



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

HKICPA takes disciplinary action against a former certified public accountant (practising) and a certified public accountant (practising)

(HONG KONG, 27 August 2018) A Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants reprimanded Mr. Seto Man Fai, a former certified public accountant (practising) (A08347), and Mr. Lo Hung Yan, a certified public accountant (practising) (A04520) (collectively "Respondents") on 10 July 2018 for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

The Committee ordered cancellation of the practising certificate ("PC") of Lo from 21 August 2018 with no issuance of a PC to him for 9 months.

The Committee also ordered that a PC shall not be issued to Seto for 18 months. **This is the 3rd Order against Seto.** He was previously removed from the register of CPAs for 5 years from 22 March 2018, pursuant to an order issued by another Disciplinary Committee in January 2018 ("1st Order"). Subsequent to the 1st Order, Seto was also subject to another Disciplinary Committee order issued in June 2018 ("2nd Order") which ordered that a PC shall not be issued to him for 12 months with effect from 21 March 2023.

The Committee ordered that 9 months of the 18-month PC non-issuance period of his 3rd Order will run concurrently with the 1st Order and the remaining 9 months is to be consecutive to the 1st Order. **Seto is therefore not eligible for issuance of a PC until 20 March 2024.**

In addition to the above, Seto and Lo were ordered to pay costs of the disciplinary proceedings of HK\$91,127 and HK\$54,721 respectively.

The Respondents were the directors of Parker Randall CF (H.K.) CPA Limited ("Practice"), which is now de-registered. While carrying out a practice review, the reviewer found that the Practice failed to establish and maintain an effective system of quality control. Additionally, the reviewer found significant deficiencies in the Practice's audit and assurance engagements, including the audit of a **Hong Kong listed company, Superb Summit International Group Limited ("Superb Summit")**, for the financial year ended 31 December 2013 by Seto and the compliance audit of a regulated company by Lo.

After considering the information available, the Institute lodged complaints against the Respondents under sections 34(1)(a)(vi) and 34(1)(a)(ix) of the Professional Accountants Ordinance.

The Disciplinary Committee found that:

- (i) The Respondents were in breach of the Corporate Practices (Registration) Rules for failing to ensure the Practice had complied with Hong Kong Standard on Quality Control 1;
- (ii) Seto was in breach of paragraphs 290.220 and 290.222 of the Code of Ethics for Professional Accountants ("Code") for failing to carry out the fee independence assessment of his audit clients;
- (iii) Seto was also in breach of Hong Kong Standard on Auditing ("HKSA") 500 and the fundamental principle of Professional Competence and Due Care under paragraphs 100.5(c) and 130.1 of the Code when carrying out the audit of Superb Summit;
- (iv) Lo was in breach of HKSA 230, HKSA 500 and Hong Kong Standard on Assurance Engagements 3000 and the fundamental principle of Professional Competence and Due Care under paragraphs 100.5(c) and 130.1 of the Code when carrying out the audit and compliance reporting of a regulated company.

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 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 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.

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香港會計師公會對一名前執業會計師及一名執業會計師作出紀律處分

(香港，二零一八年八月二十七日) 香港會計師公會轄下紀律委員會，於二零一八年七月十日因前執業會計師司徒文輝先生(會員編號：A08347)及執業會計師勞雄欣先生(會員編號：A04520)(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。

紀律委員會命令由二零一八年八月二十一日起吊銷勞先生的執業證書，並在九個月內不向其另發執業證書。

紀律委員會亦命令在 18 個月內不向司徒先生發出執業證書。此為針對司徒先生的第三項命令。根據另一紀律委員會於二零一八年一月的命令，司徒先生已由二零一八年三月二十二日起從會計師名冊中除名，為期五年(「首項命令」)。在首項命令後，另一紀律委員會於二零一八年六月亦命令，由二零二三年三月二十一日起的 12 個月內，不向司徒先生發出執業證書(「第二項命令」)。

紀律委員會命令，就第三項命令中不發執業證書 18 個月的處分，當中九個月與首項命令同期執行，而餘下九個月將緊隨首項命令後執行。因此，司徒先生將不會獲發執業證書至二零二四年三月二十日止。

