

ORDER

pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against AWC LLP, Chung and Mui (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement (the "Offers") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over them and the subject matter of these proceedings, which is admitted, Respondents consent to the entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (the "Order") as set forth below.²

III.

On the basis of Respondents' Offers, the Board finds³ that:

A. Respondents

1. **AWC LLP** (the "Firm") is and, at all relevant times, was a limited liability partnership organized under New York law and headquartered in New York, New York.⁴ AWC LLP is licensed by the New York State Education Department (License No.

² The findings herein are made pursuant to the Respondents' Offers and are not binding on any other persons or entities in this or any other proceeding.

³ The Board finds that Respondents' conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of (1) intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

⁴ In October 2015, AWC LLP changed its legal name from Albert Wong & Co. LLP.



ORDER

67333) to practice public accountancy. At all relevant times, AWC LLP was an affiliate and an associated entity of AWC (CPA) Limited, the auditor of the consolidated financial statements of Kandi Technologies Group, Inc. ("Kandi") for the years ended December 31, 2010, December 31, 2011, and December 31, 2012 (collectively, the "Kandi Audits").⁵ AWC LLP is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

2. **Mun Leung CHUNG**, also known as Clive Chung ("Chung"), 55, of New York, New York and the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), is a certified public accountant licensed by New York State Education Department (License No. 076306) and is a certified public accountant (practising) registered with the Hong Kong Institute of Certified Public Accountants ("HKICPA") (License No. A37788). Chung is, and at all relevant times was, the managing partner of AWC LLP and responsible for AWC LLP's system of quality control. Chung was the engagement quality reviewer for each of the Kandi Audits. Chung is, and at all relevant times was, an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

3. **Lam Shan MUI** ("Mui"), 67, of New York, New York, is a certified public accountant licensed by New York State Education Department (License No. 072623). Mui is, and at all relevant times was, a partner of AWC LLP and an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

B. Other Relevant Entity

4. **AWC (CPA) Limited** ("AWC") is a public accounting firm incorporated in Hong Kong, and registered with the HKICPA as a certified public accounting firm (License No. 1186). AWC is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB Rules.⁶ At all relevant times, AWC was

⁵ At all relevant times, Kandi was a Delaware corporation with its primary operations in the People's Republic of China. Kandi's public filings disclose that it was a manufacturer of electric vehicles, go-carts, all-terrain and other specialty vehicles. At all relevant times, Kandi was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

⁶ In January 2015, AWC (CPA) Limited succeeded to the registration status of its predecessor, Albert Wong & Co., a Hong Kong sole proprietorship.

ORDER

Kandi's external auditor and issued audit reports expressing unqualified opinions on Kandi's consolidated financial statements for 2010, 2011 and 2012. At all relevant times, AWC was an affiliate and an associated entity of AWC LLP.⁷

C. Summary

5. This matter concerns Respondents' failure to comply with Section 10A(g) of the Exchange Act and Exchange Act Rule 10A-2, and PCAOB rules and standards that require a registered public accounting firm, its associated entities, and their associated persons be independent of the firm's audit client throughout the audit and professional engagement period. Specifically, with respect to AWC's audit of Kandi's December 31, 2012 financial statements ("Kandi 2012 Audit"), Respondents were not independent during the audit and professional engagement period because Mui performed prohibited non-audit services on Kandi's behalf by accepting a Power-of-Attorney from Kandi and representing Kandi in a matter before a New York State regulatory agency.

6. In addition, Chung failed to comply with PCAOB Auditing Standard No. 7, *Engagement Quality Review* ("AS No. 7"). By providing his concurring approval of the issuance of AWC's audit reports for the Kandi audits while acting as an active member of the engagement team, he failed to maintain objectivity. In the Kandi 2012 Audit, Chung was not independent of Kandi because his partner, Mui, performed prohibited non-audit services for Kandi. Chung also failed to comply with documentation requirements for audit services he performed in the Kandi Audits.

