



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 a firm and three certified public accountants

(HONG KONG, 18 June 2021) — A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded KPMG (0035) and three certified public accountants, namely Mr. Fung Kwong Ming (F02151), Ms. Wong Sau Ling (F02782) and Mr. Tse Hau Yin, Aloysius (F01190), (collectively “Respondents”) on 29 April 2021 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute. Furthermore, the Committee ordered KPMG, Fung, Wong and Tse to pay penalties of HK\$400,000, HK\$100,000, HK\$150,000 and HK\$50,000 respectively. In addition, the Respondents were ordered to pay costs of the disciplinary proceedings in the sum of HK\$215,672 jointly and severally.

KPMG was the auditor of Moulin International Holdings Limited (subsequently known as **Moulin Global Eyecare Holdings Limited**) for the three years ended 31 March 1999, 2000 and 2001. It expressed **unqualified audit opinions** on the financial statements of the company and its subsidiaries (collectively “Group”) for those years. **Fung was the engagement partner in the 1999 audit and Wong was the engagement partner in the 2000 and 2001 audits. Tse was the concurring review partner in the audits for the three years.**

In 2005, trading of the Group’s shares on the Hong Kong stock exchange were suspended and provisional liquidators were appointed for the company after it defaulted on repayment of its bank loans. **The liquidators uncovered apparent accounting irregularities and certain senior personnel of the company were arrested.** Having considered the available information, the Council of the Institute then directed an investigation under the Professional Accountants Ordinance (Cap. 50) (“PAO”) be conducted into the audit of the Group’s financial statements for the year ended 31 December 2003, which was conducted by **another auditor.**

In 2008, the Council considered information revealed in the liquidators’ legal actions and expanded the scope of the investigation to cover, among other things, the audits of the Group’s financial statements for the years ended 31 March 1999 to 2001 conducted by KPMG. An Investigation Committee was subsequently formed. Investigation of the auditor engaged during the years that led up to the aforementioned loan default was **delayed as a result of audit staff departure and seizure of certain audit working papers by the authorities.** This impacted the progress of the investigation of KPMG.

In March 2018, the Investigation Committee issued a report and found that the respondents failed to have proper regards for the technical and professional standards expected of them in the audits for the three years. There were deficiencies in the audit procedures performed on prepayment of subcontracting charges, trade receivables, other receivables and PRC tax exposures. On the basis of the findings set out in the

Investigation Committee's report, a complaint was lodged against the Respondents under section 42C(1) of the PAO.

The Respondents admitted the complaints against them. The Disciplinary Committee found that the Respondents were in breach of Statement of Auditing Standards ("SAS") 100 *Objective and General Principles Governing an Audit of Financial Statements*, SAS 230 *Audit Documentation*, SAS 300 *Audit Risk Assessments and Accounting and Internal Control Systems*, SAS 400 *Audit Evidence*, SAS 440 *Representations by Management* and SAS 460 *Related Parties*.

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 PAO.

About HKICPA Disciplinary Process

The Hong Kong Institute of Certified Public Accountants ("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/>

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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 16,000 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:

Ms Gemma Ho

Public Relations Manager

Phone: 2287-7002

Email: gemmaho@hkicpa.org.hk



香港會計師公會對一間會計師事務所及三名會計師作出紀律處分

(香港，二零二一年六月十八日) 香港會計師公會轄下紀律委員會，於二零二一年四月二十九日就畢馬威會計師事務所(事務所編號：0035)及三名會計師，即馮光明先生(會員編號：F02151)、王秀玲女士(會員編號：F02782)及謝孝衍先生(會員編號：F01190)(統稱「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，對他們予以譴責。此外，紀律委員會命令畢馬威、馮先生、王女士及謝先生分別須繳付罰款 400,000 港元、100,000 港元、150,000 港元及 50,000 港元，並須共同及各別繳付紀律程序費用共 215,672 港元。

畢馬威曾是泰興光學集團有限公司截至一九九九年、二零零零年及二零零一年三月三十一日止三個年度的核數師。畢馬威對該公司及其附屬公司(統稱「該集團」)上述三個年度的財務報表均發表了無保留的核數師意見。馮先生是負責一九九九年審計項目的合夥人，王女士是負責二零零零年及二零零一年審計項目的合夥人，而謝先生是該三年度審計項目的覆核合夥人。

