

Press Release

16 October 2025

AFRC reprimands PricewaterhouseCoopers and two others for multiple audit deficiencies and imposes fines totalling HK\$1.6 million

The Accounting and Financial Reporting Council (**AFRC**) has sanctioned the following PIE audit firm and two individuals who held partner roles during the relevant audits for multiple audit deficiencies related to revenue recognition involving a Hong Kong listed company, Dynasty Fine Wines Group Limited (**Company**)¹ and its subsidiaries (together, **Group**), for the years ended 31 December 2010 and 31 December 2011 (**2010 Audit** and **2011 Audit** respectively):

- (i) PricewaterhouseCoopers (**PwC**);²
- (ii) Mr Cheng Kwong On (**Cheng**),³ engagement partner for the 2010 and 2011 Audits (together with PwC, **Auditor**); and
- (iii) Mr Kong Ling Yin, Raymond (**Kong**),⁴ engagement quality control reviewer for the 2010 and 2011 Audits.

The AFRC has issued a reprimand to each of PwC, Cheng and Kong, and imposed pecuniary penalties totalling HK\$1.6 million, comprising penalties of HK\$800,000 for PwC, HK\$600,000 for Cheng, and HK\$200,000 for Kong.

In both years, the Auditor performed deficient audit work on revenue recognition and failed to obtain sufficient appropriate audit evidence of the Group's recorded revenues, resulting in the incorrect issuance of an unmodified audit opinion.

The core business of the Group involved the manufacture and sale of wine products in the Chinese Mainland. In late 2012, PwC received anonymous allegations that the Group's revenue had been inflated and a substantial amount of sales was fictitious. Consequently, the Company carried out an internal investigation⁵ which revealed, among other things, that a significant portion of wine products purportedly sold to one of the Group's main distributors were not delivered but stored in the Group's offsite warehouses.

¹ The Company's stock code is 00828.

² Firm registration number: 0034.

³ HKICPA membership number: F04037.

⁴ HKICPA membership number: A06486.

⁵ By reason of the internal investigation and the consequent delay in publishing the 2012 financial statements, trading in the shares of the Company was suspended for more than six years from 22 March 2013 to 28 July 2019.

Subsequently, the Company made prior year adjustments to correct misstated revenue in its 2010 and 2011 financial statements. These adjustments revealed that the Group should have reported a loss in 2011, contrary to the previously reported profit. There was also a substantial decrease in the Group's retained earnings by around HK\$225 million and HK\$262 million in 2010 and 2011 respectively.

The AFRC identified numerous and pervasive deficiencies in the 2010 and 2011 Audits in relation to revenue recognition. Most significantly, the Auditor failed to exercise professional skepticism or obtain sufficient appropriate audit evidence that the relevant wine products had been delivered to and accepted by the Group's customers, as required under the Group's accounting policy. Instead, the Auditor improperly relied on the Group's internally generated sales orders and goods delivery notes even though they did not provide any evidence of delivery and acceptance of goods, being essential criteria for revenue recognition.

Ms Hester Leung, Head of Discipline, said, "Revenue recognition is a recurring area of concern for the AFRC. We have seen multiple cases involving auditors' failures to obtain sufficient appropriate audit evidence in this critical aspect, often resulting from poor audit planning and inadequate risk assessment, and deficiencies in the design or execution of audit procedures. This case underscores the need for auditors to exercise professional skepticism, particularly in high-risk areas such as revenue recognition with heightened risk of fraud."

In deciding the appropriate disciplinary sanctions, the AFRC has considered all relevant circumstances, including but not limited to, the following factors:

- there were fundamental breaches of auditing standards across two audit years;
- the misconduct significantly increased the risk of revenue being misstated, which may potentially affect users' understanding of the Group's financial statements, thereby prejudicing the interests of the investing public; and
- there was no finding of intentional, dishonest or deliberate misconduct.

It is noted that the Decision Notices were initially issued to PwC, Cheng and Kong on 20 February 2025. On 13 March 2025, the regulatees applied to the Accounting and Financial Reporting Review Tribunal for a review of the decisions. The review application was subsequently withdrawn with costs to the AFRC, and the Decision Notices became effective.

Ms Janey Lai, CEO of the AFRC, remarked, "Audit deficiencies in the area of revenue recognition may increase the risks of material misstatements in financial reporting and undetected financial statements fraud, which in turn severely erode investors' confidence. The AFRC is committed to upholding audit quality in this area to safeguard the quality of financial reporting in listed companies and maintain Hong Kong's

reputation as an international financial centre. The AFRC appreciates the continuing assistance and support of the Ministry of Finance of the People's Republic of China in obtaining relevant audit working papers in this case, demonstrating the importance of cross-boundary regulatory cooperation in upholding audit quality and integrity.”

For details of the decision, please refer to the [Statement of Disciplinary Action](#).

End

About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (**AFRC**) is an independent body established under the Accounting and Financial Reporting Council Ordinance. As an independent regulator, the AFRC spearheads and leads the accounting profession to constantly raise the level of quality of professional accountants, and thus protects the public interest and promotes the healthy development of the accounting profession.

For more information about the statutory functions of the AFRC, please visit www.afrc.org.hk.

For media enquiries:

Joyce Mak

Manager, Corporate and Public Affairs

Tel: +852 3586 7889

Email: joycemak@afrc.org.hk

Chelsy Chan

Senior Officer, Corporate and Public Affairs

Tel: +852 2236 6066

Email: chelsychan@afrc.org.hk