7. This matter also concerns AWC LLP's violations of PCAOB quality control standards. Specifically, the Firm failed to establish policies and procedures to provide it with reasonable assurance that personnel maintain independence and failed to establish monitoring procedures sufficient to provide the Firm with reasonable assurance that its policies and procedures were suitably designed and were being effectively applied.⁸ Chung, as the managing partner and person responsible for

⁷ See AWC (CPA) Limited, WONG Chi Wai, CPA, and WONG Fei Cheung, CPA, PCAOB Release No. 105-2016-016 (May 18, 2016).

⁸ See QC §§ 20.06, .09, .20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*; QC § 30.03, *Monitoring a CPA Firm's Accounting and Auditing Practice*.

ORDER

designing, implementing and maintaining the Firm's system of quality control, took, or omitted to take, actions that he knew, or was reckless in not knowing, would directly and substantially contribute to the Firm's violation of PCAOB quality control standards, in contravention of PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*.

D. Respondents' Violations of PCAOB Rules and Standards, the Exchange Act, and Independence Standards

8. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.⁹ PCAOB rules and standards also require that a registered public accounting firm and its associated persons to be independent of the firm's audit client throughout the audit and professional engagement period.¹⁰ A registered public accounting firm or associated person's independence obligation with respect to an audit client that is an issuer encompasses not only an obligation to satisfy the independence criteria set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the Commission under the federal securities laws.¹¹

9. Section 10A(g) of the Exchange Act provides that it shall be unlawful for a registered public accounting firm (and any associated person of that firm, to the extent determined appropriate by the Commission) to provide to an issuer, contemporaneously with the audit, certain non-audit services, including those involving management functions.¹²

⁹ PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*, and PCAOB Rule 3200T, *Interim Auditing Standards*. All references to PCAOB standards are to the versions of those standards in effect at the time of the audits.

¹⁰ See PCAOB Rule 3520, *Auditor Independence*, and AU § 220, *Independence*.

¹¹ See PCAOB Rule 3520, Note 1.

¹² See Section 10A(g)(6) of the Exchange Act.

ORDER

10. Exchange Act Rule 10A-2 states that it shall be unlawful for an auditor not to be independent with respect to, among other requirements, the prohibited non-audit services of Commission Regulation S-X. Rule 2-01 of Regulation S-X provides an accountant is not independent if, at any point during the audit and professional engagement period, the accountant provides certain non-audit services for audit clients, including performing any decision-making, supervisory, or ongoing monitoring function for the audit client, or performing services that place the accountant in a position of being an advocate for the audit client.¹³

11. The independence requirements in Rule 2-01 of Regulation S-X apply to a registered public accounting firm performing services in connection with an engagement for which independence is required, including its associated entities, and any accounting firm with which the certified public accountant or public accountant performing services is affiliated.¹⁴

12. PCAOB rules prohibit an associated person of a registered public accounting firm from taking or omitting to take an action knowing, or recklessly not knowing, that the act or omission would directly and substantially contribute to a violation by that firm of the Act, rules of the Board, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto, including the rules of the Commission issued under the Act, or professional standards.¹⁵

13. As described below, Respondents failed to comply with PCAOB rules and standards, as well as applicable independence requirements, during the audit and professional engagement period of the Kandi 2012 Audit. In addition, Chung failed to comply with PCAOB rules and standards during the Kandi Audits.

Independence Violations

14. During the audit and professional engagement period of the Kandi 2012 Audit, AWC LLP, as an affiliate and associated entity of AWC, was required to be

¹³ See 17 C.F.R. § 210.2-01(b), (c)(4)(vi).

¹⁴ See Rule 2-01(f)(1) and (2) of Regulation S-X; 17 CFR §210.2-01. See also PCAOB Rule 3520.

¹⁵ PCAOB Rule 3502.

ORDER

independent of Kandi. AWC LLP's partners and associated persons were also required to be independent of Kandi.

