ADMINISTRATIVE PROCEEDING
File No. 3-21298

In the Matter of **Jia Roger Qian Wang, CPA and** **Wang Certified Public Accountant, P.C.,** **Respondents.**

EXPERT REPORT OF HARRIS L. DEVOR, CPA

NOVEMBER 15, 2023

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The following constitutes the Expert Report of Harris L. Devor, CPA (the "Report") in the above-captioned matter (the "Matter").

I. INTRODUCTION

A. Qualifications

1. I am a partner in the accounting and consulting firm of Marcum LLP, in Marcum's Philadelphia office. Marcum LLP is headquartered in New York with numerous offices in both the United States and abroad. I am nationally recognized as both an audit practitioner and forensic/litigation support specialist who has provided expert testimony around the country as well as internationally. My professional experience of over 50 years since graduating from Temple University in 1973 has primarily and extensively been in applying generally accepted accounting principles ("GAAP"), generally accepted auditing standards ("GAAS") and Securities and Exchange Commission ("SEC") requirements, and I have provided accounting and auditing services to both large public companies as well as small, privately owned businesses. I have been both an audit partner for the bulk of my 50-year career as well as a Forensic/Litigation Support partner for the last 35+ years of my career.

2. I have served as the sole accounting and auditing expert in some of the largest, most high-profile securities fraud cases of the last several decades, most involving the compliance with GAAP, or lack thereof, by companies' reporting in financial statements, and the compliance or lack thereof with GAAS and/or Public Company Accounting Oversight Board ("PCAOB") standards, by some of the largest accounting firms in the world, in the conduct of audits they performed. I have taught and lectured on many topics ranging from securities law violations to accounting and auditing related subjects. A copy of my resume is attached as Exhibit #1 to this Report. Expert testimony provided by me at trial or by deposition in the past four years is summarized in Exhibit #2 to this Report.

B. Compensation

3. I have been engaged by Counsel representing the Securities and Exchange Commission (the "SEC" or the "Commission") in the Matter. In connection with this engagement, Marcum is being compensated for services performed on an hourly basis at its applicable billing rates. My

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hourly rate is $825. The hourly rates for other professionals in the firm who have assisted me range from $370 to $450. My compensation (as well as the compensation of those working with me) is not contingent upon the outcome of the Matter or the opinions expressed in this Report.

C. <u>Materials Considered</u>

4. As part of my analysis in connection with the preparation of this Report, I have reviewed the Order Instituting Public Administrative Proceedings Pursuant to Section 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice and Notice of Hearing in the Matter of Jia Roger Qian Wang, CPA and Wang Certified Public Accountant, P.C., (the "OIP"), Mr. Wang's Response to Administrative Proceeding File No. 3-21298, the Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order in the Matter of Future FinTech Group Inc., (the "FTFT OIP"), the reports issued by the PCAOB regarding its inspections of Wang CPA's audits of Future FinTech Group Inc.'s ("FTFT" or the "Company") 2017 and 2018 annual financial statements (the "2017 PCAOB Inspection" and the "2018 PCAOB Inspection"), and the transcripts of Mr. Wang's investigative testimonies and deposition (and related exhibits to such).[1]

5. In addition, the SEC provided documents relevant to the Matter for my review, including audit workpapers that were initially produced to the Commission by Mr. Wang. Because many of these audit workpapers were prepared in Mandarin Chinese, I requested the SEC to provide translations of Mr. Wang's audit workpapers related to topics and areas that were relevant to the SEC's allegations. The SEC provided a set of documents that were translated to English in response to my request which I reviewed during the preparation of this Report. It is my understanding that the translation of these documents was performed by a certified professional translation service provider authorized by the SEC at the direction of a member of the staff of the SEC who is fluent in Mandarin Chinese.

[1] Mr. Wang was deposed in connection with the Matter on August 9, 2023. In addition, Mr. Wang provided investigative testimony to the SEC on two other occasions, November 18, 2020 and December 16, 2021.

