



Dear Assignment / News / Business Section Editor

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

(HONG KONG, 29 September 2014) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Ng Wing Hang Patrick (membership number A00933) on 11 September 2014 for his failure or neglect to observe, maintain or otherwise apply a professional standard issued by the Institute, and ordered him to pay a penalty of HK\$70,000 to the Institute. In addition, Ng was ordered to pay costs of the disciplinary proceedings of HK\$23,157.40.

Ng is the sole proprietor of Patrick Ng & Company ("Firm"). The Firm audited the financial statements of a listed company in Hong Kong for the years ended 31 December 2006 and 31 December 2007 and expressed an unmodified auditor's opinion on the financial statements.

The Institute received information from the Financial Reporting Council about non-compliance with the requirements of an accounting standard in relation to the measurement of revalued plant and machinery in the financial statements. It was also noted that there had been no disclosure of a reconciliation of the carrying amount at the beginning and end of the period showing depreciation, and the carrying amount of the revalued plant and machinery under the cost model in the financial statements. After considering the information available, the Institute lodged a complaint against Ng under section 34(1)(a)(vi) of the Professional Accountants Ordinance.

Ng admitted the complaint against him. The Disciplinary Committee found that Ng failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing 700 "*Forming an Opinion and Reporting on Financial Statements*" for his failure to express a modified auditor's opinion in respect of the listed company's non-compliance with the requirements of Hong Kong Accounting Standard 16 "*Property, Plant and Equipment*" in preparing the financial statements.

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

Under the ordinance, if Ng 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. 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.

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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 37,000 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執業會計師作出紀律處分

(香港，二零一四年九月二十九日) — 香港會計師公會轄下紀律委員會於二零一四年九月十一日就吳永鏗先生(會員編號：A00933)沒有或忽略遵守、維持或以其他方式應用公會頒布的專業準則，對吳先生作出譴責，並命令他須繳付罰款七萬港元予公會。此外，吳先生須支付紀律程序的費用共港幣二萬三千一百五十七元四角。

吳先生為吳永鏗會計師行的獨資經營者。該會計師行審核了一間香港上市公司截至2006年12月31日及2007年12月31日的財務報表，並對該等報表發出無保留意見的核數師報告。

公會收到財務匯報局的資料，指該上市公司的財務報表就重估廠房及機器的計量沒有遵守會計準則的要求。財務匯報局同時發現該等財務報表並沒有披露折舊於期初及期末的帳面值與根據成本模式該重估廠房及機器的帳面值之間的對賬。公會經考慮所得資料，根據《專業會計師條例》第34(1)(a)(vi)條對吳先生作出投訴。

吳先生承認投訴中的指控屬實。紀律委員會裁定吳先生沒有或忽略遵守、維持或以其他方式應用公會的專業準則 - Hong Kong Standard on Auditing 700 "*Forming an Opinion and Reporting on Financial Statements*"，因為該上市公司在編制財務報表時沒有遵守 Hong Kong Accounting Standard 16 "*Property, Plant and Equipment*" 的要求但吳先生沒有因此發出保留意見的核數師報告。

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)條向吳先生作出上述的命令。

根據《專業會計師條例》，如吳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部份查閱，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，是由香港特別行政區行政長官從業外人士組成的紀律小組中選派委任，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，會員人數超過三萬七千，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**)以確保會計師的人職質素，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) (“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. Ng Wing Hang Patrick  
(Membership No. A00933)

RESPONDENT

Members: Ms. Lee Fen Brenda (Chairman)  
Mr. Hui Ching Yu  
Ms. Hui Ming Ming Cindi  
Mr. Yeung Chi Wai Edwin  
Mr. Tang Kwai Chang Alfred