除以上所述外，司徒先生及勞先生分別須繳付紀律程序費用 91,127 港元及 54,721 港元。

答辯人曾是一間現已被撤銷註冊的執業法團暉誼(香港)會計師事務所有限公司的董事。在公會進行執業審核期間，審核人員發現該執業法團未有制訂及維持有效的品質監控系統，並發現其處理的核數及核證項目有重大不足之處，當中包括由司徒先生對奇峰國際集團有限公司(「奇峰」，一間香港上市公司)截至二零一三年十二月三十一日止財政年度的審計項目，以及由勞先生對一間受規管公司進行的合規審核。

公會經考慮所得資料後，根據《專業會計師條例》第 34(1)(a)(vi)條及第 34(1)(a)(ix)條對答辯人作出投訴。

紀律委員會的裁決如下：

- (i) 答辯人因未有確保該執業法團遵守 Hong Kong Standard on Quality Control 1，故違反了 Corporate Practices (Registration) Rules；
- (ii) 司徒先生因未有為其審計客戶進行費用獨立評估，故違反了 Code of Ethics for Professional Accountants(「Code」)第 290.220 條及第 290.222 條；

- (iii) 司徒先生審核奇峰時，違反了 Hong Kong Standard on Auditing (「HKSA」) 500 及 Code 第 100.5(c)條及第 130.1 條內有關「Professional Competence and Due Care」的基本原則；以及
- (iv) 勞先生為一間受規管公司進行審核及合規報告時，違反了 HKSA 230、HKSA 500、Hong Kong Standard on Assurance Engagements 3000 以及 Code 第 100.5(c)條及第 130.1 條內有關「Professional Competence and Due Care」的基本原則。

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。

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IN THE MATTER OF

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

BETWEEN

The Practice Review Committee of the Hong Kong Institute of Certified Public Accountants COMPLAINANT

AND

Mr. Seto Man Fai FIRST
A former certified public accountant, RESPONDENT
Membership No. A08347

Mr. Lo Hung Yan SECOND
Membership No. A04520 RESPONDENT

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

Members: Mr. LIM Kian Leng, Malcolm (Chairman)
 Mr. CHAN Chak Ming
 Mr. D'SOUZA Robin Gregory
 Ms. LI Yin Fan, Fanny
 Mr. CHEUNG Yiu Leung, Andy

ORDER & REASONS FOR DECISION

1. This is a complaint made by the Practice Review Committee of the Hong Kong Institute of Certified Public Accountants (the “**Institute**”) against Mr. Seto Man Fai, a former certified public accountant (practising) (the “**First Respondent**”) and Mr. Lo Hung Yan, a certified public accountant (practising) (the “**Second Respondent**”).

2. The Complaints as set out in a letter dated 6 February 2017 (the "Complaint") are as follows:-

A. BACKGROUND

3. Parker Randall CF (H.K.) CPA Limited (corporate practice no. M208) (the "Practice") had been selected for an initial full scope practice review in September 2008 and was the subject of a follow up practice review visit that took place in October 2009. A second full scope practice review visit took place in June 2014.
4. At the time of the second practice review, the Practice had three practising directors. The First Respondent was one of the Directors appointed on 19 March 2010. He was also the managing director. The Second Respondent became a director of the Practice on 5 March 2013.
5. During the second practice review visit, the Practice stated that its operations were divided into two independent teams, i.e. Team A and Team B. Team A is led by the First Respondent and Team B is led by the Second Respondent and another director of the Practice.
6. The engagements selected for review in the second practice review included the following:
 - (a) Team A: Audit of a listed company, namely Superb Summit International Group Limited (stock code: 1228) and its subsidiaries, for the year ended 31 December 2013 ("Client A") by the First Respondent; and

- (b) Team B: Audit and compliance reporting of a private company, namely **Goldenway Investments Holdings Limited and its subsidiaries, for the year ended 31 December 2012 ("Client G")** by the Second Respondent.
7. The First and the Second Respondents confirmed that the working papers provided represented the complete working papers for their respective engagements of Client A and Client G.
 8. The First and the Second Respondents who issued the auditor's reports in the name of the Practice were also responsible for the quality of the engagements of Client A and Client G, respectively.
 9. Based upon the findings of the second practice review visit, the reviewer wrote to the Practice on 12 March 2015 to seek its explanations. Team A and Team B provided their own separate responses on 10 April 2015 and 31 March 2015 respectively. Their responses were submitted to the Practice Review Committee ("PRC") together with the Reviewer's Report which was provided to the Practice on 26 May 2015.
 10. Having considered the available information, the PRC decided to raise a complaint against the First and the Second Respondents as set out in Section C below.

