

IN THE MATTER OF

A Complaint made under section 34(1) of the Professional Accountants Ordinance, Cap 50

BETWEEN

The Registrar of the Hong Kong Institute of Certified Public Accountants COMPLAINANT

AND

Mr. Tse Lap Fu Lawrence RESPONDENT
(Membership No. F03636)

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

Members: Mr. Kwong Chi Ho Cecil (Chairman)
 Mr. Chan Kam Hon
 Mr. Cheung Yat Ming Brian
 Mr. Lee Kwo Hang Felix
 Mr. Lee Tsung Wah Jonathan

ORDER & REASONS FOR DECISION

1. This is a complaint made by the Registrar of the Hong Kong Institute of Certified Public Accountants as Complainant (“**Complainant**”) against Mr Tse Lap Fu Lawrence (“**Respondent**”). Section 34(1)(a)(vi) and Section 34(1)(a)(viii) of the Professional Accountants Ordinance (Cap. 50) (“**PAO**”) applied to the Respondent.
2. The particulars of the complaint is set out in a letter dated 31 March 2016 (“**Complaints**”) from the Registrar of the Institute to the Council of the Institute for consideration of the Complaints for referral to the Disciplinary Committee (“**Committee**”).
3. On 4 May 2016, the Respondent signed a confirmation (“**Confirmation**”) whereby he admitted the Complaints against him, and the Respondent did not dispute the facts as set out in the Complaints. The parties jointly applied that the steps set out in Rules 17 to 30 of the Disciplinary Committee Proceedings Rules (“**Rules**”) be dispensed with.

4. On 15 July 2016, the Committee agreed to the parties' joint application to dispense with the steps set out in Rules 17 to 30 of the Rules in light of the admission made by the Respondent and directed the parties to make written submissions on sanctions and costs, and the Committee invited the Parties to make written submissions to the Committee as to sanctions and costs which should be imposed in respect of the Complaints. Neither of the parties requested for a hearing on sanctions and costs.

BACKGROUND

5. The Respondent is the sole proprietor of Lawrence Tse & Co. ("**LTC**").
6. In May 2014, the Institute received an anonymous complaint alleging improprieties in the audits of the financial statements of a number of private companies conducted by LTC.
7. The Institute enquired into the complaint in accordance with the complaint handling process and found breaches of professional standards by the Respondent.
8. The audits concerned five companies, namely Tai Da Trading Company Limited ("**Tai Da**"), Hung Cheung Industrial Limited ("**Hung Cheung**"), Hostnice Investment Limited ("**Hostnice**"), Cenwood Telecom Company Limited ("**Cenwood**"), and Markland Secretarial Services Limited ("**Markland**") (collective the "**Five Companies**").

THE COMPLAINTS

First Complaint

Section 34(1)(a)(vi) of the PAO applied to the Respondent in that he failed or neglected to observe, maintain or otherwise apply Hong Kong Standard on Auditing ("**HKSA**") 700 *Forming an Opinion and Reporting on Financial Statements* as a result of his failure to properly evaluate whether the financial statements of Tai Da for the year ended 31 March 2012 and those of Hung Cheung for the year ended 30 September 2013 were prepared and presented in accordance with the applicable financial reporting framework.

Second Complaint

Section 34(1)(a)(vi) of the PAO applied to the Respondent in that he failed or neglected to observe, maintain or otherwise apply HKSA 500 *Related Parties* as a result of his failure to properly evaluate whether identified related party relationships and transactions were properly disclosed in accordance with the applicable financial reporting framework in the financial statements of Hostnice for each of years ended 31 December 2010 to 2013.

Third Complaint

Section 34(1)(a)(vi) of the PAO applied to the Respondent in that he failed or neglected to observe, maintain or otherwise apply HKSA 500 *Audit Evidence* as a result of his failure to obtain sufficient appropriate evidence to support his audit opinion that deferred tax liabilities relating to revalued investment properties need not be accounted for in the financial statements of Hostnice for each of the years ended 31 December 2010 to 2013.