15. During the audit and professional engagement period of the Kandi 2012 Audit, Chung obtained from Kandi a Power-of-Attorney naming Mui as Kandi's attorney-in-fact for the purpose of representing Kandi in all matters with a New York State regulatory agency. Mui accepted the Power-of-Attorney from Kandi and proceeded to represent Kandi before that agency, which resulted in a reduction of a penalty from Kandi's failure to comply with certain state laws. In the fall of 2012, Mui resolved the matter and executed an offer of settlement with that agency on Kandi's behalf.

16. Because of these actions, Mui was not independent of Kandi during the 2012 audit and professional engagement period. Furthermore, as a result of these actions, AWC LLP and Chung were not independent of Kandi during the 2012 audit and professional engagement period, in violation of PCAOB rules and standards, the Exchange Act, and Exchange Act rules.¹⁶

17. Mui took, or omitted to take, actions during the Kandi 2012 Audit, that he knew, or was reckless in not knowing, would directly and substantially contribute to AWC LLP's violations of PCAOB rules and standards, in contravention of PCAOB Rule 3502.

Chung Failed to Comply with Engagement Quality Review and Documentation Requirements during the Kandi Audits

18. AS No. 7, *Engagement Quality Review*, provides that an engagement quality review and concurring approval of issuance are required for each engagement, and the engagement quality reviewer must be independent of the company and perform the review with integrity, and maintain objectivity in performing the review.¹⁷ To maintain objectivity, the engagement quality reviewer should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team.¹⁸ In

¹⁶ See Section 10A(g)(6) of the Exchange Act, Exchange Act Rule 10A-2, PCAOB Rule 3520, AU § 220; and AS No. 7 ¶ 6, *Engagement Quality Review*.

¹⁷ See AS No. 7 ¶¶ 1, 6.

¹⁸ See AS No. 7 ¶ 7.

ORDER

addition, the engagement quality reviewer must comply with PCAOB audit documentation requirements.¹⁹

19. Throughout the Kandi Audits, Chung served as the engagement quality reviewer. While serving in this role, Chung also was concurrently responsible in those same audits for performing audit procedures on the deferred tax balances and related tax disclosures in Kandi's financial statements which impaired his objectivity as the engagement quality reviewer in violation of AS No. 7.

20. In addition, as the engagement quality reviewer of the Kandi 2012 Audit, Chung knew that he and AWC LLP were required to be independent of Kandi. Yet, as previously described, Chung obtained the Power-of-Attorney from Kandi for Mui and failed to evaluate whether Mui's activities on Kandi's behalf constituted prohibited non-audit services that would impair the independence of AWC LLP and himself. Nevertheless, Chung provided concurring approval of issuance of AWC's audit report on the Kandi 2012 financial statements even though he and AWC LLP were not independent of Kandi during the audit and professional engagement period.

21. AS No. 7 states that documentation of an engagement quality review should contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures performed by the engagement quality reviewer, the documents reviewed, and the date concurring approval of issuance was given.²⁰ While serving as the engagement quality reviewer during the Kandi Audits, Chung failed to document certain of the procedures he performed and, on numerous occasions, Chung reviewed the engagement team's documentation without evidencing his review in the audit documentation, in violation of AS No. 7.

22. In addition, when Chung was assuming certain responsibilities of the engagement team, he failed to comply with audit documentation requirements. Specifically, Chung failed to document audit procedures he performed on the deferred tax balances and related tax disclosures.²¹

¹⁹ See AS No. 7 ¶¶ 19–21.

²⁰ AS No. 7 ¶ 19.

²¹ See AS No. 3 ¶¶ 4–9.