於二零零五年，該集團的股份在香港聯交所暫停買賣，該公司亦因拖欠銀行貸款須由臨時清盤人接管。臨時清盤人發現該集團的會計處理有明顯違規，及後該公司數名高級人員被拘捕。經考慮所得資料後，公會理事會根據香港法例第 50 章《專業會計師條例》，指示公會對另一核數師就該集團截至二零零三年十二月三十一日止年度財務報表進行的審計展開調查。

於二零零八年，公會理事會經考慮清盤人的法律行動所得的資料後，決定擴大調查範圍至包括畢馬威對該集團截至一九九九年至二零零一年三月三十一日止年度財務報表的審計工作，其後並成立了調查委員會。至於對上述拖欠貸款之前年份的另一核數師進行的調查，由於審計人員離職及若干審計工作底稿被有關當局扣留而進度受阻。此情況亦影響了調查畢馬威的進度。

調查委員會於二零一八年三月發出報告，指出答辯人在三年的審計中，就預付分包費用、應收賬款、其他應收款及應繳中國內地稅務等項目進行的審計程序有缺失，未有適當依從應遵守的技術及專業準則。基於調查委員會的報告結果，調查委員會根據《專業會計師條例》第 42C(1)條對答辯人作出投訴。

答辯人承認投訴屬實。紀律委員會裁定答辯人違反了 Statement of Auditing Standards (「SAS」) 100 「Objective and General Principles Governing an Audit of Financial Statements」、SAS 230 「Audit Documentation」、SAS 300 「Audit Risk Assessments and Accounting and Internal Control Systems」、SAS 400 「Audit Evidence」、SAS 440 「Representations by Management」及 SAS 460 「Related Parties」。

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/>

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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。公會會員逾 46,000 名，學生人數逾 16,000。

公會開辦專業資格課程，確保會計師的人職質素，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：

何玉淳女士

公共關係經理

直線電話：2287-7002

電子郵箱：gemmaho@hkicpa.org.hk

IN THE MATTER OF

A Complaint made under sections 34(1) of the Professional Accountants Ordinance (Cap. 50)

BETWEEN

The Investigation Committee of the
Hong Kong Institute of Certified Public
Accountants

COMPLAINANT

AND

KPMG (0035)	1st RESPONDENT
Mr. FUNG, Kwong Ming (F02151)	2nd RESPONDENT
Ms. WONG, Sau Ling (F02782)	3rd RESPONDENT
Mr. TSE, Hau Yin, Aloysius (F01190)	4th RESPONDENT

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

Members: Mr. FUNG, Chi Man (Chairman)
Mr. CHAN, Kee Sun, Tom
Mr. LAM, Tsz Chung
Mr. MA, Chun Fung, Horace

[Ex-Members: Mr. D'SOUZA, Robin Gregory
Ms. FANG, Xin
(both stepped down on 1st February 2021)]

ORDER & REASONS FOR DECISION

1. This is a complaint made by the Investigation Committee of the Hong Kong Institute of Certified Public Accountants (the “**Complainant**”) against KPMG (the “**1st Respondent**”), Mr. FUNG, Kwong Ming, a certified public accountant (“**Fung**” or the

“2nd Respondent”), Ms. WONG, Sau Ling, a certified public accountant (“Wong” or the “3rd Respondent”) and Mr. TSE, Hau Yin, Aloysius a certified public accountant (“Tse” or the “4th Respondent”).

