

STATEMENT OF DISCIPLINARY ACTION

A. The Disciplinary Action

1. Pursuant to sections 37CA, 37D and/or 37I of the Accounting and Financial Reporting Council Ordinance (Cap. 588) (formerly the Financial Reporting Council Ordinance prior to 1 October 2022) (**AFRCO**), the Accounting and Financial Reporting Council (**AFRC**) has:

- 1.1. publicly reprimanded each of Rongcheng (Hong Kong) CPA Limited (formerly known as CL Partners CPA Limited at the relevant time of the misconduct) (**RCHK**), Lee Wai Chi (**Lee**) and Chan Kin Wai (**Chan**);
- 1.2. imposed a pecuniary penalty of **HK\$808,000** against RCHK;
- 1.3. imposed a pecuniary penalty of **HK\$140,000** against Lee;
- 1.4. imposed a pecuniary penalty of **HK\$235,000** against Chan;
- 1.5. ordered Lee to pay the costs and expenses of, and costs and expenses incidental to, the investigation in relation to him in the sum of **HK\$65,081.11**; and
- 1.6. ordered Chan to pay the costs and expenses of, and costs and expenses incidental to, the investigation in relation to him in the sum of **HK\$50,968.81**

(collectively, **Disciplinary Action**).

2. RCHK¹ was registered under its former name “CL Partners CPA Limited” (**CL Partners**) during the relevant time, and changed to its current name in June 2025. In the circumstances, references are made to “CL Partners” in this Statement of Disciplinary Action insofar as they pertain to the conduct and factual circumstances occurring at the material times, unless the context otherwise requires.

3. The AFRC found that:

CL Partners

3.1. CL Partners authorized Lee² to carry out activities as its engagement partner (**EP**) in seven PIE engagements in relation to seven Hong Kong listed entities (**2022 Relevant Engagements**), when Lee was not a registered engagement partner (**REP**) of CL Partners from

¹ RCHK is registered as a corporate practice and a PIE auditor with the AFRC (M0298).

² Lee is a member of the Hong Kong Institute of Certified Public Accountants (**HKICPA**) (A37958) and currently holds a practising certificate (P07830).

around 1 January 2022 to 23 May 2022 (**2022 Relevant Period**), in contravention of section 20V of the AFRCO;

- 3.2. CL Partners authorized Chan³ to carry out activities as its EP in seven other PIE engagements in relation to two Hong Kong listed entities (**2023 Relevant Engagements**), when Chan was not a REP of CL Partners from around 1 February 2023 to 30 June 2023 (**2023 Relevant Period**), in contravention of section 20V of the AFRCO;
- 3.3. CL Partners failed to inform the Council of the HKICPA (**HKICPA Council**) that an individual (**Individual H**), who was CL Partners' then registered responsible person, ceased to be its responsible person by written notice within 14 days after the day on which such change took place, i.e. on or before 15 January 2022, in contravention of the then section 20ZA(1)(a) of the AFRCO;
- 3.4. CL Partners failed to ensure that it had at least one REP and at least one registered quality control system responsible person (**RQCSR**) during the 2022 Relevant Period, in contravention of sections 20U(1)(a) and (c) of the AFRCO;
- 3.5. CL Partners failed to inform the HKICPA Council of its failure to meet the requirements in sections 20U(1)(a) and (c) of the AFRCO as summarised in paragraph 3.4 above by written notice within 7 days after the day on which the failure began, i.e. on or before 8 January 2022, in contravention of the then section 20X(2) of the AFRCO;

Lee

- 3.6. Lee carried out activities for CL Partners as its EP in the 2022 Relevant Engagements, when he was not a REP of CL Partners during the 2022 Relevant Period, in contravention of section 20D of the AFRCO;

Chan

- 3.7. Chan carried out activities for CL Partners as its EP in the 2023 Relevant Engagements, when he was not a REP of CL Partners during the 2023 Relevant Period, in contravention of section 20D of the AFRCO; and
 - 3.8. Chan failed, without reasonable excuse, to comply with a requirement imposed on him by the CPA investigator under section 20ZZJ(1) of the AFRCO (**Requirement**).
4. The AFRC found that in light of paragraph 3 above, each of CL Partners, Lee and Chan (collectively, **Regulatees**) failed or neglected to observe, maintain

³ Chan was a former member of the HKICPA (A24477) and formerly held a practising certificate (P07749).

or otherwise apply the fundamental principle of professional behavior, in breach of sections 110.1 A1(e) and R115.1 under Part 1 of Chapter A of the Code of Ethics for Professional Accountants (**COE**).