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**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”**) as Complainant against the Respondent, Mr. Ng Wing Hang Patrick, a certified public accountant (practising). Section 34(1)(a)(vi) of the PAO applied to the Respondent.
2. The particulars of the Complaint as set out in a letter dated 8 October 2013 (**the “Complaint”**) from the Registrar of the Institute to the Council of the Institute for consideration of the Complaint for referral to the Disciplinary Panels were as follows:-
  - (1) Luxey International (Holdings) Limited (also known as China Post E-Commerce (Holdings) Limited and Intcera High Tech Group Limited) (**the “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 for the Company and its subsidiaries (**the "Group"**) for the years ended 31 December 2006 and 31 December 2007 (**collectively the "2006 and 2007 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) Patrick Ng & Company ("**PNC**") (Firm no.: 0719) audited the 2006 and 2007 Financial Statements. The Respondent is the sole-proprietor of PNC.
- (4) PNC's audit reports for the 2006 and 2007 Financial Statements (signed and dated 23 October 2007 and 19 March 2008 respectively) stated that the audits were conducted in accordance with the Hong Kong Standards on Auditing.
- (5) The consolidated profit of the Group stated in the 2006 and 2007 Financial Statements was HK\$5.5 million and HK\$0.2 million, respectively. The consolidated net assets of the Group stated in the 2006 and 2007 Financial Statements were HK\$74 million and HK\$75 million respectively. PNC expressed an unmodified opinion on the 2006 and 2007 Financial Statements.
- (6) The Financial Reporting Council (the "**FRC**") received a complaint of possible non-compliance and auditing irregularity in respect of inter alia the 2006 and 2007 Financial Statements. The complaint related to, among others, non-compliances with accounting standards when measuring revalued plant and machinery in the 2006 and 2007 Financial Statements which were subsequently corrected by retrospective restatements in the Group's financial statements for the year ended 31 December 2010.
- (7) In carrying out its investigation of the complaint, the FRC noted that no depreciation had been charged on the revalued plant and machinery in the 2006 and 2007 Financial Statements. This led to understatements of depreciation charges of approximately HK\$ 8.1 million and HK\$10.6 million in 2006 and 2007 respectively.
- (8) The FRC further noted that there had been no disclosure of a reconciliation of the carrying amount at the beginning and end of the period showing depreciation, and the carrying amount of the revalued plant and machinery under the cost model in the 2006 and 2007 Financial Statements. Therefore, the FRC concluded that there was non-compliance with paragraphs 31, 35, 52, 73 and 77 of Hong Kong Accounting Standard 16 Property, Plant and Equipment ("**HKAS 16**").

(9) On 21 May 2012, the FRC sought PNC's explanation on how it had been satisfied that the measurement and disclosure of the revalued plant and machinery in the 2006 and 2007 Financial Statements complied with HKAS 16.

(10) On 18 June 2012, PNC replied as follows:

*"We reviewed the accounting treatment of depreciation expenses taken by the Group with respect to property, plant and equipment for the years ended 31 December 2006 and 2007 and noted that management of the Group were of the view that as long as the property, plant and equipment were stated at their fair value based on the valued amounts as at each respective year end dates, no depreciation charge would then be necessary as any change in the revalued amount of the property, plant and equipment would then be recognized in the accounts of the Group for that particular year. When we performed our audit of the Group for the years ended 31 December 2006 and 2007, we accepted the treatment as fair and reasonable.*

*We agree that depreciation charges should be recognized on the Group's property, plant and equipment and that the revalued amounts of these assets as at their respective year end should be compared to the carrying amounts of these assets, after netting off the accumulated depreciation charges, and the difference be recognized as a change in the revalued amounts of these assets in the accounts of the Group. **We deeply regret for our misunderstanding and misinterpretation of HKAS 16.**"*

(11) On 18 September 2012, the FRC referred an extract of its complaint assessment report (**the "Report"**) and annexures to the Institute, pursuant to s.9(f) of the FRC Ordinance. In making the referral, the FRC considered that PNC had failed or neglected to observe, maintain or otherwise apply a professional standard pursuant to section 34(1)(a)(vi) of the Professional Accountants Ordinance, Cap 50 ("**PAO**").

## **SUMMARY OF PRINCIPAL ISSUES**

- (12) The principal issues relate to the failures by the Group to comply with paragraphs 31, 35, 52, 73 and 77 of HKAS 16 in that
- a. no depreciation had been charged on the revalued plant and machinery in the 2006 and 2007 Financial Statements; and
  - b. there was no disclosure of a reconciliation of the carrying amount at the beginning and end of the period showing depreciation, and the carrying amount of the revalued plant and machinery under the cost model in the 2006 and 2007 Financial Statements.

- (13) The associated reduction of profits arising from the undercharged depreciation on the overall consolidated profit for the year, of 11 % and 14% in 2006 and 2007 respectively, was considered material to the respective financial statements.
- (14) In the circumstances, PNC failed to express a modified auditor's opinion on the 2006 and 2007 Financial Statements regarding the non-compliance with HKAS 16 and/or PNC failed to comply with the requirements of professional standards.
- (15) The principal issues are explained in the Report, which should be referred to for details.

### **RELEVANT PROFESSIONAL STANDARDS**

- (16) Hong Kong Standard on Auditing 700 "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements" ("**HKSA 700**")

*"11. The auditor should evaluate the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the financial statements."*

*"13. Forming an opinion as to whether the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework involves evaluating whether the financial statements have been prepared and presented in accordance with the specific requirements of the applicable financial reporting framework for particular classes of transactions, account balances and disclosures...."*

- (17) Section 130 "Professional Competence and Due Care" of the Code of Ethics for Professional Accountants ("**Code**")

*"130.1 The principle of professional competence and due care imposes the following obligations on professional accountants:*

*(b) To act diligently in accordance with applicable technical and professional standards when providing professional services.*

*130.4 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis."*



(18) HKAS 16:

*"31. After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.... "*

*"35. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:*

*... (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. This method is often used for buildings."*

*"52. Depreciation is recognized even if the fair value of the asset exceeds its carrying amount...."*

*"73. The financial statements shall disclose, for each class of property, plant and equipment*

*... (e) a reconciliation of the carrying amount at the beginning and end of the period showing:... (vii) depreciation ...."*

*"77. If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:*

*... (e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognized had the assets been carried under the cost model ...."*

## **THE COMPLAINTS**

### **The First Complaint**

- (19) Section 34 (1)(a)(vi) of the PAO applies to the Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely paragraphs 11 and 13 of HKSA 700 for failure to express a modified auditor's opinion in respect of the Group's non-compliance with HKAS 16 in the 2006 and 2007 Financial Statements.