2. In the course of the proceedings, and before the publication of this Order & Reasons for Decision, Mr. D’SOUZA, Robin Gregory (the then Chairman) and Ms. FANG, Xin (a then Member) stepped down. By two letters both dated 22nd February 2021, the Respondents have been notified of the replacement of the Chairman of the proceedings and no objection was taken by the Respondents that the proceedings be dealt with by a 4-person Committee (with the absence of one member).
3. The Complaints are as set out in a letter from the Complainant dated 26 March 2019 which are as follows:-

A. BACKGROUND

- (1) Moulin International Holdings Limited and its subsidiaries (collectively “**the Group**” or “**the Moulin Group**”) were in the business of designing, manufacturing, distributing and trading eyewear products. Entities relevant to this complaint include Moulin Optical Manufacturing Limited and Leadkeen Industrial Limited, which were subsidiaries of Moulin Holdings (HK) Company Limited.
- (2) KPMG expressed unqualified audit opinions on the financial statements of the Moulin Group for each of the three years ended 31 March 1999 to 2001. Fung was the engagement partner in the 1999 audit, and Wong was the engagement partner in the 2000 and 2001 audits. Tse was the concurring review partner for all three years.
- (3) Under the direction of the Council of the Institute, an Investigation Committee (the “**IC**”, the Complainant) was constituted to investigate the conduct of CPAs

involved in the audits of the financial statements of the Moulin Group for the relevant periods and to inform the Council as to whether any such CPAs would have a case to answer in respect of a complaint under section 34(1)(a) of the Professional Accountants Ordinance, Cap. 50 (“**PAO**”).

- (4) On 7 March 2018, the IC issued a report of its findings in relation to the 1999 to 2001 audits. The IC considered that the Respondents failed to have proper regard for the technical and professional standards expected of them in all three years of audits. As such, the IC concluded that the Respondents would have a case to answer to a complaint under section 34(1)(a)(vi) of the PAO.

B. THE COMPLAINTS

First Complaint

- (5) Section 34(1)(a)(vi) of the PAO applies to Fung in that he failed or neglected to observe, maintain or otherwise apply professional standard(s) as engagement partner in the 1999 audit of the Moulin Group.

Second Complaint

- (6) Section 34(1)(a)(vi) of the PAO applies to Wong in that she failed or neglected to observe, maintain or otherwise apply professional standard(s) as engagement partner in the 2000 and 2001 audits of the Moulin Group.

Third Complaint

- (7) Section 34(1)(a)(vi) of the PAO applies to Tse in that he failed or neglected to observe, maintain or otherwise apply professional standard(s) as concurring review partner in the 1999 to 2001 audits of the Moulin Group.

Fourth Complaint

- (8) Section 34(1)(a)(vi) of the PAO applies to KPMG in that the firm failed or neglected to observe, maintain or otherwise apply professional standard(s) in the 1999 to 2001 audits of the Moulin Group.

C. SUMMARY OF PRINCIPAL ISSUES

- (9) According to Statement 1.200, certified public accountants are required to carry out professional work with a proper regard for the relevant technical and professional standards.
- (10) The IC found deficiencies in the 1999 to 2001 audits which indicate non-compliance with professional standards by the auditors in the following areas:
- (a) Prepayment of subcontracting charges;
 - (b) Trade receivables;
 - (c) Other receivables; and
 - (d) PRC tax exposures.

Prepayment of subcontracting charges (“Prepayment”) (1999: HK\$67.1m; 2000: HK\$63.7m; 2001: HK\$113.7m)

- (11) Prepayment was material in all three years of audits. The amount comprised subcontracting fees prepaid to Ma Wu Bei (“MWB”) as well as other payments and receipts arising from the Group’s business and investment activities in the PRC handled by MWB.
- (12) MWB is a nephew of the Chairman of the Moulin Group and was the general manager of the Group’s PRC operations. The Group prepaid subcontracting charges to MWB to cover the operating expenses of the PRC factories. The Group’s funds arising from its PRC activities handled by MWB were held in his personal bank account.