Fourth Complaint

Section 34(1)(a)(vi) of the PAO applied to the Respondent in that he failed or neglected to observe, maintain or otherwise apply HKSA 230 *Documentation* as a result of his failure to prepare sufficient documentation of significant professional judgments underlying his conclusions on deferred tax implications of revalued investment properties in the financial statements of Hostnice for each of the years ended 31 December 2010 to 2013.

Fifth Complaint

Section 34(1)(a)(vi) of the PAO applied to the Respondent in that he failed or neglected to observe, maintain or otherwise apply HKSA 501 *Audit Evidence – Specific Considerations for Selected Items* as a result of his failure to obtain sufficient appropriate evidence to support his audit opinion regarding the existence and condition of inventory in the financial statements of Cenwood for each of the years ended 31 December 2012 and 2013.

Sixth Complaint

Section 34(1)(a)(vi) of the PAO applied to the Respondent in that he failed or neglected to observe, maintain or otherwise apply sections 290.4, 290.124 and 290.126 of the Code of Ethics for Professional Accountants (Revised June 2010, effective 1 January 2011) (“COE”) as a result of his accepting appointment as auditor of Markland, which had a close business relationship with his firm, for the year ended 30 April 2010.

Seventh Complaint

Section 34(1)(a)(viii) of the PAO applied to the Respondent in that he has been guilty of professional misconduct, by reason of his conduct under First to Sixth Complaints.

RELEVANT PROFESSIONAL STANDARDS

9. The facts as admitted by the Respondent revealed multiple breaches of the following professional standards, namely:

- (1) Paragraphs 10, 12 and 13(b) of HKSA 700 *Forming an Opinion and Reporting on Financial Statements* (issued September 2009);
- (2) Paragraphs 3.2 and 3.10 of the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (“SME-FRS”) (issued August 2005);
- (3) Paragraphs 9 and 18 of Hong Kong Accounting Standard (“HKAS”) 24 *Related Party Disclosures* (issued November 2009);
- (4) Paragraph 25 of HKSA 550 *Related Parties* (issued July 2009);
- (5) IN 8, Paragraphs 5, 7, 20(a) and (b), 51, 51A and 51C of HKAS 12 *Income Tax* (issued April 2010, effective 2005);
- (6) Paragraphs 4 and 6 of HKSA 500 *Auditing Evidence*;
- (7) Paragraph 8 of HKSA 230 *Documentation*;
- (8) Paragraphs 4, 5, 6 and 7 of HKSA 501 *Audit Evidence – Specific Considerations for Selected Items* (issued July 2009); and
- (9) Sections 290.4, 290.124 and 290.126 of the COE (Revised June 2010, effective 1 January 2011).

10. The relevant extracts of the aforementioned professional standards are annexed hereto.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE FIRST COMPLAINT

11. The Respondent was responsible for the audit of Tai Da’s Financial Statements for the financial year ended 31 March 2012, which they were expressed to be prepared using SME-FRS with an unmodified audit opinion being given. The Respondent was also responsible for the audit of Hung Cheung’s Financial Statements for the year ended 30 September 2013, which they were expressed to be prepared using SME-FRS with an unmodified audit opinion being given.
12. Paragraphs 3.2 and 3.10 of the SME-FRS requires an item of property, plant and equipment should be measured subsequently at its cost less accumulated depreciation and any accumulated impairment loss.
13. The accounting policy was stated in Tai Da’s audited financial statements (“AFS”) for the year ended 31 March 2012: “*Investment properties: “Investment properties are stated in the statement of financial position at fair value.”*” The accounting policy was also stated in Hung Cheung’s AFS for the year ended 31 March 2013: “*Investment properties: “Investment properties are stated in the statement of financial position at the market value.”*”
14. Note 9 to the 2012 AFS of Tai Da stated that “*the investment properties were revalued on 31 March 2012 by the sole director to reflect the current market value of the properties without professional valuation. The fair value gain amounting to HK\$2,073,800 was credited to the statement of comprehensive income under gain on revaluation*”.

