
2024 Inspection

ARK PRO CPA & CO

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

June 12, 2025

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS
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105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002



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2024 INSPECTION

In the 2024 inspection of ARK PRO CPA & CO (formerly HKCMCPA Company Limited), 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 three audits of issuers with fiscal years generally 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

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	6
Total issuer audits in which the firm was not the principal auditor	0
Total engagement partners on issuer audit work¹	3
Audits reviewed	
Total audits reviewed	3
Audits in which the firm was the principal auditor	3
Integrated audits of financial statements and internal control over financial reporting (ICFR)	0
Audits with Part I.A deficiencies	2
Percentage of audits with Part I.A deficiencies	67%

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. 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	3
Cash and cash equivalents	3
Inventory	2
Related party transactions	2
Leases	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**, **Inventory**, **Journal Entries**, and **Related Party Transactions**.

Description of the deficiencies identified

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

The firm did not perform sufficient procedures to evaluate whether certain revenue was recognized in conformity with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"),

because it did not perform any procedures to evaluate whether revenue was recognized as the issuer's performance obligation was satisfied. (AS 2301.08 and .11)

For certain other revenue, the following deficiencies were identified:

- The firm did not perform sufficient procedures to test the transaction price, because it did not evaluate whether the promised consideration included variable consideration. (AS 2301.08)
- The firm's substantive procedures to test this revenue included testing a sample of transactions. The sample size the firm used was too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported, as the firm did not identify and test any controls over the revenue. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A) In addition, the firm did not take into account appropriate factors in determining its sample size, including its established tolerable misstatement for the population, the allowable risk of incorrect acceptance, and the characteristics of the population. (AS 2315.16, .23, and .23A)

With respect to **Inventory**, for which the firm identified a significant risk:

The following deficiencies were identified:

- The firm used an issuer-prepared report in its substantive procedures to test the inventory reserve but did not perform any procedures to test, or test any controls over, the accuracy and completeness of this report. (AS 1105.10)
- The firm's substantive procedures to test the valuation of inventory included selecting a sample of inventory items for testing. The firm did not perform any procedures to identify slow-moving inventory for certain inventory items selected for testing. (AS 2301.08 and .11)
- The firm's substantive procedures to test whether inventory was stated at the lower of cost or net realizable value included selecting a sample of inventory items for testing. The firm did not perform any procedures to test certain inventory items selected for testing. Further, the firm did not perform procedures to test certain other inventory items selected for testing beyond comparing the reported cost of the inventory item to its selling price reflected in the issuer's price list. (AS 2301.08 and .11)

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

The firm selected for testing journal entries and other adjustments meeting certain fraud criteria. The firm did not perform sufficient procedures to test the selected journal entries and other adjustments because it did not examine the underlying support for the entries and adjustments. (AS 2401.61)

With respect to **Related Party Transactions**:

The firm did not perform sufficient procedures to evaluate whether the issuer had properly identified, accounted for, and disclosed its related party relationships and transactions, because the firm did not take into account information gathered during the audit that could indicate that related party relationships or transactions previously undisclosed to the firm might exist. (AS 2410.14, .15, and .16) In

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

Issuer B – Industrials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue, Journal Entries, Related Party Transactions, and Inventory**. This was the firm's initial audit of this issuer.

Description of the deficiencies identified

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

The firm's substantive procedures to test revenue included testing a sample of transactions. The sample sizes the firm used in certain of its substantive procedures were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported, as the firm did not identify and test any controls over revenue. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

The firm did not perform sufficient procedures to evaluate whether certain revenue was recognized in conformity with ASC Topic 606, because it did not perform any procedures to test whether the revenue was recognized when the issuer's performance obligation was satisfied. (AS 2301.08 and .13)

The firm did not perform procedures to evaluate whether the amounts reflected in certain of the issuer's revenue disclosures were accurate and complete beyond performing non-substantive analytical procedures. (AS 2301.08)

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

The firm selected for testing journal entries and other adjustments meeting certain fraud criteria. The firm did not perform sufficient procedures to test the selected journal entries and other adjustments because it did not examine the underlying support for the entries and adjustments. (AS 2401.61)

With respect to **Related Party Transactions**, for which the firm identified a significant risk:

The firm did not perform sufficient procedures to evaluate whether the issuer had properly identified, accounted for, and disclosed its related party transactions, because the firm did not evaluate whether there were any transactions with certain related parties. (AS 2410.14) In addition, the firm did not perform procedures to test the accuracy and completeness of amounts due from related parties, beyond sending confirmation requests to certain related parties and inspecting evidence of partial repayment. (AS 2301.08 and .11; AS 2410.12)

With respect to **Inventory**, for which the firm identified a significant risk:

The firm's substantive procedures to test inventory included testing a sample of inventory items. The sample sizes the firm used in certain of its substantive procedures were too small to provide sufficient appropriate audit evidence because these procedures were designed based on a level of control reliance that was not supported, as the firm did not identify and test any controls over inventory. (AS 2301.16, .18, and .37; AS 2315.19, .23, and .23A)

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 three audits reviewed, the firm, when testing journal entries for evidence of possible material misstatement due to fraud, did not perform sufficient procedures to determine whether the journal entry population from which it made its selections was complete. In this instance, the firm was non-compliant with AS 1105, *Audit Evidence*.
- In one of three audits reviewed, the firm did not make a required communication to the audit committee related to the name, location, and planned responsibilities of an other accounting firm that performed audit procedures in the audit. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.
- In one of three audits reviewed, the firm did not hold a discussion among the key engagement team members about the potential for material misstatement due to fraud. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one of three audits reviewed, the firm did not inquire of others within the company about fraud risks. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In one of three audits reviewed, the firm did not presume that there was a fraud risk involving improper revenue recognition and did not have an appropriate rationale for how this presumption was overcome. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In the three 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 addition, in two of these audits, the firm did not have an appropriate rationale for limiting its testing of entries it identified as having certain fraud risk characteristics to certain entries. In these instances, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.
- In two 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 certain matters that were 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 three audits reviewed, the firm did not provide the entire audit committee the required independence communications. In this instance, the firm was non-compliant with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*.

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 an instance 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 instance of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence:

- 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 three 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.

February 18, 2025

Ms. Christine Gunia
Director
Division of Registration and Inspections
1666 K Street NW
Washington
DC 20006

Dear Ms. Gunia,

Re: Response to Draft Report on the 2024 Inspection of ARK Pro CPA & Co

On behalf of ARK Pro CPA & Co (the "Firm"), we are pleased to provide our response to the Public Company Accounting Oversight Board's ("PCAOB") Draft Report on the 2024 Inspection of ARK Pro CPA & Co.

We recognize that the PCAOB inspection process plays an important role in enhancing and maintaining the audit quality. We fully support the PCAOB's mission to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports.

We value the PCAOB's feedback and recommendations. The Firm is committed to the continuous improvement in the system of quality control and ongoing monitoring to enhance the audit quality.

We wish to convey our gratitude to the dedicated performance of the PCAOB staff during the inspection process. We appreciate the opportunity to provide our response to the Draft Report and look forward to continuing to work with PCAOB on matters of interest to our public company audit practice.

Respectfully submitted,

ARK Pro CPA & Co

ARK Pro CPA & Co
Certified Public Accountants (Practising)