- (13) In addition, during the financial year ended 31 March 1999, the Group paid:
- (a) HK\$37 million to MWB for the purpose of setting up a co-operative joint venture in PRC which was kept by MWB in the Prepayment account. However, the audit documentation indicated that no such entity was legally established at the time of the audit. There was also insufficient audit evidence showing how the auditors had assessed the existence of this investment and the payment of HK\$37 million.
 - (b) HK\$52 million to MWB's account for the purpose of acquiring MWB's interest in a PRC entity named "Nam Hoi". As the interest was held in MWB's name, the Group and MWB had an agreement that MWB's interests would be held on trust for the Group. There was insufficient audit evidence showing how the auditors ascertained the valuation and existence of this investment.
- (14) Further, the IC identified deficiencies pertaining to the 2000 audit work on a material non-current asset account named "Advances to PRC distributors" (HK\$63.5m) which comprised loans to the distributors in PRC which had long term business relationships with the Group. The confirmations to verify the existence of the loans were not sent and received directly by the auditors. There was also insufficient audit evidence showing how the auditors have assessed the reasonableness and recoverability of these loans and whether the distributors were related parties.
- (15) The IC found that the audit work concerning the Prepayment was deficient in that the Respondents failed to:
- (a) Properly plan the audit to reduce the risks associated with the Prepayment and MWB's application of funds on behalf of the Group to an acceptably

low level that was consistent with the objective of an audit, contrary to paragraph 9 of Statement of Auditing Standards (“SAS”) 100.

- (b) Obtain a sufficient understanding of the accounting and internal control systems of the payments and receipts of the Group’s funds handled by MWB to plan the audit and develop an effective audit approach, contrary to paragraph 2 of SAS 300.
- (c) Obtain sufficient appropriate audit evidence and prepare adequate documentation to support that the funds held by MWB existed and were properly classified, contrary to paragraphs 2 and 10 of SAS 400; and paragraphs 2, 5 and 6 of SAS 230.
- (d) During the 1999 audit, obtain sufficient appropriate audit evidence and prepare adequate documentation to support that the payment of HK\$37 million to MWB should be recognised as an investment in China Joint Venture contrary to paragraph 2 of SAS 400; and paragraphs 2, 5 and 6 of SAS 230.
- (e) During the 2000 audit, obtain sufficient appropriate audit evidence and prepare adequate documentation to support that advances to PRC distributors existed, were reasonable, and were recoverable, contrary to paragraph 2 of SAS 400 and paragraphs 2 and 5 of SAS 230; perform appropriate follow up procedures for those audit confirmations that were not sent directly to the audit team, contrary to paragraph 15 of Statement 3.232; seek corroborating audit evidence supporting management’s representations regarding the advances to the distributors, contrary to paragraphs 11 and 12 of SAS 440; and obtain sufficient appropriate audit evidence to support that related party disclosures were not necessary under Statement of Standard Accounting Practice (“SSAP”) 20, contrary to paragraph 11 of SAS 460; and paragraph 2 of SAS 100.

- (f) Obtain sufficient appropriate audit evidence and prepare adequate documentation to support that related party disclosures were not necessary for transactions with MWB in accordance with SSAP 20, paragraphs 11 and 12 of SAS 440 and paragraph 11 of SAS 460.

Trade Receivables (1999: HK\$280m; 2000: HK\$363m; 2001: HK\$355m)

- (16) The Group had material trade receivables balances for all three years of audits. The audit team considered that the Group had adequate accounting systems and controls over its sales and receivables transactions which could be relied upon.
- (17) **The working papers show irregular sales invoice numbering sequence** but there was insufficient audit evidence showing how the auditors have assessed such irregularities and their impact on the effectiveness of controls over the completeness of sales transactions.
- (18) In addition, the working papers on the sales system and controls insufficiently documented how management evaluates customer credit history and how this would impact the auditors' assessment of the credit controls over accounts with long outstanding debts and adequacy of bad debt provisions.
- (19) The auditors relied on debtor confirmations to verify the existence and accuracy of material receivables balances. It was noted that instead of engaging in direct communications with the debtors by the auditors, one confirmation in the 1999 audit was sent and received by Moulin.
- (20) The IC found that the audit work concerning certain trade receivables was deficient in that the Respondents failed to:
 - (a) obtain a sufficient understanding of the sales and receivables cycle, in particular, customer credit control; and to develop an effective audit

approach, contrary to paragraph 2 of SAS 300.

- (b) obtain sufficient audit evidence to conclude that they could rely on the controls, contrary to paragraph 10 of SAS 400.
- (c) perform appropriate follow up procedures for the audit confirmation that were not sent directly to the audit team during the 1999 audit, contrary to paragraph 15 of Statement 3.232;
- (d) During the 2001 audit, to obtain sufficient appropriate audit evidence and prepare adequate documentation to support the existence or recoverability of the trade receivable balances and that no bad debt provision was necessary, contrary to paragraph 2 of SAS 400 and paragraphs 2 and 5 of SAS 230.