5. In the circumstances, RCHK has committed practice irregularities within the meaning of section 4(2)(a)(v) of the AFRCO, Lee has committed professional irregularities within the meaning of section 3B(1)(c) of the AFRCO, and Chan has committed professional irregularities within the meaning of sections 3B(1)(c) and (e) of the AFRCO.
6. Based on the above, RCHK has committed FR misconduct pursuant to sections 37A(a) and (e) of the AFRCO, and each of Lee and Chan is guilty of CPA misconduct pursuant to section 37AA(1)(a) of the AFRCO.

B. Summary of Facts

7. This matter was identified during an inspection on CL Partners carried out by the AFRC's Inspection Department in October 2023.

Relevant registration status of CL Partners' REP and RQCSR

8. When CL Partners was registered as a PIE auditor on 6 September 2021, Individual H was its sole practising member director, REP and RQCSR.
9. On 1 January 2022, Individual H ceased to be a practising member director, REP and RQCSR of CL Partners, and Lee became a managing director and practising member director of CL Partners.
10. Upon Individual H's cessation as CL Partners' REP and RQCSR on 1 January 2022 (**Individual H's Cessation**) and during the 2022 Relevant Period, CL Partners did not have any REP or RQCSR.
11. On 24 May 2022, Lee was admitted as a REP and RQCSR of CL Partners.
12. On 10 July 2023, Chan was admitted as a REP of CL Partners.

2022 Relevant Engagements

13. Between November 2021 and May 2022, CL Partners was appointed as the auditor for the 2022 Relevant Engagements.
14. Between March and July 2022, CL Partners issued seven auditor's reports for the 2022 Relevant Engagements. Lee signed off the seven auditor's reports, but he was not CL Partners' REP at the time of signing four of those reports.

2023 Relevant Engagements

15. In February 2023, CL Partners was appointed as the auditor for the 2023 Relevant Engagements.

16. In May and June 2023, CL Partners issued seven auditor's reports for the 2023 Relevant Engagements. Chan signed off the seven auditor's reports, but he was not CL Partners' REP at the time of signing all those reports.

C. Summary of Findings

The Regulatees' multiple contraventions of the AFRCO

Sections 20D and 20V

17. The AFRCO sets out prohibitions concerning the carrying out of activities in relation to PIE engagements by unregistered EP:

17.1. section 20D of the AFRCO provides that a person must not carry out any activity as an EP of a registered PIE auditor unless the person is a REP of the auditor; and

17.2. section 20V of the AFRCO provides that a registered PIE auditor must not authorize a person, who is not a REP of the auditor, to carry out any activity for the auditor as an EP.

18. However:

18.1. during the 2022 Relevant Period, CL Partners authorized Lee to carry out, and Lee carried out, activities as an EP of CL Partners in relation to the 2022 Relevant Engagements, when Lee was not a REP of CL Partners; and

18.2. during the 2023 Relevant Period, CL Partners authorized Chan to carry out, and Chan carried out, activities as an EP of CL Partners in relation to the 2023 Relevant Engagements, when Chan was not a REP of CL Partners.

19. In the circumstances, CL Partners contravened section 20V of the AFRCO in relation to a total of 14 PIE engagements, Lee contravened section 20D of the AFRCO in relation to the 2022 Relevant Engagements, and Chan contravened section 20D of the AFRCO in relation to the 2023 Relevant Engagements.

Section 20ZA(1)(a)

20. The then section 20ZA(1)(a) of the AFRCO provides that “[a] registered PIE auditor must, within 14 days after the day on which any of the following changes takes place, inform the HKICPA Council of the change by written notice ... a registered responsible person of the auditor ceases to be a responsible person of the auditor ...”.

21. CL Partners should have informed the HKICPA Council of Individual H's Cessation on or before 15 January 2022 by written notice. However, CL Partners failed to do so, in contravention of the then section 20ZA(1)(a) of the AFRCO.