B. RELEVANT PROFESSIONAL STANDARDS

11. Hong Kong Standard on Quality Control 1 "Quality Control for firms that Perform Audits and reviews of Financial Statements, and Other Assurance and Related Services Engagements" ("HKSQC 1") stipulates, amongst others, the following:

- (i) Paragraphs 18 and 19 of HKSQC 1 requires the Practice to establish quality control policies and procedures which compel the Practice's chief executive officer or, if appropriate, the Practice's managing board of partners to assume ultimate responsibility for the firm's system of quality control;

- (ii) Paragraph 31 of HKSQC 1 requires the Practice to establish policies and procedures to assign appropriate personnel with the capabilities to:
 - i. perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and
 - ii. enable the firm or engagement partners to issue reports that are appropriate in the circumstances

- (iii) Paragraph 32 of HKSQC 1 requires the Practice to establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that the firm or the engagement partner issued reports that are appropriate in the circumstances;

- (iv) Paragraph 45 of HKSQC 1 requires a Practice to establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalised;

- (v) Paragraph 46 of HKSQC 1 requires the Practice to establish policies and procedures to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation;
 - (vi) Paragraph 48 of HKSQC 1 requires the Practice to establish a monitoring process designed to provide the Practice with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively, and that the process should include an ongoing consideration and evaluation of the Practice's system of quality control including, on a cyclical basis, inspection of at least one completed engagement for each engagement partner; and
 - (vii) Paragraph A54 of HKSQC 1 states that a time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.
12. The Code of Ethics for Professional Accountants (the "Code") stipulates, amongst others, the following;
- (a) Paragraphs 100.5(c) and 130.1 of the Code requires a professional accountant to maintain professional knowledge and skill at the level required to ensure that clients receive competent professional services and act diligently in accordance with applicable technical and professional standards.
 - (b) Paragraph 290.220 of the Code states that when the total fees from an audit client represent a large proportion of the total fees of the firm expressing the audit opinion, the dependence on that client and concern about losing the client creates a self-interest or intimidation

threat. The threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level;

(c) Paragraph 290.222 of the Code states that where an audit client is a public interest entity and, for two consecutive years, the total fees from the client and its related entities represent more than 15% of the total fees received by the firm, the firm shall disclose this fact to those charged with governance of the audit client and consider the safeguards it can apply to reduce the threat to an acceptable level.

13. The Hong Kong Standard on Auditing 500 (“**HKSA 500**”) requires at paragraph 6 that an auditor design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.
14. The Hong Kong Standard on Auditing 230 (“**HKSA 230**”) requires at paragraph 5 that an auditor prepares documentation that provides sufficient and appropriate record of the basis for the auditor’s report.
15. Further, the Hong Kong Standard on Assurance Engagements 3000 (“**HKSAE 3000**”) requires at paragraphs 33 and 42 that an auditor obtain sufficient appropriate evidence and document matters that are significant for providing evidence that support their conclusion in an assurance engagement other than an audit or review of historical financial statements.

C. THE COMPLAINTS

First Complaint

16. Section 34(1)(a)(ix) of the PAO applies to the Respondents in that they refused or neglected to comply with the rule made by the Council namely,

paragraph 6 of the Corporate Practices (Registration) Rules ("CPRR") in that they failed to ensure the Practice had complied with the professional standard namely, HKSQC 1.

Second Complaint

17. Section 34(1)(a)(vi) of the PAO applies to the First Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 290.220 and 290.222 of the Code in that he did not perform appropriate procedures to carry out the fee independence assessment of Team A's audit clients.