Other Receivables (1999: HK\$94m; 2000: HK\$107m; 2001: HK\$164m)

- (21) A significant portion of other receivables represented unsecured loans to third parties which are material, even though the Group's principal business activities did not involve money-lending.
- (22) The auditors advised management against lending money in 1999 without considering the legality of the lending practice. The Group continued to lend money to third parties and there was insufficient audit evidence in the working papers showing how the auditors have addressed this matter.
- (23) As part of the audit work on recoverability of loans, the auditors obtained management's representation that the directors have assessed the financial ability of the borrowers without verifying such assertions.
- (24) The auditors also relied on confirmations to verify the existence and accuracy of the loan balances. However, some confirmations during the 1999 audit and one confirmation during the 2000 audit were sent and/or received by Moulin.

- (25) The IC found that the audit work concerning certain other receivables was deficient in that the Respondents failed to:
- (a) properly plan and perform an audit with an attitude of professional scepticism recognizing that circumstances may exist which cause the financial statements to be materially misstated, contrary to paragraph 9 of SAS 100.
 - (b) seek corroborating audit evidence supporting management's assertion regarding the recoverability of cash advances to third parties, contrary to paragraphs 11 and 12 of SAS 440.
 - (c) perform appropriate follow up procedures for those audit confirmation that were not sent to the audit team directly during the 1999 and 2000 audits, contrary to paragraph 15 of Statement 3.232.
 - (d) During the 2001 audit, to obtain sufficient appropriate audit evidence and prepare adequate documentation to support the existence or recoverability of the other receivable balances and that no bad debt provision was necessary, contrary to paragraph 2 of SAS 400 and paragraphs 2 and 5 of SAS 230.

PRC tax exposures

- (26) The Group made arrangements with MWB under which all taxes payable and penalties associated with certain PRC enterprises were to be borne by MWB. As such, the Group considered that there was no PRC tax payable in respect of these PRC operations.
- (27) The Respondents were aware of the potential tax liabilities and penalties arising from such PRC operations as estimated by the KPMG tax department. Notwithstanding, they accepted the Group's tax provisions of HK\$10 million

and HK\$8 million respectively in 1999 and 2000 and zero provision for 2001, which were well below the amounts estimated by the KPMG tax department, without sufficient audit evidence or documentation supporting the basis of such tax provisions.

(28) The IC found that the audit work pertaining to PRC tax exposures was deficient in that the Respondents failed to:

(a) obtain sufficient appropriate audit evidence and prepare adequate documentation to support that the amount of PRC tax provision was adequate in light of the estimation made by KPMG's tax department, contrary to paragraph 2 of SAS 400 and paragraphs 2 and 5 of SAS 230.

(b) obtain sufficient appropriate audit evidence and prepare adequate documentation to support that the potential tax penalties which might arise from the PRC operations need not be disclosed as a contingency under SSAP 8, contrary to paragraph 2 of SAS 400 and paragraphs 2 and 5 of SAS 230.

D. The Proceedings

4. The Respondents admitted the Complaints against them. They did not dispute the facts as set out in the Complaints. On 30 May 2019, the parties agreed that the steps set out in paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules ("DCPR") be dispensed with.

5. The Notice of Commencement of Proceedings was issued to the parties on 28 August 2019. Based on the Respondents' admission and the joint application, the Disciplinary Committee approved the above proposal.

(a) The steps as set out in Rules 17 to 25 of the DCPR be waived; and

(b) The Disciplinary Committee directed the Complainant and the Respondents to make written submissions on sanctions and costs under Rule 31 of the DCPR.

