



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

Hong Kong Institute of Certified Public Accountants takes regulatory action against two certified public accountants (practising) and a firm

(HONG KONG, 20 December 2019) The Hong Kong Institute of Certified Public Accountants has taken regulatory action against Ms. Kwee Wei, certified public accountant (practising) (A15101), Ms. Wong Sau Ling, certified public accountant (practising) (F02782) and KPMG (0035) (collectively “Respondents”) for their failure or neglect to observe, maintain or otherwise apply professional standards issued by the Institute.

KPMG audited the consolidated financial statements of Modern Beauty Salon Holdings Limited, a Hong Kong listed company (“Company”) and its subsidiaries for the years ended 31 March 2014 to 2017. Kwee was the engagement partner and Wong was the engagement quality control reviewer.

In 2012, the Company issued a convertible note to its controlling shareholder and chairperson as consideration of a business combination. The terms of the note contained contingent settlement provisions which would obligate the Company to redeem the unconverted outstanding balance of the note in cash when certain events occurred. Notwithstanding this, the Company recognized its contractual obligation to pay interest for the note as a financial liability and the residual balance as an item in equity, whereas it should have comprised embedded derivative financial instruments and a financial liability.

In their initial audit for 2014, the Respondents concurred with the opening balances pertaining to the convertible note and failed to properly evaluate whether that accounting treatment complied with the requirements of Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*. In 2017, the convertible note matured and part of it had to be settled by cash. The Company then reassessed the initial accounting treatment of the note, and after discussion with the Respondents, made prior year adjustments regarding the note.

The Institute concluded as follows:

- (i) Kwee and KPMG failed or neglected to observe, maintain or otherwise apply the following professional standards:
 - Hong Kong Standard on Auditing (“HKSA”) 200 (Clarified) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing*;
 - HKSA 500 (Clarified) *Audit Evidence*; and
 - HKSA 510 (Clarified) *Initial Audit Engagements – Opening Balances*.

- (ii) Wong failed or neglected to observe, maintain or otherwise apply HKSA 220 (Clarified) *Quality Control for an Audit of Financial Statements*.

Regulatory action

Based on the foregoing and in lieu of further proceedings, the Council of the Hong Kong Institute of Certified Public Accountants concluded that the following should resolve the complaint:

1. The Respondents acknowledge the facts of the case and their non-compliance with the relevant professional standards;
2. they be reprimanded; and
3. Kwee, Wong and KPMG jointly pay an administrative penalty of HK\$35,000 and costs of the Institute and the Financial Reporting Council totalling HK\$62,828.

About Resolution by Agreement

In order to better serve the interests of the public and the profession, the Hong Kong Institute of Certified Public Accountants ("HKICPA") ensures complaints are dealt with in an effective and transparent manner. In accordance with Council powers outlined in the Professional Accountants Ordinance, a Resolution by Agreement ("RBA") may be offered in uncontested cases considered to be moderate after taking into account the nature and gravity of the complaint, past disciplinary records of the respondent and any aggravating or mitigating circumstances. An RBA will not be offered in cases involving complaints of dishonesty, which are handled through a separate disciplinary process.

The RBA includes a mandatory public censure which entails publication of the name of the respondent, facts of the case and areas of non-compliance with professional standards. Information on the Institute's complaint handling process and guidelines for Resolutions by Agreement are available at the Institute website under the "Compliance" section at www.hkicpa.org.hk.

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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 44,000 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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香港會計師公會對兩名執業會計師及一間會計師事務所作出監管行動

(香港，二零一九年十二月二十日) 香港會計師公會就執業會計師郭蕙女士(會員編號：A15101)、執業會計師王秀玲女士(會員編號：F02782)及畢馬威會計師事務所(事務所編號：0035)(統稱「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，對他們作出監管行動。

畢馬威曾審計香港上市公司現代美容控股有限公司(「該公司」)及其附屬公司截至二零一四年至二零一七年三月三十一日止年度的綜合財務報表。郭女士是該等審計項目的合夥人，而王女士則是該等審計項目的質量控制覆核人。

於二零一二年，該公司向其控股股東兼主席發行可換股票據，作為一項業務合併的代價。該票據的條款載有或然結算條文，強制該公司在若干事件發生時須以現金贖回票據的未換股部分。儘管如此，該公司將支付該票據利息的合約義務確認為金融負債，並將剩額確認為一項權益。然而，該票據應包含內嵌衍生金融工具及金融負債。

對二零一四年度財務報表進行首次審計時，答辯人同意有關該可換股票據的期初餘額，而沒有適當地評估該會計處理是否符合 Hong Kong Accounting Standard 第 32 號「Financial Instruments: Presentation」的規定。於二零一七年，該可換股票據到期而其中一部分須以現金結算。該公司因而重新評估該票據起初的會計處理，並與答辯人討論後就該票據作出過往年度調整。

公會的結論如下：

- (i) 郭女士及畢馬威沒有或忽略遵守、維持或以其他方式應用以下的專業準則：
- Hong Kong Standard on Auditing (「HKSA」) 200 (Clarified) 「Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Hong Kong Standards on Auditing」；
 - HKSA 500 (Clarified) 「Audit Evidence」；及
 - HKSA 510 (Clarified) 「Initial Audit Engagements – Opening Balances」。
- (ii) 王女士沒有或忽略遵守、維持或以其他方式應用 HKSA 220 (Clarified) 「Quality Control for an Audit of Financial Statements」。

監管行動

基於上文所述及為省卻進一步程序，香港會計師公會理事會決定以下列的方案解決這宗投訴：

1. 答辯人承認此個案中的事實及違反了相關專業準則；
2. 他們被譴責；及
3. 郭女士、王女士及畢馬威須共同繳交行政罰款 35,000 港元，以及公會及財務匯報局的費用共 62,828 港元。

有關解決方案

為保障公眾及會計界的利益，香港會計師公會以有效及具透明度的方式處理投訴個案。根據《專業會計師條例》概述的公會理事會權力，公會在考慮投訴個案的性質與嚴重性、答辯人的過往處分紀錄，以及加重與寬減等因素後，若認為個案屬中度嚴重，便可在答辯人不抗辯的情況下藉解決方案處理。然而，如個案涉及不誠實行為的投訴，則不可藉解決方案處理，而須另按紀律處分程序處理。

對於所有解決方案，公會均作出強制性的公開譴責及公佈答辯人的姓名、個案涉及的事實和所違反的專業準則。公會投訴處理程序及解決方案的指引，可於公會網頁（www.hkicpa.org.hk）內「Compliance」部份查閱。

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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 44,000 名，學生人數逾 18,000。

公會開辦專業資格課程，確保會計師的入職質素，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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