Third Complaint

18. Section 34(1)(a)(vi) of the PAO applies to the First Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 6 of HKSA 500 in that he did not design and/or perform audit procedures that were appropriate for the purpose of obtaining sufficient appropriate audit evidence in relation to the audit of the financial statements of Client A for the year ended 31 December 2013.

Fourth Complaint

19. Section 34(1)(a)(vi) of the PAO applies to the First Respondent for having failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 100.5(c) and 130.1 of the Code in that he did not maintain professional knowledge and skill at the level required to ensure that clients receive competent professional services; and/or diligently carry out the audit of the financial statements of Client A for the year ended 31 December 2013, in accordance with the relevant technical and professional standards.

Fifth Complaint

20. Section 34(1)(a)(vi) of the PAO applies to the Second Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 6 of HKSA 500 in that he did not design and/or perform audit procedures that were appropriate for the purpose of obtaining sufficient appropriate audit evidence in relation to the audit of the financial statements of Client G for the year ended 31 December 2012.

Sixth Complaint

21. Section 34(1)(a)(vi) of the PAO applies to the Second Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraph 5 of HKSA 230 in that he did not adequately document the evidence obtained and procedures performed in relation to the audit of the financial statements of Client G for the year ended 31 December 2012.

Seventh Complaint

22. Section 34(1)(a)(vi) of the PAO applies to the Second Respondent in that he failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 33 and/or 42 of HKSAE 3000 in that he did not obtain sufficient appropriate evidence and adequately document matters that were significant in providing evidence to support the conclusion that Client G complied with the relevant rules of the Hong Kong Securities and Futures Ordinance for the year ended 31 December 2012.

Eighth Complaint

23. Section 34(1)(a)(vi) of the PAO applies to the Second Respondent for having failed or neglected to observe, maintain or otherwise apply a professional standard namely, paragraphs 100.5(c) and 130.1 of the Code in that he did not maintain professional knowledge and skill at the level required to ensure that clients receive competent professional services; and/or diligently carry out the audit and compliance reporting of Client G for the year ended 31 December 2012, in accordance with the relevant technical and professional standards.

D. SUMMARY OF MAIN ISSUES

24. The main issues for the First and Second Respondents relate to their failure to establish policies and procedures to ensure that the requirements of HKSQC 1 regarding leadership responsibilities, confidentiality and safe custody of engagement documentation, assignment of engagement teams, file assembly, monitoring and engagement performance are complied with.
25. The main contention against the First Respondent relate to his failure to:
- (a) Perform appropriate procedures to carry out the fee independence assessment of Team A's audit clients;
 - (b) Design and/or perform audit procedures that were appropriate for the purpose of obtaining sufficient appropriate audit evidence in relation to the audit of the financial statements of Client A for the year ended 31 December 2013; and

(c) Maintain professional knowledge and skill at the level required to carry out the audit of the financial statements of Client A for the year ended 31 December 2013.

26. The main contention against the Second Respondent relate to his failure to:

(a) Design and/or perform audit procedures that were appropriate for the purpose of obtaining sufficient appropriate audit evidence in relation to the audit of the financial statements of Client G for the year ended 31 December 2012;

(b) Adequately document the evidence obtained and procedures performed in relation to the audit of the financial statements of Client G for the year ended 31 December 2012;

(c) Obtain sufficient appropriate evidence and adequately document matters that were significant in providing evidence to support the conclusion that Client G complied with the relevant rules of the Hong Kong Securities and Futures Ordinance for the year ended 31 December 2012; and

(d) Maintain professional knowledge and skill at the level required to carry out the audit of the financial statements of Client G for the year ended 31 December 2012.

The Proceedings

27. The Second Respondent admitted the First, Fifth, Sixth, Seventh and Eighth Complaints against him. He did not dispute the facts as set out in the complaints. On 29 March 2017, the parties agreed that the steps set out in

paragraphs 17 to 30 of the Disciplinary Committee Proceedings Rules ("DCPR") be dispensed with.

