2024 Inspection KCCW Accountancy Corp.

(Headquartered in Diamond Bar, California)

March 27, 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. 104-2025-058

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

TABLE OF CONTENTS

2024 INSPECTION

In the 2024 inspection of KCCW Accountancy Corp., 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.

We selected for review two audits of issuers with fiscal years ending in 2022. 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 AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2024 inspection as well as data from the previous 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	2022
Firm data		
Total issuer audit clients in which the firm was the principal auditor	12	10
Total engagement partners on issuer audit work[1]	2	1
Audits reviewed		
Total audits reviewed	2	2
Audits in which the firm was the principal auditor	2	2
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0	0
Audits with Part I.A deficiencies	2	2
Percentage of audits with Part I.A deficiencies	100%	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*) during the twelve-month period preceding the outset of the inspection.

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 and the previous 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		2022	
Audit area	**Audits reviewed**	**Audit area**	**Audits reviewed**
Cash and cash equivalents	2	**Cash and cash equivalents**	2
Revenue and related accounts	2	**Revenue and related accounts**	2
Accruals and other liabilities	1	**Related party transactions**	2
Significant transactions	1	**Financial statement presentation and disclosures**	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, 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.

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).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 on the issuer's financial statements.

We identify each issuer by a letter (e.g., Issuer A). 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

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue, Accounts Receivable,** a **Significant Transaction,** and **Related Parties**. The firm's internal inspection program had inspected this audit and reviewed these areas but did not identify the deficiencies below.

Description of the deficiencies identified

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

To test certain revenue, the firm relied on confirmations from customers. The issuer's sales personnel directly contacted the customers and obtained customer signatures as proof of customer receipt of goods purchased. The issuer provided the firm with the signed confirmations. The firm did not maintain control over the confirmation requests and responses through direct communication between the firm and the intended recipients of the confirmation requests. (AS 2310.28)

With respect to certain other revenue, the firm vouched monthly total cash receipts for certain payment methods for certain months to bank statements, and for the remaining months, selected three cash receipts per month and vouched them to bank statements. The firm did not:

- Perform any procedures to test whether the performance obligations had been satisfied before revenue was recognized; (AS 2301.08 and .13)
- Evaluate the relevance of the cash receipts information that was used in its testing; (AS 1105.04 and .06)
- Perform any procedures to test contra revenue. (AS 2301.08 and .13)

With respect to another type of revenue, the firm (1) obtained an issuer-produced summary of daily sales reports for the year and compared the total sales to the general ledger, and (2) vouched total cash receipts recorded for the year in the general ledger for that type of revenue to bank statements, noting a difference between the amounts. The firm did not:

- Perform any procedures to test whether the performance obligations had been satisfied before revenue was recognized; (AS 2301.08 and .13)
- Perform any procedures to evaluate the difference identified between total cash receipts for this type of revenue and revenue recorded in the general ledger; (AS 2301.08 and .13)
- Evaluate the relevance of the cash receipts information that was used in its testing. (AS 1105.04 and .06)

With respect to **Accounts Receivable**:

The firm sent positive confirmation requests to the issuer's customers for a sample of accounts receivable. The firm did not perform sufficient alternative procedures to determine that the recorded amounts of the accounts receivable existed as of the year end, because the procedures were limited to tracing to internal documents indicating the date of product delivery. (AS 2310.31)

With respect to a **Significant Transaction**:

The issuer entered into a significant transaction during the year. The following deficiencies were identified:

- The firm did not perform any procedures to test the valuation of aspects of the transaction. (AS 2501.07)

- The firm did not perform procedures to evaluate the accounting for the transaction, including the subsequent accounting. (AS 2301.08)

- The firm did not perform procedures to evaluate the presentation and disclosures related to the transaction. (AS 2301.08)

- The firm did not evaluate the business purpose (or lack thereof) of the transaction that appeared unusual due to its timing, size, or nature, including whether it may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets, given certain facts indicating the transaction was significant and unusual. (AS 2401.67)

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

The firm did not evaluate whether the issuer had properly identified its related parties and relationships and transactions with related parties, including testing the accuracy and completeness of the related parties and relationships and transactions with related parties identified by the issuer. (AS 2410.14)

The firm did not identify and evaluate a departure from GAAP related to the issuer's omission of certain disclosures required under FASB ASC Topic 850, *Related Party Disclosures*. (AS 2410.17; AS 2810.30 and .31)

Audits with a Single Deficiency

Issuer B

Type of audit and related area affected

In our review, we identified a deficiency in the financial statement audit related to **Revenue**.

