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# 2024 Inspection

## Grant Thornton Zhitong Certified Public Accountants LLP

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

September 11, 2025

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

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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 Grant Thornton Zhitong Certified Public Accountants LLP, 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 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, 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
<b>Firm data</b>	
Total issuer audit clients in which the firm was the principal auditor	4
Total issuer audits in which the firm was not the principal auditor	22
Total engagement partners on issuer audit work <sup>1</sup>	11
<b>Audits reviewed</b>	
Total audits reviewed <sup>2</sup>	3
Audits in which the firm was the principal auditor	2
Audits in which the firm was not the principal auditor	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	2
Audits with Part I.A deficiencies	1
Percentage of audits with Part I.A deficiencies	33%

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

<sup>1</sup> 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.

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

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.

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
Investment securities	1

## PART I: INSPECTION OBSERVATIONS

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

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

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

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

### Classification of Audits with Part I.A Deficiencies

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

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

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

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

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

## Audits with Multiple Deficiencies

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

## Audits with a Single Deficiency

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

# PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

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

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

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

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

None

## Audits with Multiple Deficiencies

### Issuer A – Health Care

#### Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Revenue**, **Accounts Receivable**, **Investment Securities**, and **Cost of Sales**.

#### Description of the deficiencies identified

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

The issuer used multiple information-technology (IT) systems to initiate, process, and record transactions related to certain revenue and the related accounts receivable. In its testing of controls over these accounts, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by these IT systems. As a result of the following deficiencies in the firm's testing of IT general controls (ITGCs), the firm's testing of these automated and IT-dependent manual controls was not sufficient. (AS 2201.46)

The firm selected for testing various user access and change management controls over these IT systems that consisted of the issuer's reviews of (1) the granting and monitoring of user access and (2) changes to the production environment of these IT systems. The following deficiencies were identified:

- The firm did not perform sufficient procedures to test the design of these controls because it did not evaluate whether (1) the controls were designed to satisfy the issuer's control objectives and (2) the control owners possessed the necessary authority and competence to perform the controls. (AS 2201.42)
- The firm did not identify and test any controls over the accuracy and completeness of certain system-generated information that were used in the operation of these controls. (AS 2201.39)
- The firm used certain system-generated information (1) in its testing of these controls and/or (2) to make selections to test certain controls but did not perform procedures to test, or test any controls over, the accuracy and/or completeness of this information. Further, the firm used other information in its testing of certain of these controls but did not sufficiently test, or test controls over, the accuracy and completeness of this information because it did not test how the information was generated. (AS 1105.10)
- In its testing of a control over user access, the firm identified a deviation indicating that an individual may have had inappropriate access to one of these systems. The firm determined that this deviation did not affect its conclusion on the operating effectiveness of this control based on certain system-generated information provided by the issuer. The firm did not sufficiently evaluate the effect of this deviation on the operating effectiveness of this control because it did not test, or test controls over, the accuracy and completeness of this information. (AS 1105.10; AS 2201.48)

As a result of the firm's ITGC testing deficiencies discussed above, the firm did not perform sufficient substantive procedures over this revenue and the related accounts receivable, as follows:

- The sample sizes that the firm used in certain of its substantive procedures to test these accounts 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 2301.16, .18, and .37; AS 2315.19, .23, and .23A)
- The firm did not perform sufficient procedures to test, or sufficiently test controls over, the accuracy and completeness of certain system-generated information that the firm used in its substantive testing. (AS 1105.10)



For this revenue and the related accounts receivable, which were affected by the audit deficiencies discussed above, the following additional deficiencies were identified:

- The firm selected for testing controls that consisted of the issuer's reviews of the sales return reserve and the allowance for doubtful accounts. The firm did not evaluate the review procedures that the control owners performed, including the procedures to identify items for follow up and the procedures to determine whether those items were appropriately resolved. (AS 2201.42 and .44)
- The firm's approach to substantively test the allowance for doubtful accounts was to test the issuer's process. The firm did not perform procedures, beyond reading an issuer-prepared memorandum, to evaluate the reasonableness of the significant assumptions the issuer used to develop this allowance. (AS 2501.16)

With respect to **Investment Securities**:

The issuer reported investment securities that were held within various investment funds managed by external parties. The following deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of the fair values of these investments. The firm did not identify and test any controls that addressed the reliability of pricing information obtained from the external parties that were used in the operation of this control. (AS 2201.39)
- The firm did not perform substantive procedures to test the valuation of these investments beyond (1) comparing their reported fair values to the statements obtained from the external parties that managed the respective investment funds and (2) for a selection of investment funds, testing the fair values of certain underlying investments, while excluding others from testing. (AS 2501.07)
- The firm did not identify and evaluate a departure from GAAP related to the issuer's presentation of the fair value and non-fair value amounts of these investments within the same short-term and long-term line items in its balance sheet rather than presenting them as separate line items or parenthetically disclosing the amounts measured at fair value included in the aggregate amounts, in conformity with FASB ASC Topic 825, *Financial Instruments*. (AS 2810.30 and .31)
- The firm did not identify and evaluate another departure from GAAP related to the issuer's inclusion of certain investments within its fair value hierarchy disclosure rather than excluding them, in conformity with FASB ASC Topic 820, *Fair Value Measurement*. (AS 2810.30 and .31)
- The firm did not identify and evaluate other departures from GAAP related to the issuer's omission of, and/or misstatements in, certain disclosures required under FASB ASC Topic 320, *Investments – Debt Securities* and FASB ASC Topic 820, regarding the nature of these investments and the methods used to determine their fair values. (AS 2810.30 and .31)

With respect to **Cost of Sales**:

The firm did not identify and test any controls that addressed the appropriateness of the expenses included within cost of sales. (AS 2201.39)

The firm did not perform any procedures to evaluate the appropriateness of the issuer's inclusion of certain compensation expenses within cost of sales. (AS 2301.08)

## 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) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

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, and certain information it used to identify selections, was accurate and/or complete. In this instance, the firm was non-compliant with AS 1105, *Audit Evidence*.
- In one of three audits reviewed, the firm deleted or discarded audit documentation after the documentation completion date. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In one of two 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 make all required inquiries of the audit committee and the internal audit function about fraud risks. In this instance, the firm was non-compliant with AS 2110, *Identifying and Assessing Risks of Material Misstatement*.
- In one audit reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit and inform the audit committee when such communication had been made. In this instance, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.
- In two of three 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 these instances, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.
- In one of three audits reviewed, the firm did not make a required communication to management related to certain identified misstatements. In this instance, the firm was non-compliant with AS 2810, *Evaluating Audit Results*.
- In one of two audits reviewed, the firm's report on Form AP included inaccurate information related to the participation in the audit by other accounting firms. In this instance, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.
- In one of two audits reviewed, the firm did not sufficiently provide the audit committee the required independence communications, because the firm communicated that it was not aware of any relationships that may bear on the firm's independence, rather than matters that may be reasonably be thought to bear on the firm's independence. In addition, in this audit, the firm's communication to the audit committee affirmed that it was independent as of a future date, rather than as of the date of the communication. In these instances, the firm was non-compliant with PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*.

## PART I.C: INDEPENDENCE

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

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

## PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

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

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

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

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

## APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

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

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

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



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June 16, 2025

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

Re: Response to Part I of the Draft Report on the 2024 inspection of Grant  
Thornton Zhitong Certified Public Accountants LLP

Dear Ms. Gunia,

On behalf of Grant Thornton Zhitong Certified Public Accountants LLP (the "Firm"), we are pleased to provide our response to the Public Company Accounting Oversight Board's (the "PCAOB") Draft Report on the 2024 Inspection of the Firm, principally related to the Firm's 2022 audits (the "Draft Report").

Quality is our highest priority, and we are steadfastly committed to its continual advancement. We believe the PCAOB's inspection process provides a valuable opportunity to improve our audit quality by identifying areas for further improvement and strengthening our audit quality management system.

We carefully considered each of the matters set forth in Part I of the Draft Report, and took actions as appropriate to fulfil our responsibilities under 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*.

Integrity and quality form the cornerstone of our strategy, and 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. The PCAOB inspection report and dialogues with the inspection staff remains an integral component to our commitment to achieving the highest levels of audit quality. We look forward to continuing our discussions with you and the inspection staff on improving audit quality at our firm and across the profession.

Respectfully submitted,

By:

Huiqi Li  
Chief Managing Partner

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