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6. Further, during Mr. Wang's deposition on August 9, 2023, Counsel for the SEC and Mr. Wang agreed that in lieu of requiring further deposition testimony from Mr. Wang, the SEC would provide Mr. Wang a letter requesting Mr. Wang to identify documents, primarily documents prepared by the Respondents (i.e., audit workpapers) during their audits of FTFT's annual financial statements for years 2016 through 2018, which addressed the topics reflected in the letter.[2] It is my understanding that the SEC provided this letter to Mr. Wang on or around August 11, 2023 and that Mr. Wang responded on or around September 18, 2023 whereby he provided a set of documents purportedly addressing the SEC's requests that were subsequently provided to me. I have reviewed this set of documents Mr. Wang produced to the SEC during my analysis culminating in the preparation of this Report.

7. In addition, I and those working for me and/or under my supervision had multiple discussions with a member of the staff at the SEC who is fluent in Mandarin Chinese to discuss the contents of certain workpapers prepared by the Respondents. The purpose of these discussions was to resolve any potential misunderstanding between the original version of such workpapers compared to their translated versions that I reviewed.

8. All of the foregoing (to the best of my ability and knowledge) is either referenced throughout this Report or listed in Exhibit #3 hereto. Additionally, I have reviewed the applicable accounting and auditing guidance relevant to the issues in the Matter, including as set forth throughout this Report. In addition to what is discussed herein and the documents I have reviewed to date, as well as the exhibits attached hereto, I may be asked to prepare additional exhibits including demonstrative exhibits in the context of a hearing or trial in the future.

[2] For example, the SEC requested Mr. Wang to identify all audit workpapers prepared by the Respondents detailing any procedures performed with respect to the impairment or potential impairment of long-lived assets owned by four subsidiaries of FTFT, including 1) how impairment on such long-lived assets was calculated in 2016, 2017, and 2018, 2) the timing of such impairment, and 3) why such impairment was not recorded in earlier periods.

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D. <u>Scope of Assignment</u>

9. Wang Certified Public Accountant, P.C. ("Wang CPA") was engaged to perform audits and interim reviews of all financial statements issued by FTFT,[3] beginning with the audit of FTFT's 2015 annual financial statements and ending with the audit of FTFT's 2018 annual financial statements. Mr. Wang, who was the sole owner of Wang CPA during this period, was the engagement partner on these audits and interim reviews. In this role, both Mr. Wang and Wang CPA (together referred to as the "Respondents" in this Report) were required to comply with professional standards promulgated by the PCAOB.[4]

10. After an investigation, the SEC issued the OIP on February 8, 2023 wherein the Commission alleges that the Respondents violated a number of PCAOB standards during the audits of FTFT's annual financial statements for fiscal years 2016, 2017, and 2018. In connection with the ongoing Matter, the SEC has asked that I perform an analysis and offer an opinion based on that analysis regarding whether the Respondents violated the relevant professional auditing standards during the aforementioned audits.

11. This Report is based solely upon the information made available to, and reviewed by, me and/or those working with me and/or under my supervision to date, as well as the pertinent accounting and auditing literature discussed throughout this Report and my experience as an accountant and auditor for the last 50 years. To the extent additional facts or discovery become known to me subsequent to the submission of this Report, I reserve the right to review such information and to supplement and/or amend the discussion and/or opinions set forth herein.

[3] I note that FTFT operated under the name SkyPeople Fruit Juice, Inc. until June of 2017 when it changed its name to Future FinTech Group Inc. For efficiency purposes, references to FTFT or the Company in this Report encompass both Future FinTech Group Inc. and SkyPeople Fruit Juice, Inc., unless otherwise noted.

[4] The PCAOB, which is under the authority of the SEC, is a private-sector, nonprofit corporation created by the Sarbanes-Oxley Act of 2002 to oversee accounting professionals who provide independent audit reports for publicly traded companies. According to its website, "[t]he PCAOB regulates the audits of public companies and SEC-registered brokers and dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports." (https://pcaobus.org/about/mission-vision-values).

