

STATEMENT OF DISCIPLINARY ACTION

A. The Disciplinary Action

1. Pursuant to sections 37CA and 37I(1A) of the Accounting and Financial Reporting Council Ordinance (Cap. 588) (**AFRCO**), the Accounting and Financial Reporting Council (**AFRC**) has:
 - 1.1. publicly reprimanded Tang Wai Leung (**Tang**);
 - 1.2. imposed a pecuniary penalty of **HK\$70,000** against Tang; and
 - 1.3. ordered Tang to pay the costs and expenses of, and incidental to, the investigation in the sum of **HK\$61,769.07**(collectively, **Disciplinary Sanctions**).
2. The Disciplinary Sanctions were imposed in relation to professional irregularities committed by Tang under section 3B(1)(c) of the AFRCO while conducting the audit of the consolidated financial statements of China 33 Media Group Limited (**Company**) and its subsidiaries for the year ended 31 December 2020 (**Relevant Audit**).
3. The Relevant Audit was conducted by Jon Gepsom CPA Limited (**Jon Gepsom**, formerly known and referred to as McM (HK) CPA Limited (**McM**)),¹ with both Tang and Lo Ka Ki (**Lo**) acting as the engagement quality control reviewers (**EQCR**).²
4. The AFRC found that Tang contravened section 20E of the AFRCO for carrying out activities as the EQCR in the Relevant Audit despite not being a registered EQCR of McM.
5. The AFRC also found that Tang failed or neglected to observe, maintain or otherwise apply the PAO professional standards³ below:
 - 5.1. paragraph R115.1 of the applicable version of the Code of Ethics for Professional Accountants (**COE**), which required a professional accountant to, among other things, comply with relevant laws; and
 - 5.2. paragraph 21 of the applicable version of the Hong Kong Standard on Auditing 220 – *Quality Control for an Audit of Financial Statements* (**HKSA 220**), which required an EQCR to, among other things, assess the engagement team’s evaluation of the firm’s independence in relation to the audit engagement.

¹ References are made to “McM” insofar as they pertain to the conduct and factual circumstances occurring at the material times, unless the context otherwise requires.

² At all material times, Lo is and was a practicing director of McM.

³ As defined in section 2 of the AFRCO.

6. By failing or neglecting to observe, maintain or otherwise apply the above PAO professional standards, Tang committed professional irregularities within the meaning of section 3B(1)(c) of the AFRCO, and is therefore guilty of CPA misconduct under section 37AA(1)(a) of the AFRCO.

B. Summary of Facts

Tang

7. At all material times, Tang is and was registered as the managing director of ZB CPA Limited (currently known as Zubbily CPA Limited) and has never held any position at McM.⁴

The Company

8. The Company was incorporated under the laws of the Cayman Islands and its shares are and were at all material times listed on the GEM Board of The Stock Exchange of Hong Kong Limited. It was principally engaged in printed media advertising, outdoor and digital advertising, film and entertainment investment, and prepaid card business.

Breaches of independence requirements

9. Mr Yeung Man Sun (**Yeung**) was the company secretary of the Company since 18 January 2019 until he resigned from the position on 14 June 2022.
10. On 15 January 2021, Yeung became a director of McMillan Woods (Hong Kong) CPA Limited (**McMillan Woods**), a network firm of McM.
11. On 26 January 2021, McM was appointed as the auditor of the Company. McM conducted the Relevant Audit and issued the auditor's report on 29 March 2021.
12. Accordingly, McM was acting as the auditor of the Company while Yeung maintained the dual role as a practising director of McM's network firm and the company secretary of the Company.

Carrying out activity as an EQCR despite not being registered

13. On 26 January 2021, McM authorised Tang, who was not a registered EQCR of McM and had never been a registered EQCR of any firm, to carry out activities as EQCR in the Relevant Audit, which Tang subsequently performed.

⁴ Tang is a member of the HKICPA (Membership No. F07006) and a practicing certificate holder (Practising Certificate No. P05991).

C. Summary of Findings

Failure to properly evaluate and address threats to independence

14. Paragraph R523.4 of the COE explicitly states that a partner or employee of the firm or a network firm shall not serve as company secretary for an audit client of the firm, unless three conditions stated therein are met.⁵
15. The AFRC found that a network relationship existed between McM and McMillan Woods because:
 - 15.1. Both firms were under the common ownership and control of Lo, who was the majority shareholder and a director of both McM and McMillan Woods at the material time.⁶ This common control is specifically identified as an indicator of a network under paragraph R400.53(b) of the COE.
 - 15.2. The firms also shared significant professional resources, including the use of the same corporate email domains and the regular loaning of staff between the firms for audit and assurance engagements. These arrangements are consistent with the sharing of professional resources described in paragraph R400.53(f) of the COE.
 - 15.3. Internal documents signed by McM's staff further confirmed that McMillan Woods was recognised as a network firm.
 - 15.4. McM's own audit working papers recorded concerns about independence due to the close relationship between the firms. Such concerns would not have arisen if the firms were not operating as a network.
16. Given that McMillan Woods was a network firm of McM and Yeung concurrently served as a practicing director of McMillan Woods and as the company secretary of the Company, McM's subsequent engagement with the Company for the Relevant Audit faced an independence threat.
17. Although McM had identified the independence threat, it held the misguided belief that such threat had been adequately managed and reduced to an acceptable level after implementing, among others, the following measures:
 - 17.1. authorising an external party, Tang, to act in the role of EQCR for the Relevant Audit alongside Lo;

⁵ The three conditions being (i) such practice is specifically permitted under local law, professional rules or practice; (ii) management makes all relevant decisions and (iii) the duties and activities performed are limited to those of a routine and administrative nature. Tang did not seek to rely on this exception.

