

## Press Release

21 August 2025

### **AFRC reprimands BDO Limited and two others for breaches of multiple auditing standards, imposes fines totalling HK\$455,000 and gives directions for additional CPD**

The Accounting and Financial Reporting Council (**AFRC**) has sanctioned the following PIE auditor and two individuals for multiple breaches of auditing standards in relation to the audit of a former Hong Kong listed company, Vestate Group Holdings Limited (in Liquidation) (**Company**),<sup>1</sup> and its subsidiaries (collectively, **Group**) for the year ended 31 March 2018 (**2018 Audit**):

- (i) BDO Limited (registration number: M0200) (**BDO**);
- (ii) Mr Alfred Lee (**Lee**), engagement partner for the 2018 Audit (together with BDO, **Auditor**); and
- (iii) Mr Pak Tak Lun Amos (**Pak**), engagement quality control reviewer for the 2018 Audit.

The AFRC has (a) issued a public reprimand to each of BDO, Lee and Pak (collectively, **Regulatees**), (b) imposed pecuniary penalties totalling HK\$455,000, comprising penalties of HK\$245,000 for BDO, HK\$154,000 for Lee and HK\$56,000 for Pak and (c) directed each of Lee and Pak to undertake additional Continuing Professional Development (**CPD**) hours.<sup>2</sup>

In light of the Regulatees' full admission of liability at an early stage, the AFRC has exercised its discretion and reduced the pecuniary penalties by 30%, the maximum reduction available under the [Guidance Note on Cooperation with the AFRC](#).

This case primarily involved deficient audit work on the impairment assessment of the Group's point-of-sale and e-commerce payment processing business (**E-Business**) in the 2018 Audit. The E-Business formed a significant part of the Group's assets, representing approximately 26% of the Group's total assets or around five times the Group's net assets as at 31 March 2018.

Despite identifying impairment assessment of the E-Business as a key audit matter requiring significant audit attention, the Auditor did not carry out analysis of the forecasted revenue calculation for the E-Business or critically assess the assumptions

<sup>1</sup> Previous stock code: 01386; now delisted.

<sup>2</sup> Specifically, Lee and Pak shall undertake 20 and 10 additional verifiable CPD hours respectively on specified areas within 12 months from the date of the issuance of the Decision Notices to Lee and Pak respectively, and shall provide the AFRC with evidence of compliance.

adopted by the Company's valuer (**Valuer**) for the purpose of the impairment assessment. Most significantly, although the licence to carry out the E-Business had only been granted on a provisional basis, the Auditor did not challenge the incorrect assumption made by the Valuer that the E-Business would generate long-term revenue of over two decades.

The Auditor had also engaged a valuation expert (**Expert**) to assist with reviewing the valuation of the E-Business. The Auditor relied on the deficient work of the Expert, and failed to challenge the Expert's view that the key assumptions adopted by the Valuer were reasonable.

In light of the above, the Auditor failed to carry out appropriate audit procedures commensurate with the risks identified, and placed inappropriate reliance on the work carried out by the Valuer and the Expert without sufficient professional skepticism. As a result, the AFRC determined that the Auditor had failed to properly carry out the 2018 Audit to obtain sufficient and appropriate audit evidence to support the reasonableness of the impairment assessment.

Ms Hester Leung, Head of Discipline, stated, "Auditors often need experts' assistance in specialised areas outside of accounting and auditing. However, auditors should not rely on their experts' work without critical evaluation. Auditors must adopt a rigorous approach and critically assess the adequacy of their experts' work as well as management's judgements on accounting estimates and treatments to ensure financial reports are free of material misstatement."

In deciding the appropriate disciplinary sanctions, the AFRC has considered all the relevant circumstances, including the nature, seriousness, duration, frequency and impact of the misconduct, as well as BDO's prior disciplinary records and the Regulatees' cooperation in this case.

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 leads the accounting profession by upholding professional standards, safeguarding the public interest, and promoting the profession's healthy development.

For more information about the statutory functions of the AFRC, please visit [www.afr.org.hk](http://www.afr.org.hk).

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