Description of the deficiencies identified

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

For certain revenue, the firm did not sufficiently evaluate whether there was a contract with a customer. Specifically, the firm did not assess whether it was probable that the issuer would collect substantially all of the consideration to which it would be entitled in exchange for the goods or services that would be transferred to the customer before revenue was recognized, including consideration of contradictory evidence. (AS 2301.08 and .13; AS 2810.03)

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 the two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform procedures to determine whether the journal entry population from which it made its selections was complete. In these instances, the firm was non-compliant with AS 1105, *Audit Evidence*.

- In the two audits reviewed, the firm did not make certain required communications to the audit committee related to the firm's evaluation of the quality of the issuer's financial reporting. In addition, in one of these audits the firm did not make a required communication to the audit committee related to corrected misstatements, including discussing with the audit committee the implications that such corrected misstatements might have on the company's financial reporting process. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In the two audits reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.

- In one of two audits reviewed, the firm did not evaluate certain factors when determining that there were no risks of material misstatement related to relevant assertions for certain significant accounts and disclosures. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In the two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not appropriately consider the characteristics of potentially fraudulent journal entries in determining the criteria it used to identify and select journal entries for testing. In these instances, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.

- In one of two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not have an appropriate rationale for limiting its testing of entries it identified as having certain fraud risk characteristics to certain entries. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.

- In one of two 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 a matter that was communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. 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*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of potential non-compliance that we identified, there may be other 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.

PCAOB-Identified

We identified the following instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

- Under Rule 2-01(c)(6) of Regulation S-X, an accountant is not independent if the performance of services by certain audit partners for more than the maximum period permitted occurs. We identified two instances for one issuer in which this circumstance appears to have occurred.

- Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it is engaged to render audit or non-audit services to an issuer or its subsidiaries without that engagement having been pre-approved by the audit committee. In two audits reviewed, we identified one instance for one issuer in which the firm could provide no persuasive evidence of the necessary audit committee pre-approval.

Firm-Identified

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.

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.

KCCW
CERTIFIED PUBLIC ACCOUNTANTS

Audit • Tax • Consulting • Financial Advisory
Registered with Public Company Accounting Oversight Board (PCAOB)

February 26, 2025

Via Electronic Mail

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Division of Registration and Inspections
Public Company Accounting Oversight Board
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Dear Ms. Gunia,

We are writing to submit a respond and to demonstrate the effort made by KCCW (or the "Firm") to address the criticisms and potential defects pursuant to the Draft Inspection Report dated January 27, 2025 as issued by the PCAOB (or the "Inspection Report").

We have evaluated **Part 1.A: Audits with Unsupported Opinions of the Inspection Report**. PCAOB commented the following:

Issuer A

Deficiencies identified by PCAOB in the financial statement audit with respect to Revenue

To test certain revenue, the firm relied on confirmations from customers. The issuer's sales personnel directly contacted the customers and obtained customer signatures as proof of customer receipt of goods purchased. The issuer provided the firm with the signed confirmations. The firm did not maintain control over the confirmation requests and responses through direct communication between the firm and the intended recipients of the confirmation requests. (AS 2310.28)

With respect to certain other revenue, the firm vouched monthly total cash receipts for certain payment methods for certain months to bank statements, and for the remaining months, selected three cash receipts per month and vouched them to bank statements. The firm did not:

- *Perform any procedures to test whether the performance obligations had been satisfied before revenue was recognized; (AS 2301.08 and .13)*
- *Evaluate the relevance of the cash receipts information that was used in its testing; (AS 1105.04 and .06)*
- *Perform any procedures to test contra revenue. (AS 2301.08 and .13)*

With respect to another type of revenue, the firm (1) obtained an issuer-produced summary of daily sales reports for the year and compared the total sales to the general ledger, and (2) vouched total cash receipts recorded for the year in the general ledger for that type of revenue to bank statements, noting a difference between the amounts. The firm did not:

- *Perform any procedures to test whether the performance obligations had been satisfied before revenue was recognized; (AS 2301.08 and .13)*
- *Perform any procedures to evaluate the difference identified between total cash receipts for this type of revenue and revenue recorded in the general ledger; (AS 2301.08 and .13)*
- *Evaluate the relevance of the cash receipts information that was used in its testing. (AS 1105.04 and .06)*

Our Response

We will take remedial actions in regard to the aforementioned deficiencies identified and perform the following procedures to test the revenue recognition:

(1) With respect to the first type of revenue, we will perform additional procedures to test whether revenue was appropriately recognized in accordance with FASB ASC Topic 606.

(2) With respect to the second type of revenue,
   i. We will perform additional procedures to evaluate the relevance of the cash receipts information that was used in the revenue testing, and perform additional procedures to evaluate whether the Issuer's performance obligations had been satisfied before the revenue was recognized.
   ii. We will perform additional procedures to test the contra revenue.

(3) With respect to the third type of revenue,
   i. We will perform additional procedures to evaluate the relevance of the cash receipts information that was used in the revenue testing, and perform additional procedures to evaluate whether the Issuer's performance obligations had been satisfied before the revenue was recognized.
   ii. We will perform additional procedures to test the difference identified between total cash receipts vouched versus revenue recorded in the general ledger.

Deficiency identified by PCAOB in the financial statement audit with respect to Accounts Receivable

The firm sent positive confirmation requests to the issuer's customers for a sample of accounts receivable. The firm did not perform sufficient alternative procedures to determine that the recorded amounts of the accounts receivable existed as of the year end, because the procedures were limited to tracing to internal documents indicating the date of product delivery. (AS 2310.31).

Our Response

We will take remedial action in regard to the aforementioned deficiency identified. Specifically, we will perform additional substantive procedures to test the existence of accounts receivable for the first type of revenue.

Deficiencies identified by PCAOB in the financial statement audit with respect to Significant Transaction

The issuer entered into a significant transaction during the year. The following deficiencies were identified:

- *The firm did not perform any procedures to test the valuation of aspects of the transaction. (AS 2501.07)*
- *The firm did not perform procedures to evaluate the accounting for the transaction, including the subsequent accounting. (AS 2301.08)*
- *The firm did not perform procedures to evaluate the presentation and disclosures related to the transaction. (AS 2301.08)*
- *The firm did not evaluate the business purpose (or lack thereof) of the transaction that appeared unusual due to its timing, size, or nature, including whether it may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets, given certain facts indicating the transaction was significant and unusual. (AS 2401.67).*

Our Response

We will perform the following remedial actions in regard to the aforementioned deficiencies identified:

1) We will perform additional procedures to test the valuation aspects of the transaction, as stated below, associated with the significant transaction:

    a. We will evaluate the process for developing the accounting estimate for recognizing identifiable assets acquired and liabilities assumed at fair value.

    b. We will evaluate the significant assumptions used in the process for recognizing identifiable assets acquired and liabilities assumed at fair value.

    c. We will consider the degree of subjectivity associated with significant assumptions used in the process for recognizing identifiable assets acquired and liabilities assumed at fair value.

    d. We will consider whether additional separately identifiable intangible assets existed related to but not limited to the expected cash flows to be derived from the noncompete clauses, research and development activities, brand names, patents, the Development Agreement for the production facility, and customer lists or relationships;

    e. We will test whether the carrying values of the acquired assets approximates their fair values on the transaction date.

2) We to evaluate the accounting and subsequent accounting for the significant transaction. Specifically, we will perform additional procedures to:

a. Evaluate whether the accounting and reporting associated with recognizing identifiable assets acquired and liabilities assumed at fair value, and the disclosures were in conformity with relevant guidance; whether there was any preexisting relationship; and whether there was gain or loss on the settlement of preexisting relationship.

b. Evaluate and test the impairment.

3) We will evaluate the presentation and disclosures related to the transaction. Specifically, we will perform additional procedures to:

a. Test whether transaction-related costs were incurred and the appropriateness of disclosure of transaction-related costs.

b. Evaluate whether the presentation of the payments for the transaction disclosed in the consolidated statement of cash flows was in conformity with the requirements of FASB ASC Topic 230. Specifically, we will evaluate whether the payments made during the year not directly by the Issuer were appropriately presented.