28. The Notices of Commencement of Proceedings were issued to the parties on 1 June 2017. Based on the Second Respondent's admission and the joint application, the Committee approved the above proposal.
 - (a) The steps as set out in paragraphs 17 to 30 of the DCPR be waived with respect to the Second Respondent; and
 - (b) The Complainant and the Second Respondent to make written submissions on sanctions and costs under Rule 31 of the DCPR upon direction of the Disciplinary Committee as the Complainant and the First Respondent were required to submit written submissions to the Disciplinary Committee for consideration of the complaints against the First Respondent.
29. The Complainant filed the Complainant's Case in respect of the complaints against the First Respondent on 29 June 2017.
30. According to the Procedural Timetable issued to the Complainant and the Respondent, the First Respondent was originally required to file his Respondent's Case by 27 July 2017. Despite the Disciplinary Committee having acceded to two time extension requests of the First Respondent, the First Respondent still failed to file his Respondent's Case to the Disciplinary Committee.
31. As the First Respondent had been given adequate opportunities to file his Case, the Disciplinary Committee asked the parties to file their checklists by 25 October 2017. The Complainant filed his checklist on 25 October 2017. The First Respondent filed his checklist by 1 November 2017.

32. On 6 December 2017, the Complainant and the First Respondent made a joint application to the Disciplinary Committee which attached the First Respondent's confirmation that he admitted the First, Second, Third and Fourth Complaints against him and did not dispute the facts as set out in the complaints.
33. In light of the admission by all the Respondents, the Chairman directed that parties were not required to file further replies as required in the Procedural Timetable and the oral hearing originally scheduled was vacated. Parties were directed to make submissions on sanctions and costs by 15 January 2018.
34. The Complainant and the First Respondents provided their written submissions on sanction and costs on 15 January 2018 while the Second Respondent provided his written submissions on sanctions and costs on 18 January 2018.
35. The Complainant acknowledged that each case was fact sensitive and that this Committee was not bound by previous decisions of Disciplinary Committees.
36. The Complainant highlighted that since the Complaints involved the audits of a listed company and regulated company, there is a high degree of public interest involved.
37. It was also pointed out that at the time of the review, the First Respondent handled at least four Hong Kong listed clients, and that the multiple deficiencies found in the audit work performed on the one engagement reviewed raised serious concerns as to the First Respondent's professional

competence and diligence with which to carry out audits of listed companies.

38. In the circumstances the Complainant argued that the breaches by both Respondents are very serious and the level of sanctions should reflect the gravity of the breaches. It was further submitted that since the Respondents were currently directors of other corporate practices, they should be reminded that the profession does not tolerate lax quality control and breach of corporate practice rules. Accordingly, the Committee was urged that this was a case that would justify cancellation of the Respondents' practicing certificates for such period as the Committee considered appropriate.
39. In mitigation, the First Respondent referred us to an earlier decision (as shall be discussed below) in which that respondent was reprimanded and ordered to pay a penalty of HK\$50,000. The First Respondent argued, amongst other things, that the present case was far less serious than in that case and therefore a reprimand and a fine of no more than HK\$25,000 is appropriate for him.
40. The Second Respondent drew attention to the following matters:
 - (a) He discovered that there were a lot of issues between the First Respondent and the regulatory authorities since he joined the Practice as a director on 5 March 2013;
 - (b) Client G was audited by him during a time of turbulence of the Practice, with dispute among directors, issues with regulatory authority (i.e. the Reviewer) and great staff turnover; and

(c) The First Respondent, being the managing director of the Practice, should be in a better position to implement the neglected controls and measures, whereas the Second Respondent was new to the Practice at the time of the review and therefore deserves to be given some leniency.

F. DISCUSSION

41. The Complainant referred us to a list of cases with similar features to the current Complaints, with particular reliance on two, namely (1) D-14-0920P and (2) D-12-0669P. Both cases involved non-compliance with the quality control requirements and audit deficiencies resulting in the respondents having had their practicing certificates cancelled for a period of one year. The Disciplinary Committees in both cases justified the sanction mainly on the fact that they involved a repetitive failure by those respondents to eliminate and rectify the deficiencies by the time of the follow up visit, which happened a long time after the initial visit. It was ruled that such conduct and attitude by those respondents demanded a deterrent sanction.
42. We note that in the present case there was an earlier practice review in September 2008, followed by a follow up practice review that took place in October 2009. However, it was not suggested that those earlier reviews had any connection with the review that took place in June 2014. In any event, the review in June 2014 concerned the audits of the Practice for the year ended 31 December 2012 and 2013, which cannot be the subject of review in 2008 or 2009. We do not find the two cases referred by the Complainant completely on all fours with the present case.
43. We do, however, accept that the breaches are serious given their nature and the relative significance of the standards breached. We also accept that the involvement of a listed company and regulated company renders this to be a