6. The Complainant and the Respondents made and filed their respective written submissions on sanctions and costs in respect of the Complaints on 25 September 2019. The Respondents made and filed further written submissions on 18 October 2019.
7. The Complainant highlighted the seriousness of the breach. In particular, the Complainant argued that the audit work done by the Respondents were deficient and non-compliant with the professional standards in a number of “*significant audit areas*”, which were material to the financial statements. The Complainant contended that, had the audit work been performed appropriately, the audit outcomes may have been different.
8. It was also argued by the Complainant that the audit deficiencies were serious as they spanned over three years of audits. This is particularly undesirable as the Respondents were auditors of a listed company.
9. In the circumstances, the Complainant argued that, despite the Respondents do not have any past disciplinary or regulatory records and had made early admission of liability, given the seriousness of the non-compliance, the Respondents should be reprimanded and be imposed a level of penalty that appropriately reflects their culpability.
10. The Respondents made the following submissions:-
 - (a) First, in respect of the nature and seriousness of the Complaints, the Respondents argued that the Complaints should be viewed as “*moderately serious*”. In particular, the Respondents contended that the Complaints did not involve serious allegations relating to dishonesty, deliberate misconduct or concealment, or the receipt of any inappropriate benefits.
 - (b) In addition, the Respondents contended that the exercise of professional judgment in respect of audit work should be viewed in the context of the professional standards and business practices that were in place at the relevant time;

- (c) Further, the Respondents raised a number of mitigation factors, including the Respondents' full cooperation and early admission, the fact that the Respondents had no previous disciplinary or regulatory record, and that the Complaints were isolated cases; and
- (d) Moreover, on the public interest aspect, the Respondents submitted that given the age of the relevant audits and the development of professional standards during the intervening years, it is unlikely that the sanctions to be imposed would be of great significance.

F. DISCUSSIONS

- 11. In respect of the seriousness of the Complaints, we agree with the Complainant's submissions that the present case involves deficiency and non-compliance of professional standards in a number of significant audit areas. We accept that the Complaints did not involve dishonesty, deliberate misconduct or concealment, or the receipt of inappropriate benefits. However, the non-compliance was serious, particularly in the context of public companies. The financial statements of listed companies concern broader public interest. The sanction should provide a deterrence against such deficiencies in order to maintain and promote public confidence in the profession, as well as to enhance and preserve Hong Kong's position as an international financial centre (see *Case No. D-11-0584F*).
- 12. In considering the appropriate sanctions to be imposed in this case we take into account all the representations made and placed before us by the parties. In particular, we considered the nature and circumstances of the breach and the conduct of the Respondents. We have also taken into account the mitigation factors submitted by the Respondents, as well as past similar cases.
- 13. We consider that the Respondents in this case should be reprimanded and be imposed a level of penalty that commensurate with their culpabilities.

14. In respect of the individual Respondents' culpability, it should be noted that Wong's failures spanned two years of audits, while Fung's failures spanned one year of audit.
15. Tse was the concurring partner in all three years of audits. Given Tse's involvements in the audit and his seniority, he should have given proper regard to the audit requirements but we accept that the professional standards at the relevant time did not clearly specify the role of a concurring partner.
16. KPMG had allowed the audit failures to be repeated in the course of three years and should of course take the lion's share of blame.
17. Taking into account all the circumstances of the case as well as the mitigation submitted by the Respondents, we make the following ORDERS:
 - (a) The Respondents be reprimanded under section 35(1)(b) of the PAO;
 - (b) The 1st Respondent do pay a penalty of HK\$400,000, the 2nd Respondent do pay a penalty of HK\$100,000, the 3rd Respondent do pay a penalty of HK\$150,000, and the 4th Respondent do pay a penalty of HK\$50,000, under section 35(1)(c) of the PAO; and
 - (c) The Respondents do pay on a joint and several basis (i) the costs and expenses of and incidental to the investigation against the Respondents under Part VA of the PAO, in the sum of HK\$192,000 under section 35(1)(d)(i) of the PAO, and (ii) the costs and expenses of and incidental to the proceedings of the Complainant in the sum of HK\$23,672 (including the costs and expenses of the Disciplinary Committee) under section 35(1)(iii) of the PAO.

Dated: 29 April 2021

Mr. FUNG, Chi Man
Chairman

Mr. CHAN, Kee Sun, Tom
Member

Mr. LAM, Tsz Chung
Member

Mr. MA, Chun Fung, Horace
Member