15. Note 9 to the 2013 AFS of Hung Cheung shows a schedule of fixed assets and disclosed that:
- (a) A shop in the New Territories “... was revalued on 25 September 2013 by the directors to reflect the current market value of the property without professional valuation. ...the market value of the Investment property remains at HK\$38,000,000.”
 - (b) A residential unit in the New Territories “... was revalued on 25 September 2013 by the directors to reflect the current market value of the property without professional valuation. ...the market value of the Land and Building remains at HK\$4,143,382.”
16. The Respondent represented that, for Tai Da, the shareholders and management would not care about the method of treatment or regulations and rules on valuation of assets, and considered that compliance with SME-FRS would distort the actual state of affairs of the company, and therefore he considered that there was “...no reason not to concur with the opinion of the management of the Company despite the departure from Standards of HKICPA... .”
17. The Respondent represented that, for Hung Cheung, the difference between the fair market value and historic cost of acquisition is over twenty five times of its historic cost, which is significant and material. Therefore, he concurred with “... the opinion of the management of the Company concerned despite the departure from Accounting Standards of HKICPA... .”
18. By issuing an unmodified audit opinion on the financial statements of Tai Da and Hung Cheung in question, the Respondent did not properly evaluate the fact that accounting policies selected and applied for a material respect, being properties, were inconsistent with the applicable financial reporting framework, i.e. SME-FRS. The Respondent should have properly evaluated whether the management’s recognition and measurement of the properties in the financial statements of Tai Da and Hung Cheung in question complied with SME-FRS.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE SECOND COMPLAINT

19. The Respondent was responsible for the audit of Hostnice’s financial statements for the financial years ended 31 December 2010 to 2013, which they were expressed to be prepared using Hong Kong Financial Reporting Standards (“**HKFRS**”) with an unmodified audit opinion being given.
20. Paragraphs 9 and 18 of the HKAS 24 Related Parties requires that if an entity has had related party transactions during the relevant periods, it shall disclose the nature of the related party relationship as well as information about those transactions. Related parties include “a person or a close member of that person’s family who (i) has significant control or joint control over the reporting entity, (ii) has significant influence over the reporting entity, or (iii) is a member

of the key management personnel of the reporting entity or of a parent of the reporting entity... .”

21. The audit working papers for 2010 to 2013 documented that the balances of “*Accounts Payable*” for the relevant financial years ended were due to the persons who were related parties under HKAS 24, including directors and shareholders, namely, (i) Leung Kwai Nam, (ii) Leung Ki Nam, and (iii) Leung Tai Nam, and a shareholder, namely (i) Leung Mei Sze. Audit confirmations were sent and received from the aforementioned individuals confirming the balances.
22. However, the AFS of Hostnice for the relevant financial years ended did not contain the information required to be disclosed under paragraph 18 of HKAS 24.
23. The Respondent stated that disclosure of related parties was not made because the “*original sources*” of the funds injected into company had not been positively identified and stated that Leung Mei Sze was the administrator of her late husband (the original shareholder) and was not taken as a related party.
24. By issuing an unmodified audit opinion on the financial statements of Hostnice for the financial years ended 31 December 2010 to 2013, the Respondent failed to evaluate the non-compliance with HKAS 24, which he should have done so in accordance with paragraph 25 of HKSA 550.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE THIRD AND FOURTH COMPLAINT

25. The Respondent was responsible for the audit of Hostnice’s financial statements for the financial years ended 31 December 2010 to 2013, which they were expressed to be prepared using Hong Kong Financial Reporting Standards (“**HKFRS**”) with an unmodified audit opinion being given.
26. The narrative to the notes to accounts for “*Investment properties*” of Hostnice’s 2013 AFS states that:

“The investment properties were revalued on 15 March 2010 by the directors of the company to reflect the current market value of the property without professional valuation. Fair market value of the investment properties was HK\$20,000,000.- as at 31 December 2010. Gain on revaluation during the year amounting to HK\$12,551,000.- was credited to the statement of comprehensive income.