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II. SUMMARY OF OPINIONS

12. Based on my review and analysis of the information set forth herein and include in Exhibit #3 to this Report, and my experience as an accountant and auditor for the last 50 years, I conclude that the Respondents failed to comply with a number of PCAOB auditing standards during their audits of FTFT's 2016 through 2018 financial statements. These failures included the following:

- The Respondents did not have the requisite training and proficiency (as described in AS 1010) to perform an audit of a company as large, complex, and lacking in sufficient personnel with the appropriate level of knowledge and experience working with U.S. GAAP and SEC reporting requirements as FTFT,

- The Respondents failed to reconcile FTFT's annual 2016 through 2018 financial statements with underlying accounting records and with other information in documents containing audited financial statements (primarily financial information contained in the Management, Discussion and Analysis ("MD&A") sections of FTFT's 2016 through 2018 Forms 10-K) as required by PCAOB standards (AS 2710 and AS 2810),

- The Respondents did not adequately and appropriately plan the audits and resultantly, failed to identify material misstatements in accordance with PCAOB auditing standards (AS 2101 and AS 2110) in relation to the potential impairment of FTFT's property, plant and equipment and land use rights assets,

- The Respondents failed to obtain sufficient appropriate audit evidence in accordance with PCAOB standards (AS 1105) during the conduct of their audits in relation to the potential impairment of certain Company assets, specifically FTFT's property, plant and equipment and land use rights,

- The Respondents failed to prepare audit documentation in accordance with PCAOB standards (AS 1215) during the conduct of their audits in relation to the potential impairment of certain Company assets, specifically FTFT's property, plant and equipment and land use rights, and

- The aforementioned violations of multiple PCAOB standards demonstrate that the Respondents' failed to exercise due professional care during the audits of FTFT's financial statements for years 2016 through 2018 in accordance with PCAOB auditing standards (AS 1015).

III. BACKGROUND

A. FTFT and the SEC's Settled Charges Against the Company

13. Between 2016 and 2018 (the "relevant period"), FTFT was primarily a producer and seller of fruit-related products in the People's Republic of China ("PRC" or "China"). Throughout the relevant period, FTFT was a holding company incorporated in Florida but was headquartered and operated in China. The Company's shares were traded on the NASDAQ exchange.

14. In each of its Forms 10-K for years 2016 through 2018, FTFT reported that it was experiencing significant adverse conditions in its business which impaired the Company's ability to produce and sell fruit-related products. In such filings, FTFT reported revenue of approximately \$86.4 million for 2015[5] but by 2018, the Company's reported revenue had declined to less than \$1 million.[6] As a result of such adverse conditions, FTFT changed its business model to become an e-commerce platform in 2018.[7]

15. During the relevant period, FTFT filed quarterly and annual financial reports with the SEC on Forms 10-Q and 10-K, respectively. FTFT stated that the financial statements (and notes thereto) included in each of these financial reports were prepared in accordance with U.S. GAAP, meaning that the financial information contained within such statements was purportedly free of material errors (i.e., material misstatements).

[5] 2016 Form 10-K, p. F-3 (Exhibit P5).
[6] 2018 Form 10-K, p. F-5 (Exhibit P7).
[7] 2018 Form 10-K, p. 1 (Exhibit P7).

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16. Financial statements (including footnote disclosures) are a central feature of financial reporting and are a principal means of communicating financial information to parties external to an entity, such as investors.[8] The SEC requires that public companies present financial statements in accordance with GAAP.[9] GAAP are the principles recognized by the accounting profession and the SEC as the uniform rules, conventions, and procedures necessary to define and reflect accepted accounting practices at a particular time. GAAP are recognized as the official accounting standards and have been codified and are primarily promulgated by the Financial Accounting Standards Board ("FASB"). SEC Regulation S-X states that financial statements filed with the SEC that are not prepared and presented in accordance with GAAP "…**<u>will be presumed to be misleading or inaccurate</u>**, despite footnote or other disclosures...."[10] This includes interim (e.g., quarterly) as well as annual financial statements registrants file with the SEC. Violations of GAAP, therefore, equate to violations of SEC Regulations (for publicly-traded companies).

17. In July of 2023, the SEC announced settled charges against FTFT related to the SEC's identification of "recurring material misstatements" in the Company's financial statements for the years 2016 through 2018, including misstatements related to the Company's failure to recognize impairment losses on its assets in a timely manner.[11] Such charges demonstrated that FTFT's financial statements for years 2016 through 2018 were not prepared in accordance with GAAP.