4) We will evaluate the business purpose (or lack thereof) of such transactions in consideration fraud, taking into account the following factors:

a. Purchase price payments were made or arranged to be made on behalf of the Issuer by a related party;

b. Impairment recorded at the closing date of the transaction; and

c. Whether any preexisting relationship existed.

Deficiencies identified by PCAOB in the financial statement audit with respect to Related Parties

The firm did not evaluate whether the issuer had properly identified its related parties and relationships and transactions with related parties, including testing the accuracy and completeness of the related parties and relationships and transactions with related parties identified by the issuer. (AS 2410.14)

The firm did not identify and evaluate a departure from GAAP related to the issuer's omission of certain disclosures required under FASB ASC Topic 850, Related Party Disclosures. (AS 2410.17; AS 2810.30 and .31)

Our Response

We will perform the following remedial actions in regard to the aforementioned deficiencies identified:

1. We will perform additional procedures to evaluate whether the Issuer had properly identified its related parties and relationships and transactions with the related party, including testing the accuracy and completeness of the transactions with the related party.

2. We will perform additional procedures to evaluate the Issuer's required disclosure related to material related party transactions. We will evaluate the Issuer's disclosure required by FASB ASC 850, *Related Party Disclosures*, and related to:
   - The nature of the relationship(s) involved;
   - A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; and
   - The dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period.

Issuer B

Deficiency identified by PCAOB in the financial statement audit with respect to Revenue

For certain revenue, the firm did not sufficiently evaluate whether there was a contract with a customer. Specifically, the firm did not assess whether it was probable that the issuer would collect substantially all of the consideration to which it would be entitled in exchange for the goods or services that would be transferred to the customer before revenue was recognized, including consideration of contradictory evidence. (AS 2301.08 and .13; AS 2810.03).

Our Response

We will perform the following remedial actions in regard to the aforementioned deficiency identified. We will perform additional procedures to assess whether it was probable that the issuer would collect substantially all of the consideration to which it would be entitled by evaluating the customers' ability and intention to pay the amount of consideration in exchange for the products that were transferred to the customers before the revenue was recognized.

We have evaluated **Part 1.B: Other Instances of Non-Compliance with PCAOB Standards or Rules.** PCAOB commented the following:

- *In the two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform procedures to determine whether the journal entry population from which it made its selections was complete. In these instances, the firm was non-compliant with AS 1105, Audit Evidence.*

  Our Response

  We have thrived to maintain the quality of our firm's system quality control and we appreciate that the inspection team pointed out such issue for these issuers selected. We will take immediate actions and the following procedures. In the two audits, we will perform additional procedures to test the completeness of the population of journal entries provided by the issuer from which we made selections.

- *In the two audits reviewed, the firm did not make certain required communications to the audit committee related to the firm's evaluation of the quality of the issuer's financial reporting. In addition, in one of these audits the firm did not make a required communication to the audit* *committee related to corrected misstatements, including discussing with the audit committee the implications that such corrected misstatements might have on the company's financial reporting process. In these instances, the firm was non-compliant with AS 1301, Communications with Audit Committees.*

Our Response

We have thrived to maintain the quality of our audit works and we appreciate that the inspection team pointed our such issue for this issuer selected. We will take immediate actions and the following procedures:

In one audit,

(1) Prior to the issuance of the audit report, we verbally communicated to the Issuer's audit committee the results of the audit, including our evaluation of the quality of the Issuer's financial reporting related to (i) the qualitative aspects of significant accounting policies and practices, (ii) the assessment of critical accounting policies and practices, (iii) the conclusions regarding critical accounting estimates, and (iv) the financial statement presentation. Going forward, we will ensure that our communications to the issuer's audit committee are properly documented.

(2) During our audit, the Issuer proposed certain adjustments based on the results of our procedures and findings. As such, these company proposed adjustments were not considered audit adjustments and not communicated with the audit committee. However, we agree with the inspection team and will include such adjustments in the corrected misstatements going forward. We will communicate these corrected misstatements to the audit committee, including the implications that such corrected misstatements might have on the company's financial reporting process.