The investment properties were revalued on 14 February 2012 by the directors of the company to reflect the current market value of the property without professional valuation. Fair market value of the investment properties was HK\$22,000,000.- as at 31 December 2012. Gain on revaluation during the year amounting to HK\$2,000,000.- was credited to the statement of comprehensive income.

The investment properties were revalued on 31 October 2013 by the directors of the company to reflect the current market value of the property without professional valuation. Fair market value of the investment properties was HK\$26,000,000.- as at 31 December 2013. Gain on revaluation during the year amounting to HK\$4,000,000.- was credited to the statement of comprehensive income.”

27. Note 7 of Hostnice’s 2013 AFS states “*Taxation – Hong Kong Profits Tax has been provided in the financial statements at the rate of 16.5% on the assessable profits for the year (2012: 16.5%).*”
28. There was no accounting policy or note to the accounts concerning deferred taxation in the AFS. Deferred taxation in relation to the revalued properties have not been accounted for, in breach of HKAS 12. Thus, there was a failure by the Respondent to obtain sufficient appropriate evidence to support his audit opinion that deferred tax liabilities relating to the revalued investment properties need not be accounted for, in breach of HKSA 500.
29. The Respondent agreed that HKAS 12 should be observed and complied with, but he stated that it was not necessary since “*the difference between the revalued valuation and the allowable cost on deferred tax liability in connection with the revaluation will never arise even if the said property is being disposed as it will not give rise to H.K. taxation because H.K. has no taxation on capital gain*”.
30. However, such rationale is inadequate because he did not obtain any evidence to confirm whether the company was to recover the carrying amount of the investment property entirely through sale or, alternatively, through use that would generate taxable income exceeding depreciation allowable for tax purposes in future periods. These two different scenarios would have different deferred tax implications. It was not documented in the audit working papers, nor was there any other audit documentation showing the Respondent had carried out its procedure to obtain audit evidence or assessed the application of the requirements under HKAS 12. Accordingly, there was a breach of HKSA 230.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE FIFTH COMPLAINT

31. The Respondent was responsible for the audit of Cenwood’s financial statements for the financial years ended 31 December 2012 and 2013 with an unmodified audit opinion being given. No stock-take was performed for either year.
32. The audit procedure for the financial year ended 31 December 2012 was that there was no stock-take performed and no alternative work done. The audit procedure for the financial year ended 31 December 2013 was that there was no stock-take performed but stock-trade certificate was obtained, NRV test and compliance test were carried out by checking inventory to purchase notice.

33. The Respondent did not attend the stock-take for the year ended 31 December 2012 because he was first engaged as auditor for the year on 2 July 2013. The Respondent was required by paragraphs 4, 6 and 7 of HKSA 501 to attend the stock-take on an alternative date and perform audit procedures on the intervening transactions, or if this was impracticable, to perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. If this was not possible, the Respondent should have modified his audit opinion.
34. Although the engagement letter for the 2013 audit was signed on 30 July 2014, the Respondent could have requested to attend the stock-take of the Company on 31 December 2013. Alternatively, he should have attended the stock-take at an alternative date after 30 July 2014 and performed audit procedures to verify the intervening stock transactions. The Respondent did not adopt these procedures.
35. The Respondent stated that alternative audit procedures on year-end inventory had been carried out for both 2012 and 2013, although the only working papers provided were those for 2013. The Complainant did not accept that any alternative audit procedures have been carried out for 2012, as supporting documentation is wholly lacking. This was accepted by the Respondent by virtue of his Confirmation.
36. The alternative audit procedures carried out for 2013 were inadequate and/or insufficient to support the existence and condition of the year-ended stock, because compliance test and NRV test cannot ascertain the existence and status of inventory at balance sheet date. Stock certificate from the director was management representation which lacked independent verification. Thus, the Respondent was in breach of HKSA 501.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE SIXTH COMPLAINT