### **The Second Complaint (in the alternative to the First Complaint)**

- (20) Section 34(1)(a)(vi) of the PAO applies to the Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely section 130 of the Code for failure to act diligently in accordance with HKAS 16 in the audits of the 2006 and 2007 Financial Statements.
3. The Respondent admitted the First Complaint against him. He did not dispute the facts as set out in the Complaint. On 7 November 2013, the parties made a joint application to the Disciplinary Committee and they agreed that the steps set out in rules 17 to 30 of the Disciplinary Committee Proceedings Rules be dispensed with.
  4. On 29 April 2014, the Disciplinary Committee issued a Notice of Commencement of Proceedings, enclosing a procedural timetable and a full set of the complaint documents to the parties. The parties were requested to make written submissions to the Disciplinary Committee on sanctions and costs and that the Disciplinary Committee would not hold a hearing on sanctions and costs unless otherwise requested by the parties.
  5. Undoubtedly, the breach committed by the Respondent is very serious. In his letter to the Disciplinary Committee dated 19 May 2014, the Respondent submitted, inter alia, that due to his limited experience in conducting audits of listed companies and his poor medical condition at the relevant time, PNC placed heavy reliance on a consultant whom the Respondent understood was experienced in the audit of listed companies. The Respondent further submitted that the error was purely caused by a misinterpretation of HKAS 16. The Disciplinary Committee is of the view that none of the above constitutes an acceptable mitigating factor. The one and only mitigating factor in the present case is the Respondent's admission to the Complaint, thereby saving further costs and expenses of the Institute and the Disciplinary Committee.
  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 Complaint, the breach concerned two auditors' reports, the parties' submissions on sanctions and costs and their conduct throughout the proceedings.
  7. In relation to costs, the Disciplinary Committee considers that the costs and expenses totalling HK\$23,157.40 as assessed in the Complainant's Statement of Costs dated 20 May 2014 are reasonable and therefore should be allowed.

8. The Disciplinary Committee ORDERS that:-
- (a) the Respondent be reprimanded under section 35(1)(b) of the PAO;
  - (b) the Respondent do pay a penalty of HK\$70,000 under section 35(1)(c) of the PAO;
  - (c) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$23,157.40 under section 35(1)(iii) of the PAO.

Dated the 11<sup>th</sup> day of September 2014

IN THE MATTER OF

A Complaint made under section 34(1)(a) and 34(1A) of the Professional Accountants Ordinance (Cap. 50) ("PAO") and referred to the Disciplinary Committee under section 33(3) of the PAO

BETWEEN

The Registrar of the  
Hong Kong Institute of  
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COMPLAINANT

AND

Mr. Ng Wing Hang Patrick  
(Membership No. A00933)

RESPONDENT

Members: Ms. Lee Fen Brenda (Chairman)  
Mr. Hui Ching Yu  
Ms. Hui Ming Ming Cindi  
Mr. Yeung Chi Wai Edwin  
Mr. Tang Kwai Chang Alfred

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**ORDER**

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Upon reading the complaint against MR. NG WING HANG PATRICK, a certified public accountant (practising) as set out in a letter from the Registrar of the Institute ("the Complainant") dated 8 October 2013, the written submissions of the Complainant dated 20 May 2014 and the Respondent dated 19 May 2014, and other relevant documents, the Disciplinary Committee is satisfied by the admission of the Respondent and the evidence adduced before it that the following complaint is proved:

Section 34(1)(a)(vi) of the PAO applies to the Respondents in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely paragraphs 11 and 13 of Hong Kong Standard of Auditing 700 for failure to express a modified auditors' opinion in respect of Luxey International (Holdings) Limited and its subsidiaries' non-compliance with Hong Kong Accounting Standard 16 in the 2006 and 2007 Financial Statements.

The Disciplinary Committee ORDERS that:-

- 1) the Respondent be reprimanded under section 35(1)(b) of the PAO;
- 2) the Respondent do pay a penalty of HK\$70,000 under section 35(1)(c) of the PAO; and
- 3) the Respondent do pay the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$23,157.40 under section 35(1)(iii) of the PAO.

Dated the 11<sup>th</sup> day of September 2014