Section 20U(1)

22. Section 20U(1) of the AFRCO provides that “[a] registered PIE auditor must ensure that it has, at all times – (a) at least one registered engagement partner; ... and (c) at least one registered quality control system responsible person.”
23. However, CL Partners did not have any REP or RQCSRPs since Individual H’s Cessation and during the 2022 Relevant Period, in contravention of sections 20U(1)(a) and (c) of the AFRCO.

Section 20X(2)

24. The then sections 20X(1)(b) and (2) of the AFRCO provide that a registered PIE auditor must, within 7 days after the day on which the failure to have at least one REP and one RQCSRPs begins, inform the HKICPA Council of the failure by written notice.
25. CL Partners should have informed the HKICPA Council of its failure to have any REP and RQCSRPs on or before 8 January 2022 by written notice. However, CL Partners failed to do so, in contravention of the then section 20X(2) of the AFRCO.

CL Partners’ and Lee’s explanations

26. In relation to the contraventions during the 2022 Relevant Period, CL Partners and Lee submitted that they did not intend to contravene the relevant requirements under the AFRCO. They explained, among other things, that Lee (as CL Partners’ managing director) heavily relied on Individual H to notify the HKICPA of the relevant changes, and followed up with CL Partners’ administrator. Lee genuinely believed that the necessary documentation was completed in early 2022, primarily as a result of his various mistaken beliefs or misinterpretations, including that when Individual H submitted the “Notification for Change of Particulars of a Corporate Practice” (Form RCP-3A)⁴ to the HKICPA in January 2022, documents for change of responsible persons were also submitted.
27. For the contraventions during the 2023 Relevant Period, CL Partners explained that its managing director presumed that the “Application for Registration of Additional Responsible Person of a Registered Public Interest Entity Auditor” (Form PIE-3) submitted to the AFRC in April 2023, seeking to add Chan as CL Partners’ EP, was simply an administrative procedure and should have a very short turnaround time. He also misinterpreted an email from the AFRC in May 2023 as confirmation that Chan had been registered as CL Partners’ REP and mistakenly believed that the information requested in the email was only post-approval administrative procedure.

⁴ In Form RCP-3A, CL Partners notified the HKICPA about the withdrawal of Individual H as CL Partners’ practising member director and the addition of Lee as CL Partners’ practising member director effective from 1 January 2022.

28. The AFRC rejected the explanations in paragraphs 26 and 27 above:
- 28.1. In relation to the contraventions during the 2022 Relevant Period, Lee heavily relied on Individual H, who had already resigned and ceased to be CL Partners' director. Lee only enquired with CL Partners' administrator once, and did not follow up further. Form RCP-3A had nothing to do with Individual H's Cessation or the application to register Lee as CL Partners' EP and QCSRП at all.
- 28.2. In relation to the contraventions during the 2023 Relevant Period, the AFRC's email only acknowledged receipt of Form PIE-3 and requested CL Partners to provide further documents and information. There is also evidence that CL Partners authorized Chan to carry out, and Chan carried out, activities as its EP for the 2023 Relevant Engagements even before Form PIE-3 was submitted.

Chan's failure to comply with a requirement imposed under section 20ZZJ(1) of the AFRCO

29. During the investigation on Chan, the CPA investigator issued the Requirement to Chan under section 20ZZJ of the AFRCO, requiring him, as a professional person, to respond to items 1 to 3 and item 4 of the Requirement by 16 September 2024 and 21 August 2024 respectively.
30. The CPA investigator duly served the Requirement on Chan at least three times, on 23 August 2024, 16 September 2024 and 3 October 2024 respectively, by sending it to Chan's electronic mail address last known to the AFRC in accordance with section 60(2)(a)(iv) of the AFRCO.
31. However, Chan failed, without reasonable excuse, to comply with the Requirement within the specified time, and still failed to do so at the time of publication of this Statement of Disciplinary Action. Accordingly, Chan has committed a professional irregularity within the meaning of section 3B(1)(e) of the AFRCO.