37. The Respondent was responsible for the audit of Markland's financial statements for the financial years ended 30 April 2010, signed on 30 January 2012.
38. Markland was a secretarial company with a close business relationship with LTC. LTC used to provide auditing, taxation and secretarial services in the same office. The Respondent admitted that Markland was used as a special purpose vehicle in 2010 to take over the secretarial services of LTC and to provide manpower to LTC with a profit-sharing arrangement with LTC which gets 1/3 and the remaining 2/3 goes to Markland.
39. The working papers showed an item stating "*consultancy fee – LTC*", which was explained further that "*[Markland] provides the manpower to [LTC] to complete its job. In return, [LTC] will paid 2/3 of fee amount as consultancy income to [Markland].*"

40. The Respondent also stated that "*LTC had ceased to be the auditor of Markland after the financial year ended 30 April 2010 and will never be the auditor of [Markland] from then onward as the acting as such will bring conflict of interest and a breach of rule under professional ethic*". This, as the Complainant submitted, was a tacit admission that the threat to independence was so serious as not to allow LTC to be the auditor of Markland.
41. Given the close business relationship, their sharing of revenue, and the provision of manpower by Markland to LTC, the threat to auditor's independence created would be so significant that no safeguards could reduce the threat to an acceptable level. A reasonable and informed third party would be likely to conclude that the Respondent's integrity, objectivity or professional scepticism as the auditor have been compromised. This was acknowledged by the Respondent and by virtue of his Confirmation.

FACTS AND CIRCUMSTANCES IN SUPPORT OF THE SEVENTH COMPLAINT

42. These multiple breaches by the Respondent in respect of the Five Companies over consecutive years revealed that he had blatantly and persistently failed to undertake adequate procedures to ensure a professional manner expected of a competent practising certified public accountant. Further, the Respondent also acknowledged it would bring about a conflict of interest and breach of professional ethics. Thus, section 34(1)(a)(viii) of the PAO applies to the Respondent for having been guilty of professional misconduct.

THE SANCTIONS

43. In light of the admission by virtue of the Confirmation, the only outstanding matter is the question of sanctions which ought to be imposed upon the Respondent.
44. The Complainant and the Respondent provided their written submissions on sanctions and costs on 5 August 2016 and 29 September 2016 respectively. Both parties provided a number of previous Disciplinary Committee decisions.
45. The Complainant has submitted and analysed past cases decided by the Disciplinary Committees which the Complainant emphasised the seriousness for breaches of independence reflected in the penalties imposed and that cases concerning multiple breaches of standards and professional misconduct have attracted heavier penalty. In summary, the Complainant submitted that only a cancellation of the practising certificate – for a period of not less than 12 months – can reflect the seriousness of the multiple breaches and the breach as to independence in particular.
46. The Respondent maintained in his written submission that, regarding the First, Second, Third, and Fourth Complaints, the errors "*was inadvertently made by [the Respondent]*" and "*was an error arose from [the Respondent's] exercise of*

judgment or mis-judgment”. Regarding the Fifth Complaint, the Respondent submitted that he exercised a judgment in deciding that the inventory was immaterial as compared with the turnover of the relevant years. Regarding the Sixth Complaint, the Respondent submitted that (i) such *“appearance of lack of independence or lack of appearance of independence does not concern any party apart from [the Respondent]”*, (ii) *“Markland had been making losses of HK\$396,172 and \$214,304”*, and (iii) such audit report was *“only required for the stamping of the transfer of shares of Shun Cheuk (Hong Kong) Limited being the sole shareholder of Markland”*. As to the last submission, the Committee expressed doubt as to the real intention of the audit, which may potentially be used for the purpose of avoiding Stamp Duty.

