal with a complaint referred by Council. If the charges against a member, member practice or registered student are proven, the Committee will make disciplinary orders setting out the sanctions it considers appropriate. Subject to any appeal by the respondent, the order and findings of the Disciplinary Committee will be published.

For more information, please see:

<http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

- 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 more than 42,000 members and 18,000 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:**

Gemma Ho  
Manager, Public Relations  
Phone: 2287-7002  
Email: [gemmaho@hkicpa.org.hk](mailto:gemmaho@hkicpa.org.hk)



## 香港會計師公會對兩名執業會計師及一間執業法團作出紀律處分

(香港，二零一八年十二月十日) 香港會計師公會轄下紀律委員會，於二零一八年十一月五日就兩名執業會計師劉嘉彥先生(會員編號：F02670)和蘇國強先生(會員編號：F01702)及衛亞會計師事務所有限公司(執業法團編號：M0032)(統稱為「答辯人」)沒有或忽略遵守、維持或以其他方式應用公會頒佈的專業準則，對他們作出譴責。紀律委員會命令答辯人繳付罰款 55,000 港元。此外，答辯人須繳付紀律程序費用及財務匯報局(「財匯局」)費用共 104,517.80 港元。

衛亞曾對東南國際集團有限公司(現稱中民築友智造科技集團有限公司，一間香港上市公司)截至二零零九年三月三十一日止年度財務報表發表無保留的核數師意見。劉先生是負責該審計項目的執業董事，而蘇先生是該審計項目的質量控制覆核人。

公會收到財匯局的轉介，指該審計項目有所違規。該公司未有就兩項上市及可供出售投資的公平值大幅下跌於財務報表確認為減值虧損，違反了 Hong Kong Accounting Standard 39，衛亞在達致核數師意見前沒有發現該公司違反了相關會計準則。

公會經考慮所得資料後，根據香港法例第 50 章《專業會計師條例》第 34(1)(a)(vi)條對答辯人作出投訴。

答辯人承認投訴中的指控屬實。紀律委員會的裁決如下：

- i) 衛亞違反了 Hong Kong Standard on Auditing (「HKSA」) 700 「Forming an Opinion and Reporting on Financial Statements」及 HKSA 230 「Audit Documentation」；
- ii) 劉先生因沒有以專業能力及謹慎態度執行審計工作而違反上述審計準則，故違反了 Code of Ethics for Professional Accountants (「Code」) 第 100.5(c) 條及 130.1 條；及
- iii) 蘇先生因沒有按照 HKSA 220 「Quality Control for an Audit of Financial Statements」盡職進行質量控制覆核，故違反了 Code 第 100.5(c) 條及 130.1 條。

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)條向答辯人作出上述命令。

### 香港會計師公會的紀律處分程序

香港會計師公會致力維持會計界的最高專業和道德標準。公會根據香港法例第 50 章《專業會計師條例》及紀律委員會訴訟程序規則，成立獨立的紀律委員會，處理理事會轉介的

投訴個案。委員會一旦證明對公會會員、執業會計師事務所會員或註冊學生的檢控屬實，將會作出適當懲處。若答辯人未有提出上訴，紀律委員會的裁判將會向外公佈。

詳情請參閱：

<http://www.hkicpa.org.hk/en/standards-and-regulations/compliance/disciplinary/>

- 完 -

## 關於香港會計師公會

香港會計師公會是根據《專業會計師條例》成立的法定機構，負責培訓、發展和監管本港的會計專業。公會會員超過 42,000 名，學生人數逾 18,000。

公會開辦專業資格課程，確保會計師的入職質素，同時頒佈財務報告、審計及專業操守的準則，以鞏固香港作為國際金融中心的領導地位。

CPA 會計師是一個獲國際認可的頂尖專業資格。公會是全球會計聯盟及國際會計師聯合會的成員之一，積極推動國際專業發展。

## 香港會計師公會聯絡資料：

何玉淳

公共關係經理

直線電話：2287-7002

電子郵箱：[gemmaho@hkicpa.org.hk](mailto:gemmaho@hkicpa.org.hk)

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

Lew Victor Robert  
(Membership no.: F02670)

So Kwok Keung Keith  
(Membership no.: F01702)

East Asia Sentinel Limited  
(Corporate Practice No. M0032)

} RESPONDENTS

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

Members:                    Mr. Wai Siu Chung Dominic (Chairman)  
                                  Mr. Chan Fung Cheung Wilson  
                                  Ms. Margaret Choi  
                                  Mr. Chan Kin Man Eddie  
                                  Mr. Tang Kwai Chang Alfred

---

**ORDER & REASONS FOR DECISION**

---

1. This is a complaint made by the Registrar of the Hong Kong Institute of Certified Public Accountants (the "**Institute**") against Lew Victor Robert, CPA (practising) ("**Lew**"), So Kwok Keung Keith, CPA (practising) ("**So**"), and East Asia Sentinel Limited ("**East Asia**") (collectively the "**Respondents**").

