PCAOB Permanently Revokes Hong Kong Firm's Registration and Bars Owner for Multiple Violations, Including in Chinese Company Audits

Firm and owner violated auditing standards in connection with three audits of public companies and subsidiaries in China; one or both also violated PCAOB rules and standards concerning audit committee communications, audit reporting, and quality control

Washington, DC, Jul. 22, 2025

The Public Company Accounting Oversight Board (PCAOB) today announced a **settled disciplinary order** sanctioning Centurion ZD CPA & Co. and CHAN Kam Fuk ("the Firm" and "Chan," respectively), for violations of PCAOB rules, auditing standards, and quality control standards relating to, among other things, the audits of companies headquartered or subsidiaries operating in the People's Republic of China ("China").

In connection with the audits of two public companies and audit procedures for subsidiaries of a third public company, the Firm and Chan failed to properly perform risk assessments and obtain sufficient appropriate audit evidence in testing multiple significant risk areas. One of these was the 2021 audit of Luckin Coffee Inc. ("Luckin"). In 2020, an investigation by a special committee of Luckin's board of directors concluded that the company had fabricated transactions resulting in a significant inflation of net revenue, costs, and expenses. That same year, Luckin also settled accounting fraud charges brought by the U.S. Securities and Exchange Commission. Luckin retained the

Firm as its auditor following that settlement. Nevertheless, the Firm and Chan failed to use information about this fraud in the subsequent year's audit to identify and assess risks of material misstatement or to design audit procedures to address fraud risks.

The sanctions imposed include a permanent revocation of the Firm's PCAOB registration, a permanent bar against Chan, and a $75,000 civil money penalty imposed jointly and severally on Chan and the Firm.

"This action is another example of how the PCAOB uses its unique access and authority to inspect and investigate Chinese auditors to protect investors," said PCAOB Chair Erica Y. Williams. **"The PCAOB is committed to using the tools the U.S. Congress entrusted to it, and the access that the PCAOB spent years negotiating, to hold accountable auditors in China that audit Chinese companies."**

The Firm and Chan's other audit violations included failing to obtain sufficient appropriate audit evidence in a number of significant risk areas in the Luckin audit, in an audit of a second Chinese company, and in audit procedures performed for certain subsidiaries of a Malaysian company, including subsidiaries located in mainland China and Hong Kong. The Firm and Chan also failed to make required communications to the audit committees of the two Chinese public companies.

The PCAOB also found that the Firm violated auditing standards related to how it reported the audits of the two Chinese public companies – and failed to comply with PCAOB rules in filing multiple required forms designed to inform the PCAOB and the investing public about, among other things, other auditors participating in those audits. Chan was directly and substantially responsible for the audit reporting violations by the Firm.

Finally, these numerous violations by the Firm show that its system of quality control did not provide reasonable assurance that (i) the Firm assigned work to personnel who have the technical proficiency required by PCAOB standards and (ii) the work performed by engagement personnel met applicable professional standards and regulatory requirements, especially with regard to exercising the professional skepticism required by PCAOB standards in the performance of issuer audits. Accordingly, the Firm also violated PCAOB quality control standards.

"Today's order reflects the unique global reach of the PCAOB's enforcement program, and the Board's commitment to protect investors from auditors that have demonstrated, through numerous violations, a disregard for complying with PCAOB auditing standards and rules," said Robert E. Rice, Director of the PCAOB's Division of Enforcement and Investigations.

Without admitting or denying the findings, Chan and the Firm consented to the PCAOB's order against them.

PCAOB enforcement staff members Elliott Cruchley Mogul, Tony Chen, Sherry Tao, and Tamika Battle-Parker conducted the investigation, supervised by William Ryan and John Abell.

The PCAOB oversees auditors' compliance with the Sarbanes-Oxley Act, provisions of the securities laws relating to auditing, professional standards, and PCAOB and SEC rules.

Further information about the PCAOB Division of Enforcement and Investigations is **available on the PCAOB website**. Firms or individuals wishing to report suspected misconduct by auditors, or to self-report possible misconduct, may visit the PCAOB **Tips and Referrals page**.

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The PCAOB is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB also oversees the audits of brokers and dealers registered with the Securities and Exchange Commission, including compliance reports filed pursuant to federal securities laws.

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