The Regulatees' breach of the fundamental principle of professional behavior

32. The fundamental principle of professional behavior as set out in sections 110.1 A1(e) and R115.1 under Part 1 of Chapter A of the COE requires the Regulatees to, among other things, comply with relevant laws and regulations.
33. By contravening the provisions of the AFRCO as set out in paragraphs 17 to 31 above, the Regulatees failed to comply with relevant laws and regulations and failed to conduct themselves in a manner consistent with the profession's responsibility to act in the public interest. Accordingly, the Regulatees failed or neglected to observe, maintain or otherwise apply the fundamental principle of professional behavior in sections 110.1 A1(e) and R115.1 under Part 1 of Chapter A of the COE.

34. In light of the above, RCHK has committed practice irregularities pursuant to section 4(2)(a)(v) of the AFRCO, and each of Lee and Chan has committed professional irregularities pursuant to section 3B(1)(c) of the AFRCO.
35. RCHK and Lee have each accepted in full the findings and misconduct in relation to them as set out in paragraphs 17 to 28 and 32 to 34 above.

D. Conclusion

36. Having considered all relevant circumstances, the AFRC is of the view that RCHK has committed FR misconduct pursuant to sections 37A(a) and (e) of the AFRCO, and each of Lee and Chan is guilty of CPA misconduct pursuant to section 37AA(1)(a) of the AFRCO.
37. In determining the Disciplinary Action, the AFRC has had regard to the Sanctions Policy for PIE Auditors and Registered Responsible Persons, Guidelines for Exercising the Power to Impose a Pecuniary Penalty for PIE Auditors and Registered Responsible Persons, Sanctions Policy for Professional Persons, Guidelines for Exercising the Power to Impose a Pecuniary Penalty for Professional Persons and the Guidance Note on Cooperation with the AFRC (**Guidance Note on Cooperation**), and has taken into account all relevant circumstances, including those summarised below.

Nature, seriousness, duration, frequency and impact of the misconduct

38. All regulatees are expected to strictly comply with the relevant laws and regulations, including the AFRCO, at all times. The Regulatees' multiple contraventions of the law constituted serious misconduct. Audits of 14 PIE engagements were conducted by EPs without the required registration. Further, there was a period of five months where CL Partners, as a registered PIE auditor, had no REP and RQCSR at all.
39. The relevant registration and notification requirements under the PIE auditor regime are designed to uphold the standards of PIE auditors, enhance the audit quality of PIE engagements, and in turn, safeguard the protection of the investing public and the public interest. The Regulatees' failure to comply undermined the regulator's proper and effective discharge of its statutory duty to regulate, monitor and uphold the standards of PIE auditors. Contravention of sections 20D, 20X and 20ZA of the AFRCO without reasonable excuse would amount to a criminal offence.
40. The conduct of CL Partners and Lee also demonstrated their disregard of their own responsibilities to comply with the law, and that they failed to take reasonable and sufficient steps to handle, monitor and follow up on the process and completion of the relevant registrations and notifications.
41. Chan's failure to comply with the statutory requirement imposed by the AFRC on him in an investigation also constituted serious misconduct as it had the effect of impeding the AFRC's investigation.

42. The Regulatees' conduct undermined the credibility and damaged the reputation of the accounting profession, and put investors at risk. That said, there is no finding of intentional, dishonest or deliberate misconduct by the Regulatees.

Aggravating circumstances

43. CL Partners and Lee gave inconsistent (or contradictory) responses during the investigations.
44. Whilst CL Partners has a clean disciplinary record with the AFRC, the HKICPA issued a disapproval letter to CL Partners in 2019. Chan has two prior disciplinary records with the HKICPA in 2015 and 2017.

Mitigating circumstances

45. RCHK and Lee admitted their liabilities, initiated resolution discussions with the AFRC, accepted the disciplinary action and entered into an agreement with the AFRC pursuant to section 371 of the AFRCO before the issuance of a Notice of Proposed Disciplinary Action.
46. Lee has a clean disciplinary record with the HKICPA and the AFRC.
47. The AFRC has also taken into account RCHK's and Lee's respective submissions on remedial measures, including the improvement in corporate governance, risk and quality management by RCHK.
48. Having considered all the relevant circumstances and the Guidance Note on Cooperation, the AFRC is of the view that a reduction of 20% to the original pecuniary penalties assessed against each of RCHK and Lee is appropriate, and that it is in the interest of the investing public and the public interest for the AFRC to enter into an agreement pursuant to section 371 of the AFRCO with each of RCHK and Lee.