47. Further, the Respondent also maintained that he had shown remorse and taken remedial actions. The Respondent also submitted in his mitigation that each Complaint was isolated incident, not repetitive and were unlikely to be repeated in the future. Regarding his health condition, the Respondent submitted that his heart’s problem began *“when he was disciplined for non-compliance with requirements to a Practice Review”*. However, the Respondent, in his further submission dated 27 October 2016, could not provide further medical records to support his claim.
48. In summary, the Respondent submitted that a reprimand and/or penalty plus payment of reasonable amount of the cost and expense of the proceedings be appropriate.
49. On 28 October 2016, the Complainant submitted a further submission in light of new facts and circumstances as revealed in the Respondent’s submission. In summary, the Complainant submitted that (i) the sentencing approach suggested by the Respondent by analogy to the criminal sentencing process is plainly wrong, (ii) the Committee should determine what is the appropriate sanction after considering all the complaints, rather than assigning an individual sanction to each complaint and then aggregate them, (iii) the errors were not as inadvertent or as a misjudgement as the Respondent submitted, (iv) the Respondent was *“the sole ultimate shareholder of Markland”* which is the *“worst kind of breach of independence”*, and (v) the Respondent’s submission that Markland was required to carry out its audit because of share transfer is plainly wrong. In summary, the Complainant sought for, not just the cancellation of practising certificate, but a removal of the membership – for such a period as the Committee sees fit.
50. In light of the further submission by the Complainant, the Respondent submitted his reply on 22 December 2016. In particular, the Respondent replied further to the Sixth Complaint which submitted that Ms Lau Sin held the shares of Markland as nominee of the Respondent which the Respondent earlier accepted that the former director of Markland sold his shares to the Respondent. However, the Respondent sought for support from the Practice Review carried out earlier that no further action was taken against the Respondent, and no harm to any person or party has been caused by this misconduct.

51. The Complainant then further filed his submission on 3 January 2017 and the Respondent followed in reply on 9 January 2017. However, since the Committee has directed that no further submissions can be made after the Respondent's submission dated 22 December 2016, the Committee would not consider the content of these two submissions.
52. On 27 January 2017, the Committee raised further questions as to the Sixth Complaint upon reviewing the Respondent's submission. The Committee enquired as to the details surrounding the acquisition of Markland by the Respondent, the role of the Respondent in the acquisition, and the audit carried out by the Respondent on Markland.
53. On 13 March 2017, the Respondent provided his account. In summary, the Respondent submitted that Mr Alan Lee, the former shareholder, approached and solicited the Respondent on or before 2011 Chinese New Year for taking over Markland as the business of Markland was suffering loss and Markland was providing manpower and office supporting facility to LTC, and the acquisition was finally concluded in May 2012. LTC was first requested to conduct the audit of Markland for the year ended 30 April 2010 sometime in 2011, which was after the Respondent being approached to take over Markland. In light of the Respondent's Submission, the Committee, on 28 March 2017, invited the Complainant to make further submissions on the Sixth Complaint, in particular, as to which particular section(s) of the COE or other professional standard(s) that the Respondent had breached.
54. On 11 April 2017, the Complainant identified the issue as to whether there might be a further breach of independence depends on whether the Respondent held any beneficial interest in Markland during the audit. The Complainant submitted that, (i) contrary to what the Respondent submitted earlier as to his negotiation with Mr Alan Lee, company searches shows that Mr Alan Lee had already resigned as director on 19 October 2011, and Ms Lau Sin was appointed as director on the same day, which the Complainant questioned the true beneficial ownership of Markland during the relevant periods and (ii) even assuming that the Respondent did not hold any beneficial interest during the audit, the Respondent still had breached the independence requirement by auditing a company with an offer from him to purchase the shares under paragraph 290.124 of the COE that he may create self-interest. The Complainant then invited the Committee to impose a heavier sanction than the one they suggested on 5 August 2016.
55. The Committee accordingly directed the Respondent be given the opportunity to respond to the Complainant's submission.
56. On 18 May 2017, the Respondent submitted the following: (i) the alleged fact did not take the charge beyond the original ambit, i.e. paragraph 290.124 of the COE, (ii) the Respondent was not interested in acquiring Markland until after completion of the audit of Markland because Ms Lau Sin later changed her mind and decided not to acquire Markland, which the Respondent did not want Markland to be closed down and asked Ms Lau to become the sole shareholder

