2024 Inspection Moore CPA Limited

(Headquartered in Hong Kong Special Administrative Region of the People's Republic of China)

January 30, 2025

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2025-034

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2024 INSPECTION

In the 2024 inspection of Moore CPA Limited (formerly Moore Stephens), the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the China Securities Regulatory Commission, the Ministry of Finance of the People's Republic of China, and the Accounting and Financial Reporting Council of Hong Kong.

We selected for review two audits of issuers with fiscal years ending in 2020. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2024 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2024 INSPECTION

The following information provides an overview of our 2024 inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2024
Firm data	
Total issuer audit clients in which the firm was the principal auditor	2
Total issuer audits in which the firm was not the principal auditor	3
Total engagement partners on issuer audit work[1]	1
Audits reviewed	
Total audits reviewed[2]	2
Audits in which the firm was the principal auditor	2
Integrated audits of financial statements and internal control over financial reporting (ICFR)	1
Audits with Part I.A deficiencies	2
Percentage of audits with Part I.A deficiencies	100%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection.

[2] The population from which audits are selected for review includes both audits for which the firm was the principal auditor and those where the firm was not the principal auditor but played a role in the audit.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2024 inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2024	
Audit area	**Audits reviewed**
Revenue and related accounts	2
Cash and cash equivalents	2
Equity and equity-related transactions	1
Goodwill and intangible assets	1
Other assets	1

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, (1) at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR or (2) in audit(s) in which it was not the principal auditor, had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

We identify each issuer by a letter (e.g., Issuer A) and industry sector. Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Communication Services

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Equity**, **Goodwill and Intangible Assets**, **Other Assets**, **Revenue**, and **Variable Interest Entities (VIEs)**.

Description of the deficiencies identified

With respect to **Equity**:

The firm did not identify and evaluate a departure from GAAP related to the issuer not accounting for certain redeemable shares outside of permanent equity in conformity with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. (AS 2810.30)

With respect to **Goodwill and Intangible Assets**, for which the firm identified a significant risk:

During the year, the issuer identified indicators of possible impairment for certain of its goodwill and intangible assets and performed a quantitative assessment, using a discounted cash flow model, to test the associated reporting unit for recoverability. The firm's approach for substantively testing goodwill and intangible assets for impairment was to test the issuer's process used to assess the recoverability of the reporting unit. The following deficiencies were identified:

- The firm did not perform procedures to evaluate the reasonableness of the significant assumptions related to revenue growth projections used in the recoverability test, including taking into account the issuer's intent and ability to achieve the assumed revenue growth rates, beyond inquiry, obtaining and reviewing certain customer proposals, and performing a sensitivity analysis. (AS 2501.16 and .17)

- The firm did not perform any procedures to evaluate the reasonableness of a company-specific risk premium included as a part of the significant assumption related to the discount rate used by the issuer in its recoverability test. (AS 2501.16)

- The firm did not perform any procedures to evaluate the reasonableness of the significant assumption related to the terminal growth rate used by the issuer in its recoverability test. (AS 2501.16)

- The firm did not perform procedures to evaluate whether the issuer's method to assess its goodwill and intangible assets for impairment was in conformity with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. (AS 2501.10)

With respect to **Other Assets**, for which the firm identified a fraud risk:

The issuer entered into an agreement with an external party pursuant to which it was to, among other things, make certain advance payments, including common stock and preferred shares, to the external party prior to the completion of the transaction, which occurred after the year under audit. The following deficiencies were identified:

- The firm did not perform any procedures to test the fair value of common stock and preferred shares that had been transferred and recorded as a part of the advance payments, including consideration of certain contrary evidence regarding the trading value of the issuer's common stock. (AS 2501.07; AS 2810.03)

- The firm did not perform procedures to evaluate whether the presentation and disclosure of the advance payments was in conformity with GAAP. (AS 2301.08)

- The firm did not evaluate the business purpose (or lack thereof) of the transaction, including whether it may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets. (AS 2401.67)

With respect to **Revenue**, for which the firm identified a fraud risk:

The issuer recognized certain revenue pursuant to contracts with new customers. The firm did not perform procedures to evaluate whether these customer contracts met the collectability criteria required to recognize revenue. (AS 2301.08 and .13)

The issuer recognized certain other revenue pursuant to a contract with an external party through which it agreed to provide services in exchange for noncash consideration. The firm did not perform procedures to evaluate whether the issuer recognized this revenue in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2301.08 and .13)

With respect to **VIEs**:

The issuer derives revenue through consolidated VIEs and relies on contractual arrangements with the VIEs and their shareholders to control the business operations of the consolidated VIEs. The issuer engaged an external specialist to provide a legal opinion regarding the issuer's consolidated VIEs, including the validity and enforceability of contractual arrangements with the VIEs and their shareholders, and the firm used the work of the company's specialist as audit evidence.