For the two audits, we will ensure the completeness of our communications to the audit committee, specifically the communication related to the evaluation of the quality of the issuer's financial reporting.

- *In the two audits reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In these instances, the firm was non-compliant with AS 1301, Communications with Audit Committees, and AS 2805, Management Representations.*

Our Response

We will provide to the audit committee a copy of management representation letter or obtain evidence that the management had separately provided a copy of the management representation letter.

- *In one of two audits reviewed, the firm did not evaluate certain factors when determining that there were no risks of material misstatement related to relevant assertions for certain significant accounts and disclosures. In this instance, the firm was non-compliant with AS 2110, Identifying and Assessing Risks of Material Misstatement.*

Our Response

We will evaluate certain factors when determining the risks of material misstatements related to assertions for certain significant accounts and disclosures, specifically evaluating the fair values, the process for developing accounting estimates, significant assumptions, the degree of subjectivity associated with significant assumptions, and other relevant factors, related to significant accounts and disclosures.

- *In the two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not appropriately consider the characteristics of potentially fraudulent journal entries in determining the criteria it used to identify and select journal entries for testing. In these instances, the firm was non-compliant with AS 2401, Consideration of Fraud in a Financial Statement Audit.*

  Our Response

  We have thrived to maintain the quality of our audit works and we appreciate that the inspection team pointed out such issue for this issuer selected. We will take immediate actions and perform additional assessment in determining the fraud criteria used for the identification and selection of journal entries for testing, considering the factors in AS 2401.61 and characteristics of potentially fraudulent journal entries.

- *In one of two audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not have an appropriate rationale for limiting its testing of entries it identified as having certain fraud risk characteristics to certain entries. In this instance, the firm was non-compliant with AS 2401, Consideration of Fraud in a Financial Statement Audit.*

  Our Response

  We will ensure the completeness of our testing of journal entries that met the established fraud criteria, or document the rationale to support the appropriateness of the rationale for the journal entries excluded from testing.

- *In one of two 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 a matter that was communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. 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. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.*

  Our Response

  We have thrived to maintain the quality of our audit works and we appreciate that the inspection team pointed our such issue for this issuer selected. We will take immediate action and ensure the completeness in the determination of critical audit matters, specifically the matters that were communicated to the Issuer's audit committee and related to accounts or disclosures that were material to the financial statements.

We have evaluated **Part 1.C: Independence.** PCAOB commented the following:

- *Under Rule 2-01(c)(6) of Regulation S-X, an accountant is not independent if the performance of services by certain audit partners for more than the maximum period permitted occurs. We identified two instances for one issuer in which this circumstance appears to have occurred.*

Our Response

We have thrived to maintain the quality of our audit works and we appreciate that the inspection team pointed out such issue. We will enhance our system of quality control and take the following actions:

(1) We will evaluate whether there was any non-compliance with the SEC and PCAOB rules on Auditor Independence other than these two reviews of the issuer's interim financial statements.

(2) The lead engagement partner and the engagement quality reviewer served on the Issuer audit client have rotated.

- *Under Rule 2-01(c)(7) of Regulation S-X, an accountant is not independent if it is engaged to render audit or non-audit services to an issuer or its subsidiaries without that engagement having been pre-approved by the audit committee. In two audits reviewed, we identified one instance for one issuer in which the firm could provide no persuasive evidence of the necessary audit committee pre-approval.*

Our Response

We have thrived to maintain the quality of our audit works and we appreciate that the inspection team pointed out such issue for this issuer selected. We will take immediate action and ask the audit committee to rectify the engagement related to the audit of the issuer's financial statements as of and for the year in writing.

Redacted pursuant to Section 104(f) and/or (g)(2) of the Sarbanes-Oxley Act.

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We highly appreciate the thorough process and rigorous standards applied by the inspection team as well as the comments provided to us. We remain dedicated to evaluating our system of quality control, monitoring of audit quality, and updating our quality control policies and procedures. We are mindful of our responsibility to the capital markets and are committed to continually improving our firm and working constructively with the PCAOB to improve audit quality.

Sincerely,

Edward Wu

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