



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

(HONG KONG, 5 July 2022) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Mr. Chan Kong Wang, certified public accountant (practising) (F04817) and RSM Hong Kong (1140) (collectively “Respondents”) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

RSM Hong Kong audited the consolidated financial statements of Seamless Green China (Holdings) Limited, a Hong Kong listed company, and its subsidiaries for the year ended 31 December 2016. Mr. Chan was the engagement partner of the audit.

The Institute received a referral from the Financial Reporting Council (“FRC”) about audit irregularities. They noted that the financial statements had been revised to correct material misstatements in the consolidated loss for the year and exchange reserve, which were caused by an accounting error in relation to a duplicated recognition of an impairment loss on a receivable which was fully impaired in 2014. The Respondents failed to identify the misstatements.

FRC’s investigation revealed that the Respondents failed to design and perform appropriate audit procedures to obtain sufficient appropriate audit evidence pertaining to the receivable, the impairment loss on the receivable, and the exchange reserve. They also drew an inappropriate conclusion that the financial statements as a whole were free from material misstatement. In addition, Mr. Chan failed to evaluate the appropriateness and accuracy of the consolidation adjustments pertaining to the receivable.

The Institute concluded that, in the audit, the Respondents failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing (“HKSA”) 330 *The Auditor’s Responses to Assessed Risks*, HKSA 500 *Audit Evidence*, and HKSA 700 *Forming an Opinion and Reporting on Financial Statements*. In addition, Mr. Chan failed or neglected to observe, maintain or otherwise apply sections 100.5(c) and 130.1 of the Code of Ethics for Professional Accountants.

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. Mr. Chan and RSM Hong Kong pay an administrative penalty of HK\$35,000 and HK\$50,000 respectively to the Institute, and they jointly pay the costs of the Institute of HK\$15,000 and of the FRC of HK\$133,772.07.

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@hki CPA.org.hk