The firm did not sufficiently evaluate the relevance and reliability of the work performed by the company's specialist and whether the specialist's findings support or contradict the issuer's rights and obligations related to the consolidation of the VIEs because it did not evaluate the nature of uncertainties described in the legal opinion prepared by the company's specialist and perform additional procedures to address the risks associated with those uncertainties. (AS 1105.A9 and .A10)

Issuer B – Real Estate

Type of audit and related areas affected

In our review, we identified deficiencies in the ICFR audit related to **Revenue**, **Deferred Revenue**, **Real Estate Investment Properties**, and **Related Party Transactions**.

Description of the deficiencies identified

With respect to **Revenue** and **Deferred Revenue**, both for which the firm identified a fraud risk:

The firm selected for testing certain controls that consisted of the issuer's reviews of revenue and deferred revenue. The firm did not perform procedures to test, or test any controls over, the completeness of the system-generated reports from which it made its selections to test certain of these controls. (AS 1105.10) In addition, for one of these controls, the firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

With respect to **Real Estate Investment Properties**, for which the firm identified a significant risk:

The issuer reported real estate investment properties, including properties under development, and performed an annual assessment of the properties for impairment. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of the annual assessment of real estate investment properties for potential impairment. The firm did not evaluate the review procedures that the control owner(s) performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

- The firm selected for testing certain other controls that consisted of the issuer's recording and approval of transactions associated with the construction of real estate investment properties. For certain of the controls tested, the firm did not perform procedures to test, or test any controls over, the completeness of system-generated reports from which it made its selections to test these controls. (AS 1105.10) In addition, for one of these controls that included the issuer's review of construction in progress, the firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)

- The firm did not evaluate whether certain misstatements it identified related to real estate investment properties, including properties under development, should have had an effect on the firm's conclusions about the effectiveness of the issuer's controls over these assets. (AS 2201.B8)

With respect to **Related Party Transactions**:

The firm selected for testing a control that consisted of the issuer's reconciliation of related party balances and transactions. The firm did not identify and test any controls over the completeness of a system-generated report used in the operation of this control. (AS 2201.39)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In one of two audits reviewed, the firm did not make certain required communications to the audit committee related to certain (1) significant risks identified through its risk assessment procedures and (2) critical accounting policies and practices. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In both audits reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated, or required to be communicated, to the audit committee and that related to accounts or disclosures that were material to the financial statements. In these instances, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. These instances of non-compliance do not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

- In one of two audits reviewed, the firm's communication of a critical audit matter in the audit report included language that was inconsistent with information in the firm's audit documentation. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*.

- In both audits reviewed, the firm's report on Form AP included inaccurate information related to the participation in the audit by an other accounting firm. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.

PART I.C: INDEPENDENCE

In the 2024 inspection, we did not identify, and the firm did not bring to our attention, any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

While the firm did not bring to our attention any instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM’S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm’s response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm’s comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm’s response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm’s comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm’s response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

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Your Ref:

Our Ref: IFILE/10608/2024/ATGCO01F

November 26, 2024

Ms. Christina Gunia
Director, Division of Registration and Inspection
Public Company Accounting Oversight Board
1666 K Street, NW
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By Email
Strictly Private and Confidential

Response to the Draft Inspection Report on the 2024 Inspection of Moore CPA Limited

Dear Ms. Gunia,

We are pleased to provide our response to the draft inspection report (the Report) from the Public Company Accounting Oversight Board (the PCAOB) pertaining to the 2024 inspection of Moore CPA Limited.

We acknowledge that the inspection process offers a valuable opportunity to enhance our audit quality. We actively incorporate feedback from internal and external reviews as part of our commitment to continuously improve audit quality. We will address the matters raised in the Report thoughtfully and comprehensively.

We respect the PCAOB's inspection process and recognize that judgments are involved in performing audits, as well as in subsequent inspections of those audits. Although we have not taken on any PCAOB audits since 2022, we have thoroughly evaluated all matters described in Part I, Inspection Observations, and will implement appropriate actions, where appropriate, in line with PCAOB standards and our internal policies. These actions did not change our audit conclusion, nor did the actions affect our reports on the issuers' financial statements. We have reviewed the remainder of the Report and have no further comments.

We appreciate the opportunity to provide our response to the Report and look forward to continuing to work with the PCAOB on matters of interest to our audit practice.

We would also like to recognize the efforts and cooperation of the China Securities Regulatory Commission, the Ministry of Finance of the People's Republic of China, and the Accounting and Financial Reporting Council of Hong Kong during the inspection process.

Respectfully submitted

Helen Tang
Managing Director
Moore CPA Limited

HT/MC