⁶ At all material times, Lo is and was (i) a practicing director of McM, (ii) the managing director of McMillan Woods and (iii) a majority shareholder holding 97% shares in McM and 99.94% shares in McMillan Woods.

- 17.2. notifying the Company's audit committee of the independence threats and relevant mitigation measures implemented before signing the engagement letter for the Relevant Audit; and
 - 17.3. obtaining prior consent from the Company prior to McM's nomination as auditor for the Relevant Audit.
18. In the circumstances, the threat to independence arising from Yeung's roles could only be mitigated through one of the following actions as stated in R120.10 of the COE:
 - 18.1. eliminating the relationship giving rise to the threat;
 - 18.2. applying safeguards to reduce the threat to an acceptable level; or
 - 18.3. declining or ending the specific professional activity.
19. However, the measures taken by McM, as outlined in paragraph 17 above, were insufficient to adequately mitigate the independence threat. The self-review and self-interest threats remained unresolved, as Yeung continued to hold dual roles – both as a practising director of McM's network firm and as company secretary of the Company – for the entire duration of the Relevant Audit.
20. Jon Gepsom had therefore failed to properly evaluate the independence threats and reduce such threats to an acceptable level.
21. Tang, as an EQCR for the Relevant Audit, was obliged to consider the engagement team's evaluation of McM's independence in relation to the Relevant Audit.
22. Tang was aware of the independence threats. However, despite his review of the measures as outlined in paragraph 17 above, he erroneously concluded that the independence threats had been mitigated to an acceptable level following the implementation of such measures. As such, he failed to properly assess the engagement team's evaluation of McM's independence in the Relevant Audit, as required under paragraph 21 of HKSA 220.
23. Accordingly, the AFRC found, and it was admitted by Tang, that Tang was in breach of paragraph 21 of HKSA 220 and therefore committed professional irregularities pursuant to section 3B(1)(c) of the AFRCO.

Carrying out activities as an EQCR without registration

24. The AFRCO sets out prohibitions concerning the engagement of unregistered persons to carry out activities in relation to PIE engagements. Under section 20E of the AFRCO, a person must not carry out any activity as an EQCR of a registered PIE auditor, unless he is a registered EQCR of the auditor.

25. The AFRC found, and it was admitted by Tang, that:
- 25.1. McM engaged Tang as one of the EQCRs for the Relevant Audit;
 - 25.2. Tang carried out activities as an EQCR for the Relevant Audit; and
 - 25.3. Tang was not, and has never been, a registered EQCR of McM or any other firm.
26. In light of the above, Tang contravened section 20E of the AFRCO by carrying out activities as an EQCR for the Relevant Audit, despite not being a registered EQCR of McM.
27. Further, the fundamental principle of professional behaviour as set out in paragraph R115.1 of the COE requires professional accountants to comply with relevant laws and regulations.
28. Not only did his contravention of section 20E of the AFRCO constitute a failure to comply with relevant laws, Tang also failed or neglected to observe, maintain or otherwise apply the fundamental principle of professional behaviour, in breach of R115.1 of the COE.
29. In light of the above, Tang has committed professional irregularities pursuant to section 3B(1)(c) of the AFRCO.

Tang's Admission

30. Tang has accepted the above findings in full and admitted the CPA misconduct found by the AFRC.

D. Conclusion

31. Having considered all relevant circumstances, the AFRC is of the view that Tang is guilty of CPA misconduct under section 37AA(1)(a) of the AFRCO.
32. In determining the Disciplinary Sanctions, the AFRC has had regard to its Sanctions Policy for Professional Persons, Guidelines for Exercising the Power to Impose a Pecuniary Penalty for Professional Persons, and Guidance Note on Cooperation with the AFRC, and has taken into account all relevant circumstances, including the following:
- 32.1. The misconduct in question included breaches of the fundamental principle of independence as well as a statutory prohibition of engaging in EQCR activity without registration.
 - 32.2. Carrying out activities as an EQCR without registration is a statutory offence, punishable on conviction on indictment by a fine of HK\$1 million and imprisonment for up to two years.
 - 32.3. The misconduct relates to a public interest entity audit client. It

undermined, or could have undermined, public confidence in the standards of conduct of Tang and the reputation of the accounting profession.

- 32.4. A strong deterrent message needs to be sent to the accounting profession that breaches of the statutory registration requirements and/or fundamental ethical principles, including the principle of independence, are unacceptable.
- 32.5. Tang's clean disciplinary record with the AFRC and the HKICPA.
- 32.6. Tang admitted his liabilities in full and initiated resolution discussions with the AFRC. He further accepted the Disciplinary Sanctions against him and entered into an agreement with the AFRC pursuant to section 37I(1A) of the AFRCO before the issuance of a Notice of Proposed Disciplinary Action.