B. <u>The SEC's Allegations in the Matter</u>

18. Wang CPA performed annual audits and interim reviews of these financial reports and issued unqualified (i.e., clean) opinions on FTFT's annual financial statements for the years 2016 through 2018. In the *Report of Independent Registered Public Accounting* (the "Audit Report") that accompanied FTFT's annual financial statements in each Form 10-K, Wang CPA asserted that it had performed its audits in accordance with PCAOB standards.[12]

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[8] Chapter 1, *The Objective of General Purpose Financial Reporting*, of Statement of Financial Accounting Concepts ("FASCON") No. 8, *Conceptual Framework for Financial Reporting* ("FASCON 8"), ¶ OB5; FASCON No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises* ("FASCON 5"), ¶ 5

[9] 17 C.F.R. § 210.4-01(a)(1).

[10] *Ibid,* emphasis added.

[11] Exhibit P10.

[12] See, for example, FTFT's 2018 Form 10-K, p. F-1 (Exhibit P7). The PCAOB promulgates its auditing and related professional practice standards using an alpha-numeric system. This system includes various standards on specific topics that begin with "AS" and is followed by a four digit number (e.g., AS 1010).

19. The SEC's OIP states that the Respondents violated numerous PCAOB standards when performing the audits of FTFT's 2016 through 2018 annual financial statements.[13] The alleged audit deficiencies referenced in the OIP include the Respondents exhibiting the following: (a) a lack of training and proficiency, (b) a lack of planning and risk assessment procedures, (c) a failure to obtain sufficient appropriate audit evidence, (d) a failure to prepare audit documentation in sufficient detail, (e) a failure to reconcile financial statements with underlying accounting records and with other information in documents containing audited financial statements, and (f) a failure to exercise due professional care.

20. In connection with this ongoing Matter, the SEC has asked that I perform an analysis and offer an opinion regarding whether the Respondents' conduct during these audits violated the relevant professional auditing standards.

IV. IMPORTANCE OF EXTERNAL AUDITORS TO POTENTIAL INVESTORS

21. When appealing to potential investors, entities usually provide financial information that is useful for making decisions regarding whether or not to invest in said entity. GAAP states that in order for financial information to be useful, it must be both relevant and faithfully represent the phenomena it purports to represent.[14] In most cases, important financial information is communicated to potential investors (and other stakeholders of the entity) through financial statements that are required to be prepared in accordance with accounting standards such as GAAP. The presentation of financial statements in conformity with GAAP (as well as the adoption of sound accounting policies and the establishment and maintenance of internal controls) is the responsibility of an entity's management.

22. In order to enhance the credibility and reliability of the financial information provided to potential investors and other users, the SEC requires public companies to engage an independent accountant (i.e., external auditor) to perform an audit of its annual financial statements and, if applicable, interim reviews on its quarterly financial statements. I note that while the objective of

[13] Exhibit P2.
[14] Chapter 3, *The Objective of General Purpose Financial Reporting*, of FASCON 8*, ¶¶ QC12 and QC17.*

the external auditor in performing an audit is to express an opinion on the fairness of an entity's financial statements, the auditor must also review other financial information contained within documents that include audited financial statements (e.g., a Form 10-K) in order to ascertain that the financial information reflected within the audited financial statements is consistent with the financial information contained in other sections of the document (e.g., the MD&A section).

23. Audits and reviews of interim financial information issued by public companies such as FTFT are required to be conducted in accordance with the standards promulgated by the PCAOB. The PCAOB "requires registered public accounting firms and their associated persons to comply with all applicable auditing and related professional practice standards."[15] Effective December 31, 2016, the PCAOB organized its set of auditing standards in a topical structure using the prefix "AS" followed by a four-digit number combination and the title of the audit topic (e.g., AS 1001, *Responsibilities and Functions of the Independent Auditor*).