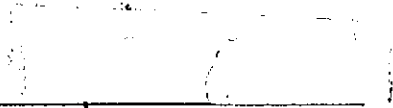
case of high degree of public interest. The First Respondent's involvement in four Hong Kong listed clients at the time of the review is also a factor to consider.

44. In his mitigation, the First Respondent referred us to the recent decision of D-14-0946P. We note that the respondent in that case was involved in 10 breaches while the First Respondent was only involved in 4 in the present case. However, in handing down the sanction of reprimand and a penalty of HK\$50,000, the Disciplinary Committee also made clear that it took into account, amongst other things, that the respondent had been cooperative and admitted the complaints at the early stage, and that it was the first time he has faced such a complaint against him. In that case, the respondent admitted to the complaints 3 months after the complaint was provided to him.
45. In the present case, while the Complainant acknowledges the "*early admission and cooperation*" of the Respondents, it did take around 10 months for the First Respondent to come around to his admission. From the information available to us, it is also not the first time the First Respondent faced a disciplinary complaint. He was recently ordered to be removed from the register of certified public accountants for a period of 5 years with effect from 22 March 2018 in another set of disciplinary proceedings under no. D-15-1033F/1065F/1081F.
46. Moreover, unlike the present case, no listed companies were involved in D-14-0946P.
47. We nevertheless accept that the case of D-14-0946P is applicable in the case of the Second Respondent as he admitted to the Complaint at a very early stage shortly after the Complaint was issued.

48. 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. Although we note that the First Respondent was recently ordered to be removed from the register of certified public accountants for a period of 5 years in D-15-1033F, the sanction that he is to receive in these proceedings should properly reflect the seriousness of the complaints in these proceedings only.
49. In taking into account all the circumstances of the case as well as the mitigation submissions by the Respondents we consider that the Respondents' respective practising certificates be cancelled and shall not be issued until after a period of time and that they should pay costs. And we make the following ORDERS:
- (a) Both the First and the Second Respondents be reprimanded under section 35(1)(b) of the PAO;
 - (b) The practising certificate issued to the Second Respondent be cancelled under section 35(1)(da) of the PAO and it shall take effect on the 42nd day from the date of this order;
 - (c) A practicing certificate shall not be issued to the First Respondent for 18 months under section 35(1)(db) of the PAO. However in view of the fact that the First Respondent has been removed from the register of certified public accountants in the disciplinary proceedings number D-15-1033F/1065F/1081F, nine months of the non-issuance of a practising certificate is to be concurrent with the said proceedings and nine months of non-issuance is to be consecutive to the order in the said proceedings;

- (d) A practising certificate shall not be issued to the Second Respondent for nine months commencing from the 42nd day after the date of this order under section 35(1)(db) of the PAO; and
- (e) Since it was the conduct of the Respondents which gave rise to the current proceedings, we take the view that they should pay the costs and expenses of the proceedings, and as submitted by the Complainant. As the admission from the First Respondent was received only after the Complainant's Case and Checklist were filed, the costs incurred by the Complainant to prepare its Case and Checklist should be paid by the First Respondent alone. Accordingly,
- (i) the First Respondent is to pay costs of HK\$91,127 under section 35(1)(iii) of the PAO; and
- (ii) the Second Respondent is to pay costs of HK\$54,721 under section 35(1)(iii) of the PAO

Dated 10 July 2018


Mr. LIM Kian Leng, Malcolm
Chairman

Mr. CHAN Chak Ming
Disciplinary Panel A

Ms. LI Yin Fan, Fanny
Disciplinary Panel B

Mr. D'SOUZA Robin Gregory
Disciplinary Panel A

Mr. CHEUNG Yiu Leung, Andy
Disciplinary Panel B