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# 2025 Inspection BDO Limited

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

December 22, 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. 104-2026-026

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## 2025 INSPECTION

In the 2025 inspection of BDO Limited, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers. 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 ending in 2024. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

### 2025 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 2025 INSPECTION

The following information provides an overview of our 2025 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

	2025
<b>Firm data</b>	
Total issuer audit clients in which the firm was the lead/principal auditor	0
Total issuer audits in which the firm was not the lead/principal auditor	3
Total engagement partners on issuer audit work <sup>1</sup>	2
<b>Audits reviewed</b>	
Total audits reviewed <sup>2</sup>	3
Audits in which the firm was the lead/principal auditor	0
Audits in which the firm was not the lead/principal auditor	3
Integrated audits of financial statements and internal control over financial reporting (ICFR)	2
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 certain cases, the firm may have performed remedial actions after the

<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 lead/principal auditor and those where the firm was not the lead/principal auditor but played a role in the audit.

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.

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 2025 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.

2025	
Audit area	Audits reviewed
Revenue and related accounts	3
Cash and cash equivalents	2
Accruals and other liabilities	2
Related party transactions	1
Inventory	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, in audit(s) in which it was not the lead/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 fulfill the objectives of its role in the audit(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

Part I.C discusses instances of apparent non-compliance with rules 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 in audit(s) in which it was not the lead/principal auditor, to fulfill the objectives of its role in the audit.

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 – Consumer Discretionary

##### Type of audit and related areas affected

In our review of an audit in which the firm played a role but was not the lead auditor, we identified deficiencies in connection with the firm's role in the financial statement and ICFR audits related to **Revenue, Allowance for Doubtful Accounts, and Related Party Transactions.**

## Description of the deficiencies identified

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

The firm did not identify and test any controls over the issuer's evaluation of whether there were any terms and conditions, outside of the sales orders, that created enforceable rights and obligations, which could affect the recognition of revenue pursuant to the FASB ASC Topic 606, *Revenue from Contracts with Customers*. (AS 2201.39)

The firm did not perform sufficient procedures to evaluate whether the issuer recognized revenue in conformity with FASB ASC Topic 606, because it did not evaluate whether there were any terms and conditions, outside of the sales orders, that created enforceable rights and obligations, which could affect the recognition of revenue. (AS 2301.08 and .13)

With respect to the **Allowance for Doubtful Accounts**:

The firm selected for testing a control that consisted of the issuer's review of the allowance for doubtful accounts (AFDA), including the review of the AFDA methodology, which is determined on a quarterly basis. The firm did not evaluate the specific review procedures that the control owner performed to evaluate the reasonableness of the rates used to determine the AFDA, beyond reviewing the control owner's assessment that the rates used were in compliance with the issuer's AFDA methodology. (AS 2201.42 and .44)

The firm's approach for substantively testing the issuer's AFDA was to develop an independent expectation. The firm did not take into account (1) the requirements of an element of FASB ASC Topic 326, *Financial Instruments - Credit Losses* and (2) its understanding of the issuer's process, so that its independent expectation considered the factors relevant to the estimate. Additionally, the firm did not perform procedures to demonstrate that it had a reasonable basis for the method and assumptions it used to develop its independent estimate. (AS 2501.21 and .22)

With respect to **Related Party Transactions**:

The firm did not identify and test any controls over the issuer's identification of related parties and relationships and transactions with related parties. (AS 2201.39)

## Issuer B – Consumer Discretionary

### Type of audit and related areas affected

In our review of an audit in which the firm played a role but was not the lead auditor, we identified deficiencies in connection with the firm's role in the financial statement audit related to **Revenue**, **Allowance for Doubtful Accounts**, and **Inventory**.

## Description of the deficiencies identified

With respect to **Revenue**:

The firm did not test, or test any controls over, the accuracy and completeness of certain data from a report used to substantively test revenue. (AS 1105.10)

With respect to the **Allowance for Doubtful Accounts**:

With respect to the allowance for doubtful accounts, the firm was instructed by the lead auditor to perform certain substantive procedures to test the accounts receivable aging buckets of the component. The firm did not perform any procedures to test the component's accounts receivable aging buckets, as instructed by the lead auditor. (AS 2301.08)

With respect to **Inventory**:

With respect to certain inventory, the firm was instructed by the lead auditor to perform substantive procedures to test the valuation of the inventory, including price testing at the stock keeping unit (SKU) level, for which the firm was instructed to test every invoice that makes up the SKU category selected for testing. The firm did not test every invoice that made up the selected SKU category, as instructed by the lead auditor. (AS 2301.08)

## Issuer C – Consumer Discretionary

### Type of audit and related areas affected

In our review of an audit in which the firm played a role but was not the lead auditor, we identified deficiencies in connection with the firm's role in the financial statement audit related to **Revenue** and **Cash and Cash Equivalents**.

### Description of the deficiencies identified

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

The firm did not test, or test any controls over, the accuracy and completeness of certain data used to substantively test revenue, beyond obtaining evidence of payment for selected transactions. (AS 1105.10)

With respect to **Cash and Cash Equivalents**:

The firm used an external digital confirmation platform to confirm cash but did not perform procedures to support its reliance on this digital platform's ability to maintain control over the confirmation requests and responses for the year under audit. (AS 2310.28)

## 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 fulfill the objectives of its role in the audit(s). This section does not discuss instances of apparent non-compliance with 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 two of three audits reviewed, the firm did not assemble a complete and final set of audit documentation for retention by the required documentation completion date. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In one 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 to certain of the issuer's entities. In this instance, the firm was non-compliant with AS 2401, *Consideration of Fraud in a Financial Statement Audit*.

## PART I.C: INDEPENDENCE

PCAOB Rule 3520, *Auditor Independence*, requires a firm and its personnel to be independent of the firm's audit clients. This requirement encompasses not only an obligation to satisfy the independence criteria set out in PCAOB rules and standards but also an obligation to satisfy all other independence criteria applicable to an engagement, including the independence criteria set out by the SEC in Regulation S-X, 17 C.F.R. § 210.2-01, *Qualifications of Accountants*.

In the 2025 inspection, we did not identify, and the firm did not bring to our attention, any instances of apparent non-compliance with PCAOB Rule 3520. Although this section does not include any instances of apparent non-compliance with PCAOB Rule 3520 that we identified or the firm brought to our attention, there may be instances of non-compliance with 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 apparent non-compliance with PCAOB Rule 3520, the number, large or small, of firm-identified instances of apparent 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 apparent 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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November 26, 2025

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

Dear Ms. Gunia

**Response to Part I of the Draft Report on the 2025 Inspection of BDO Limited (Public)**

We are pleased to provide our formal response to Part I of the Draft Report issued by the Public Company Accounting Oversight Board (PCAOB) regarding the 2025 Inspection of BDO Limited. The PCAOB inspection process offers valuable insights and opportunities for us to strengthen our audit quality standards. We are fully committed to ongoing improvement across all aspects of our audit practices and approach each comment in the Draft Report with the utmost seriousness.

In response to the observations in Part I of the Draft Report, we conducted a thorough evaluation in accordance with PCAOB standards and our internal policies, including steps necessary to ensure compliance 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*.

We value the opportunity to collaborate with the PCAOB and look forward to ongoing efforts to further elevate our audit quality and overall effectiveness.

Respectfully submitted,  
For and on behalf of BDO Limited

Managing Director  
Andrew Lam

BDO Limited  
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