24. In an audit, the objective of the external auditor is to render an opinion on the material conformity of an entity's financial statements with a selected financial reporting framework (e.g., GAAP). The external auditor's responsibilities and objectives in this context are to (a) plan and perform procedures to obtain reasonable assurance about whether an entity's financial statements are free of material misstatement, and (b) express "an opinion on the fairness with which [such financial statements] present, in all material respects, the financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles."[16]

25. Although the financial statements are management's responsibility, the external auditor is generally the only independent party that directly opines on whether the financial statements promulgated by the entity are presented in accordance with accounting standards such as GAAP. As then-PCAOB Member Steven Harris stated in a 2015 speech:[17]

> Under our federal securities laws, any public company that raises money through our capital markets, or has securities listed on an exchange, must hire an independent public accountant to audit its

[15] https://pcaobus.org/oversight/standards.
[16] AS 1001, *Responsibilities and Functions of the Independent Auditor* ("AS 1001"), .01 & .02.
[17] Speech given by Steven B. Harris, Board Member of the PCAOB, May 14, 2015.

> financial statements. This gives auditors a unique franchise—and an enormous responsibility.
>
> The Supreme Court, in *United States v. Arthur Young*, described that responsibility as a "public watchdog" function that "demands that the accountant maintain total independence from the client at all times and requires complete fidelity to the public trust."

V. ANALYSIS

A. <u>The Respondents Did Not Have Adequate Training and Proficiency</u>

Relevant PCAOB Standards

26. The PCAOB, in AS 1010, *Training and Proficiency of the Independent Auditor* ("AS 1010"), requires that audits of public companies must "be performed by a person or persons having adequate technical training and proficiency as an auditor."[18] AS 1010 further states the auditor needs to have the "proper education and experience in the field of auditing" to meet its standards.[19] Additionally, AS 1010 states that the auditor must be "proficient in accounting and auditing," and that "[t]he engagement partner [e.g., in this case, Mr. Wang] must exercise seasoned judgment in the varying degrees of his supervision and review of the work done and judgments exercised by his subordinates."[20]

Analysis of Respondents' Conduct Relative to Relevant PCAOB Standards

27. According to his deposition, Mr. Wang was the only employee and principal of Wang CPA prior to and during the relevant period.[21] Mr. Wang testified that Wang CPA was initially appointed to audit FTFT's 2015 annual financial statements in October of 2016.[22] Mr. Wang further testified that he employed various subcontractors, most if not all of whom were based in China, to perform certain procedures (i.e., field work) in connection with the Respondents' audits of FTFT's financial statements during the relevant period, although he changed subcontractors from year to year due to various factors. According to Mr. Wang, none of these China-based subcontractors were registered with the PCAOB and he did not believe that any of the China-based

[18] AS 1010.01.
[19] AS 1010.02.
[20] AS 1010.03.
[21] November 18, 2020 deposition of Mr. Wang, p. 27.
[22] November 18, 2020 deposition of Mr. Wang, pp. 41-42.

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individuals who assisted him in auditing FTFT were licensed as certified public accountants (i.e., CPAs) in the United States.

28. FTFT's organizational structure was complex throughout the relevant period, with numerous subsidiaries that underwent significant changes in their operations and legal positions from year to year. Discovery indicates that in 2018, FTFT controlled all or part of at least 30 subsidiaries.[23] The names of several of these subsidiaries, as well as the nature of their operations, changed year-over-year adding a layer of complexity to the Company and, by extent, to the audits required to be performed by the Respondents.

29. Further, throughout the relevant period, FTFT reported in its quarterly filings on Form 10-Q that its internal control over financial reporting ("ICFR") were ineffective because of a material weakness as the Company "lacked sufficient accounting personnel with the appropriate level of knowledge, experience and training in U.S. GAAP and SEC reporting requirements."[24]

30. Mr. Wang testified that prior to accepting FTFT as a client and performing an audit on the Company's 2015 annual financial statements, he was told by the previous auditor that FTFT was "risky" because of its size and the business environment it was operating it.[25] I note that Mr. Wang further testified that he did not prepare any analysis to evaluate whether the risk associated with FTFT that was communicated to him by the previous auditor required changes to the audit procedures the Respondents planned to apply, or whether such risk precluded the Respondents ability to sufficiently audit FTFT in accordance with PCAOB standards.[26]

31. The size, complexity, scope of FTFT, and the fact that its accounting personnel lacked an understanding of U.S. GAAP and SEC reporting requirements presented a high degree of audit risk that the Company's financial statements would contain material misstatements and therefore not comply with GAAP. In my opinion, a sole practitioner, which is what Mr. Wang was

[23] FTFT's 2018 Form 10-K, p. 2-3 (Exhibit P7).
[24] See for example, FTFT's third quarter 2018 Form 10-Q, p. 36. I note that such material weakness was NOT reported by the Company in the 2016, 2017, or 2018 Forms 10-K that were audited by the Respondents. I have not identified any document explaining why such material weakness was not reported in these Forms 10-K.
[25] November 18, 2020 deposition of Mr. Wang, pp. 55-57.
[26] November 18, 2020 deposition of Mr. Wang, pp. 83-85.

