



## **Hong Kong Institute of Certified Public Accountants takes regulatory action against a firm and two certified public accountants**

(HONG KONG, 11 May 2022) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against KPMG (0035), Mr. Muk Chung Wing, certified public accountant (A05062) and Ms. Wong Sau Ling, certified public accountant (F02782) (collectively “Respondents”) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

KPMG audited the consolidated financial statements of Merry Garden Holdings Limited (currently known as China Environmental Technology and Bioenergy Holdings Limited), a Hong Kong listed company, and its subsidiaries for the year ended 31 December 2015. Muk was the engagement partner and Wong was the engagement quality control reviewer.

The Institute received a referral from the Financial Reporting Council (“FRC”) about deficiencies in the audit. The Respondents failed to identify that earnings per share disclosed in the financial statements were misstated. The misstatement had resulted from errors in calculating the weighted average number of shares outstanding after a bonus share issue and an open offer of shares made by the company during the year.

The Institute concluded that, in the audit, KPMG and Muk failed or neglected to observe, maintain or otherwise apply the fundamental principle of professional competence and due care in sections 100.5 (c) and 130.1 of the Code of Ethics for Professional Accountants, and Wong failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing 220 *Quality Control for an Audit of Financial Statements*.

### **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. KPMG, Muk and Wong pay an administrative penalty of HK\$50,000, HK\$35,000 and HK\$35,000 respectively to the Institute, and they jointly pay the costs of the Institute of HK\$15,000 and of the FRC of HK\$127,905.07.

### 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](http://www.hkicpa.org.hk).

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### **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 17,000 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:**

Jun Sat  
Associate Public Relations Manager  
Phone: 2287-7002  
Email: [media@hkicpa.org.hk](mailto:media@hkicpa.org.hk)