of Markland as nominee of the Respondent, and (iii) the Respondent did not agree with the allegation that there would be a self-interest in auditing a company because it was not the job of the auditor to produce any set of financial figures upon carrying out the audit. The Respondent reiterated that the Respondent's misconduct was not serious than that of the case of Mr Ng Kay Lam which was sanctioned by way of reprimand and penalty of HK\$50,000.

DECISION

57. In arriving at the proper sanctions to be imposed on the Respondent, the Committee has had regard to all the aforesaid matters advanced in mitigation as well as taken into account the previous decisions of the Disciplinary Committee that we had been referred to. The Committee considered the following facts and matters specific to this case:

- (a) The Committee takes into account that the Respondent has sought to ameliorate his breaches by having an early admission at the outset, which has allowed Rules 17 to 30 of the Rules to be dispensed with and shortened these proceedings, and has resulted in the saving of time and costs.
- (b) The Committee takes into consideration the Respondent's age, his health and his grave concern in the past year in the course of bringing these disciplinary proceedings to a final determination.
- (c) However, the Committee notes that there were multiple breaches of the Accounting and Auditing Standards involved here as well as the fact that the breaches involved more than one company.
- (d) As to the First to Fifth Complaints, the Committee does not consider that it assists the Respondent that he was aware of the applicable professional standards but then decided that it was acceptable not to apply those standards.
- (e) Further, the breaches by the Respondent are considered as a significant sum and a significant percentage.
- (f) Even though the Respondent has admitted the Complaints at the onset, the Respondent, in his written submissions on sanctions, continued to maintain that he was not in serious breach of the independence requirement as to the Sixth Complaint. Further, in light of the further submissions by the Respondent, the Committee finds that the circumstance surrounding the acquisition of Markland and the audit involved were dubious and the Committee expresses our doubt as to the true purpose of the audit by LTC on Markland.
- (g) As submitted by the Complainant and reflected in past decisions, the Committee holds the view that a strong message needs to be sent out to the profession that serious and flagrant breaches of the core

principle of independence or apparent independence as required by the Code will be viewed seriously by the Committee. Such serious breaches will warrant serious consequences in terms of sanctions. It is for this reason that the Committee considers that an order for the cancellation of his practising certificate is necessary.

58. Having considered the above facts and matters and all other factors the Committee deem appropriate, including a Statement of Costs dated 14 June 2017 submitted by the Institute totalling HK\$113,236 and a Revised Statement of Costs of the Clerk dated 31 May 2017 totalling HK\$9,872 which the Committee is satisfied were reasonably and necessarily incurred, we make the following orders:

- (a) The Respondent be reprimanded under section 35(1)(b) of the PAO;
- (b) The Respondent pay a penalty of HK\$50,000 under section 35(1)(c) of the PAO;
- (c) The Respondent pay the costs of and expenses incidental to the proceedings of the Complainant and the Committee in the total sum of HK\$123,108 under section 35(1)(iii) of the PAO;
- (d) The practising certificate issued to the Respondent be cancelled on the 40th day from the date of this order under section 35(1)(da) of the PAO; and
- (e) A practising certificate shall not be issued to the Respondent for a period of 6 months from the date that the Respondent's practising certificate is cancelled under sub-paragraph (d) above under section 35(1)(db) of the PAO.

Dated the 5th day of September 2017.