2024 Inspection Shandong Haoxin Certified Public Accountants Co., Ltd

(Headquartered in Weifang, People's Republic of China)

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PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

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2024 INSPECTION

In the 2024 inspection of Shandong Haoxin Certified Public Accountants Co., Ltd, 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 and the Ministry of Finance of the People's Republic of China.

We selected for review three audits of issuers with fiscal years generally ending in 2023. 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, which was our first inspection of this firm. 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	7
Total issuer audits in which the firm was not the principal auditor	0
Total engagement partners on issuer audit work[1]	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	3
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.

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
Business combinations	1
Investment securities	1
Long-lived 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, 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 **Long-Lived Assets**, **Revenue**, and **Journal Entries**.

Description of the deficiencies identified

With respect to **Long-Lived Assets**:

The issuer engaged an external specialist to assist in testing its long-lived assets for impairment. The firm's approach for substantively testing the impairment analyses was to test the issuer's process. The firm used an auditor-employed specialist to assist in testing these analyses. The following deficiencies were identified:

- The firm did not test whether the issuer compared the fair value of each asset group to the carrying value of each asset group in determining that none of the asset groups were impaired. (AS 2301.08)

- The firm did not sufficiently evaluate the work of the auditor-employed specialist and identify that the auditor-employed specialist did not (1) perform procedures, beyond reviewing sensitivity analyses prepared by the company's specialist, to evaluate the reasonableness of a significant assumption developed by the company's specialist, (2) perform any procedures to evaluate the reasonableness of a significant assumption developed by the issuer, (3) perform sufficient procedures to evaluate the reasonableness of certain other significant assumptions because it limited its procedures to comparing these assumptions to historical and recent experience but did not evaluate the significant differences between the assumptions and the historical and recent experience, (4) evaluate the relevance and reliability of certain external data the company's specialist used to develop these significant assumptions, and (5) test the accuracy and completeness of the issuer-produced information used by the company's specialist, and perform additional procedures, or request the specialist perform additional procedures, to address the issues. (AS 1105.A8a and .A8b; AS 1201.C6 and .C7; AS 2501.16)

The issuer capitalized expenditures for a long-lived asset. The firm selected certain additions for testing, but did not perform any procedures to determine whether these additions qualified for capitalization, including, for one selection, evaluating contradictory evidence in the work papers. (AS 2301.08; AS 2810.03) In addition, the issuer recorded an adjustment to long-lived assets, but the firm did not perform any substantive procedures to test the adjustment. (AS 2301.08)

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

To test revenue, the firm selected a sample of transactions. The following deficiencies were identified:

- The firm did not perform any procedures to test, or test any controls over, the completeness of the issuer-prepared reports from which it selected transactions for testing. (AS 1105.10).

- The firm did not perform sufficient procedures to evaluate whether the issuer had satisfied its performance obligations prior to recognizing certain revenue because it limited its procedures to obtaining issuer-produced documents and/or cash receipts for a selection of transactions. (AS 2301.08 and .13)

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

The firm did not identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (AS 2401.58)

Issuer B

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Revenue and Deferred Revenue**, **Investment Securities**, **Certain Transactions**, and **Journal Entries**.

Description of the deficiencies identified

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

The firm's substantive procedures to test revenue and deferred revenue included testing a selection of transactions. The firm did not perform procedures, beyond obtaining issuer-produced information, to test these revenue transactions. (AS 2301.08 and .13) In addition, the firm did not perform any procedures to test, or test any controls over, the completeness of the population of items from which it selected transactions for testing. (AS 1105.10).

With respect to **Investment Securities**:

The issuer reported certain investment securities at fair value. The firm did not perform substantive procedures to test the fair value of these investments, beyond comparing the recorded fair value to the record keepers' reports and inquiring of the record keepers. (AS 2501.07) In addition, the firm did not perform any substantive procedures to evaluate the appropriateness of the issuer's categorization of these securities within the fair value hierarchy set forth in FASB ASC Topic 820, *Fair Value Measurement*. (AS 2301.08)

With respect to **Certain Transactions**:

The firm did not perform substantive procedures to evaluate whether the issuer's presentation and disclosure of certain transactions was in conformity with FASB ASC Topic 205, *Presentation of Financial Statements*, beyond obtaining and reading the issuer's analysis, which did not support that the presentation and disclosure of these transactions was in conformity with FASB ASC Topic 205. (AS 2301.08)

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

The firm did not identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (AS 2401.58)

Issuer C

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement audit related to **Variable Interest Entities (VIEs)** and **Journal Entries**.

Description of the deficiencies identified

With respect to **VIEs**:

The issuer derives revenue through consolidated VIEs and relies on contractual arrangements with the VIEs and its 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 its 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 (1) evaluate that the legal opinion was approximately six months old, (2) evaluate the nature of the limitations described in the legal opinion, and (3) perform additional procedures to address these matters. (AS 1105.A9 and .A10)

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

The firm did not identify and select journal entries and other adjustments for testing to address the potential for material misstatement due to fraud. (AS 2401.58)

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 the three audits reviewed, the firm did not make certain required communications to the audit committee related to (1) the significant risks identified through its risk assessment procedures and (2) the name, location, and/or planned responsibilities of an other accounting firm that performed audit procedures in the audit. In addition, in one of these audits, the firm did not make certain required communications to the audit committee related to (1) uncorrected misstatements, (2) the critical accounting policies and practices and critical accounting estimates, and (3) the firm's evaluation of the quality of the issuer's financial reporting. In these instances, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In two of three audits reviewed, the firm's written communication to management and the audit committee about control deficiencies identified during the audit did not include the definitions of significant deficiencies and material weaknesses. In these instances, the firm was non-compliant with AS 1305, *Communications About Control Deficiencies in an Audit of Financial Statements*.

- In two of three audits reviewed, the firm did not identify and assess the risks of material misstatement related to a significant account and disclosure. In these instances, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.

- In three audits, 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 audit, 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 the three audits reviewed, the firm's report on Form AP omitted 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.

Haoxin

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June 15, 2025

Ms. Christine Gunia
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

Re: Public Response to Draft PCAOB Inspection Report for Shandong Haoxin Certified Public Accountants Co., Ltd

Dear Ms. Gunia,

Shandong Haoxin Certified Public Accountants Co., Ltd (the "Firm") appreciates the opportunity to respond to the Public Company Accounting Oversight Board's (the "PCAOB" or the "Board") draft inspection report on the 2024 inspection of the Firm (the "Draft Report"). The Firm respects and values the PCAOB's inspection process as a critical mechanism for advancing audit quality and protecting investors.

We have thoroughly evaluated the observations set forth in Part I of the Draft Report, and have taken actions as appropriate in accordance with AS 2901, *Consideration of Omitted Procedures After the Report Date* and AS 2905, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*, other applicable PCAOB standards and the Firm's policies, to fulfill our responsibilities.

The Firm thank the Board for its constructive feedback. Formal communications and interactions with PCAOB inspection staff greatly assist us in identifying areas where we can continuously improve to benefit the investors and other stakeholders of the capital market. We are implementing targeted enhancements to our policies and procedures, which re-emphasizes our commitment to upholding the highest standards of audit quality, integrity and regulatory compliance.

The Firm recognizes the preparation of informative, accurate and fair auditor's report as our ultimate priority. We look forward to continuing dialogue with the PCAOB and its staff on matters of interest to our public company auditing practice.

Sincerely,

Jixuan Sun

Jixuan Sun
Managing Partner
Shandong Haoxin Certified Public Accountants Co., Ltd