**THE COMPLAINT**

2. The relevant details of the complaint as set out in a letter dated 17 May 2018 from the Registrar to the Council of the Institute (the "**Complaint Letter**") are as follows:-

## BACKGROUND

- (1) South East Group Limited (now known as China Minsheng Drawin Technology Group Limited) ("Company") was incorporated in Bermuda and its shares are listed on the Main Board (stock code: 726) of the Stock Exchange of Hong Kong.
- (2) The principal activities of the Company and its subsidiaries (collectively "Group") included, inter alia, investment holding, and property development. The Group's consolidated financial statements for the year ended 31 March 2009 ("2009 Financial Statements") were prepared under the Hong Kong Financial Reporting Standards.
- (3) East Asia was the auditor of the Company and issued an unmodified opinion on the 2009 Financial Statements on 8 July 2009. Lew was the engagement director and So was the engagement quality control reviewer ("EQCR") of the audit.
- (4) In the Company's 2015 financial statements audited by another CPA, prior period adjustments relating to recognition of impairment loss on the significant decline in the fair value of two listed available-for-sale investments ("AFS Investments") were recorded.
- (5) On 12 May 2017, the Financial Reporting Council referred to the Institute a report of the Audit Investigation Board ("AIB Report") (Appendix A) concerning the 2009 Financial Statements, which identified irregularities in East Asia's work relating to its failure to detect the Company's non-compliance with HKAS 39 in 2009 in view of the significant decline in the fair value of the AFS Investments.

## SUMMARY OF PRINCIPAL ISSUES

- (6) In the 2009 Financial Statements, the Company failed to recognize the significant decline in the fair value of the AFS Investments as an impairment loss. As such, the Company failed to recognize the impairment loss in accordance with paragraphs 58, 61 and 67 of HKAS 39.
- (7) East Asia concurred with management's assessment and did not treat the decline as objective evidence of impairment. The decline in fair value was material to the 2009 Financial Statements.
- (8) East Asia had not sufficiently evaluated the Company's impairment assessment of the AFS Investments in forming their auditor's opinion. As such, East Asia failed to comply with paragraph 11 of HKSA 700 "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements".
- (9) East Asia considered that the decline in fair value did not constitute an impairment loss. However, they acknowledged that there was inadequate documentation of their evaluation and basis of conclusion that there was no objective evidence of impairment; and thereby failed to comply with paragraph 9 of HKSA 230 "Audit Documentation".

- (10) As engagement director, Lew failed to carry out his work with professional competence and due care in accordance with sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants (the "Code").
- (11) As the EQCR, So failed to carry out an adequate review in respect of the above mentioned area in accordance with paragraph 38 of HKSA 220 "Quality Control for Audits of Historical Financial Information". He also failed to act diligently in accordance with sections 100.5(c) and 130.1 of the Code.
- (12) 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.

## THE COMPLAINTS

### Complaint 1: Against East Asia

- (13) Section 34(1)(a)(vi) and section 34(1AA) apply to East Asia in that it failed or neglected to observe, maintain or otherwise apply a professional standard, namely paragraph 11 of HKSA 700, for its failure to properly evaluate the Company's compliance with HKAS 39 in respect of the AFS Investments, before issuing an unmodified audit opinion on the 2009 Financial Statements.

### Complaint 2: Against East Asia

- (14) Section 34(1)(a)(vi) and section 34(1AA) apply to East Asia in that it failed or neglected to observe, maintain or otherwise apply a professional standard, namely paragraph 9 of HKSA 230, for its failure to prepare adequate documentation in relation to its evaluation of the Company's compliance with HKAS 39 in the impairment assessment of the AFS Investments in the 2009 Financial Statements.

### Complaint 3: Against Lew

- (15) Section 34(1)(a)(vi) of the PAO applies to Lew in that, as the engagement director of the audit of the 2009 Financial Statements, he failed or neglected to observe, maintain or otherwise apply a professional standard, namely sections 100.5(c) and 130.1 of the Code for his failure to carry out his work with professional competence and due care, in relation to non-compliances with paragraph 11 of HKSA 700 and paragraph 9 of HKSA 230 with respect to the impairment assessment of the AFS Investments.

### Complaint 4: Against So

- (16) Section 34(1)(a)(vi) of the PAO applies to So in that, as the EQCR of the audit of the 2009 Financial Statements, he failed or neglected to observe, maintain or otherwise apply a professional standard, namely sections 100.5(c) and 130.1 of the Code for his failure to diligently carry out the engagement quality control review in accordance with paragraph 38 of HKSA 220.

## **THE PROCEEDINGS**

3. The Respondents admitted the complaints against them. They did not dispute the facts as set out in the Complaint Letter. On 26 June 2018, 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 approved 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 Respondents and directed the parties to make written submissions on sanctions and costs.
5. The complaints were all found proven on the basis of the admission by the Respondents.
6. The Complainant and the Respondents provided their submissions on sanctions and costs on 21 and 24 September 2018 respectively.

## **FINDINGS OF THE DISCIPLINARY COMMITTEE**

7. 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 Respondents' personal circumstances, and the conduct of the Respondents throughout the proceedings.

## **SANCTIONS AND COSTS**

8. The Disciplinary Committee ordered that:-
  - (a) the Respondents be reprimanded under Section 35(1)(b) of the PAO;
  - (b) the Respondents pay a penalty of HK\$55,000 under Section 35(1)(c) of the PAO, such penalty be payable jointly and severally by all of the Respondents; and
  - (c) the Respondents do pay the costs and expenses of and incidental to the proceedings of the Complainant (including the costs of the Disciplinary Committee and costs incurred by Financial Reporting Council) in the sum of HK\$104,517.80 under Section 35(1)(iii) of the PAO, such costs and expenses be borne equally between the Respondents.



The above shall take effect on the 40<sup>th</sup> day from the date of this Order.

Dated 5 November 2018

---

Mr. Wai Siu Chung Dominic  
Disciplinary Panel A  
Chairman

---

Mr. Chan Fung Cheung Wilson  
Disciplinary Panel A

---

Mr. Chan Kin Man Eddie  
Disciplinary Panel B

---

Ms. Margaret Choi  
Disciplinary Panel A

---

Mr. Tang Kwai Chang Alfred  
Disciplinary Panel B