ORDER

E. Chung and the Firm Violated PCAOB Rules and Standards Related to Quality Control

23. PCAOB rules require that a registered public accounting firm comply with the Board's quality control standards.²² PCAOB quality control standards require that a registered public accounting firm "shall have a system of quality control for its accounting and auditing practice."²³ PCAOB quality control standards state that policies and procedures should be established to provide the firm with reasonable assurance that "personnel maintain independence in all required circumstances" and "that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality."²⁴ PCAOB quality control standards also provide that policies and procedures "should be established to provide the firm with reasonable assurance that the policies and procedures established by the firm for each of the other elements of quality control ... are suitably designed and are being effectively applied," and that "its system of quality control is effective."²⁵

24. Throughout the relevant time period, AWC LLP failed to have policies and procedures providing reasonable assurance that its personnel maintain independence. For example, AWC LLP's quality control policies and procedures failed to address prohibited non-audit services and made no reference whatsoever to Rule 2-01 of Commission Regulation S-X or the provisions therein. Further, AWC LLP policies and procedures failed to provide any guidance to its personnel with respect to independence requirements as an affiliate and associated entity of AWC.

25. AWC LLP also failed to establish monitoring procedures sufficient to enable it to obtain reasonable assurance that its system of quality control was effective.²⁶ Indeed, the Firm had no monitoring procedures at the time and relied on its partners to monitor whether its associated persons, including themselves, were complying with firm policies and procedures.

²² PCAOB Rule 3100; PCAOB Rule 3400T, *Interim Quality Control Standards*.

²³ QC § 20.01.

²⁴ QC §§ 20.09-.10, and 20.17.

²⁵ QC § 20.20; see also QC § 30.03.

²⁶ QC § 30.02.

ORDER

26. Chung, as AWC LLP's managing partner, was responsible for the design, development, implementation, maintenance and monitoring of AWC LLP's quality control policies and procedures. Yet Chung took, or omitted to take, actions that he knew, or was reckless in not knowing, would directly and substantially contribute to AWC LLP's violation of PCAOB quality control standards, in contravention of PCAOB Rule 3502.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in the Respondents' Offers. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), AWC LLP, Mun Leung CHUNG, CPA, and Lam Shan MUI, CPA are hereby censured;
- B. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of AWC LLP is suspended for a period of one (1) year;
- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Mun Leung CHUNG, CPA, is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);²⁷

²⁷ As a consequence of the bar, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Mun Leung CHUNG. Section 105(c)(7)(B) of the Act provides that "[i]t shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."

ORDER

- D. After two (2) years from the date of this Order, Mun Leung CHUNG, CPA may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm;
- E. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$5,000 is imposed upon Mun Leung CHUNG. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act. Mun Leung CHUNG shall pay this civil money penalty within 10 days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by Board staff; or (b) United States postal money order, certified check, bank cashier's check or bank money order; (c) made payable to the Public Company Accounting Oversight Board; (d) delivered to the Controller, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006; and (e) submitted under a cover letter which identifies Mun Leung CHUNG, as a Respondent in this proceeding, sets forth the title and PCAOB Release Number of this proceeding, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to the Office of the Secretary, Attention: Phoebe Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006;
- F. Pursuant to Section 105(c)(4)(C) of the Act and PCAOB Rule 5300(a)(3), for a period of one (1) year from the date of the issuance of this Order, Lam Shan MUI, CPA's role in an "audit" as that term is defined in Section 110(1) of the Act, shall be restricted as follows: MUI shall not serve as an "engagement partner," as that term is used in the Board's Auditing Standard No. 10, *Supervision of the Audit Engagement*, or (2) exercise authority either to sign a registered public accounting firm's name to an audit report, or to consent to the use of a previously issued audit report, for any issuer, broker or dealer; and

ORDER

- G. Pursuant to Section 105(c)(4)(F) of the Act and PCAOB Rule 5300(a)(6), Lam Shan MUI, CPA, is required to complete, within one (1) year from the date of the issuance of this Order, ten (10) hours of continuing professional education ("CPE") in subjects directly related to ethics with a minimum of six (6) hours related to PCAOB and Commission auditor independence requirements (such hours shall be in addition to, and shall not be counted in, the CPE that he is required to obtain in connection with any professional license).

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

May 18, 2016