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essentially, could not sufficiently audit the financial statements of a company such as FTFT even if he did hire sub-contractors to assist to audit the Company's financial statements.

32. Mr. Wang also lacked the necessary experience to audit a company like FTFT. Mr. Wang testified that FTFT was the only large public issuer that he (and Wang CPA) audited whereby he was in the role of engagement partner.[27] Aside from working as a staff accountant at a mid-sized CPA firm, Mr. Wang testified that he did not have any other prior work experience auditing public companies, including in the role of an engagement partner, that were not "blank-check" companies,[28] referring to companies that are in the development stage and do not have a specific business plan or purpose.

33. With respect to the blank-check companies, Mr. Wang stated in his response to the OIP that he "issued 2 audit reports for 2 start-up public companies for their companies' S-1 filing with [the] SEC in 2016."[29] A public filing by one of these blank-check companies, Achison, Inc., reveals that the company had no reported assets when Mr. Wang audited it.[30] Mr. Wang testified that he charged approximately $10,000 a year for each of these clients.[31]

34. In contrast, the fees charged by Wang CPA to audit FTFT's audited financial statements for years 2016 through 2018 were between $130,000 and $160,000 per year[32] due to the complexity of the work needed to be performed to audit FTFT's financial statements.[33] For

[27] November 18, 2020 deposition of Mr. Wang, pp. 87-88.
[28] November 18, 2020 deposition of Mr. Wang, pp. 87-88.
[29] Mr. Wang's Response to Administrative Proceeding File No. 3-21298, affirmative defense #8.
[30] SEC-WangR-E-0059585.
[31] November 18, 2020 deposition of Mr. Wang, pp. 41-43.
[32] Exhibit P15.
[33] I note that Mr. Wang testified that the audit fees generated from the Respondents' audits of FTFT's financial statements during the relevant framework were a material component of Mr. Wang's income for years 2016, 2017, 2018. Specifically, Mr. Wang testified that that the fees generated from auditing FTFT's financial statements comprised more than half of his income in 2016, and approximately that amount in both 2017 and 2018. This raises significant questions as to whether he was independent in fact and/or appearance in mental attitude and impartial in accordance with the PCAOB's standard on independence (i.e., AS 1005, *Independence*) since a large part of Mr. Wang's income relied on his professional relationship with FTFT.

I also note that during the 2017 PCAOB Inspection, the PCAOB raised similar questions as to the independence of the Respondents with respect to FTFT. In fact, in the report summarizing its 2017 PCAOB Inspection, the PCAOB concluded that Wang CPA "had not satisfied applicable independence criteria because approximately 96 percent of the Firm's [i.e., Wang CPA's] revenue was derived from fees paid by the issuer [i.e., FTFT]. In addition, in the preceding two years, when the Firm also issued audit reports for the issuer, the Firm's revenue derived from fees paid by the issuer totaled approximately 90 percent

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example, in its 2016 Form 10-K, FTFT reported that its assets had a carrying value of approximately $261.7 million as of December 31, 2016, and that the Company generated revenue of approximately $34.4 million in 2016.[34]

35. Based on (a) the size and complexity of FTFT's organizational structure, (b) the Company's accounting personnel lacking the knowledge, experience and training in U.S. GAAP and SEC reporting requirements, (c) Mr. Wang's inexperience in auditing public companies of any size and complexity comparable to FTFT, and (d) the deficiencies observed in the audits performed by the Respondents as discussed below, it is my opinion that the Respondents lacked the adequate technical training and proficiency as an auditor required by the PCAOB (as promulgated in AS 1010) during their audits of FTFT's 2016 through 2018 annual financial statements.

36. These findings are consistent with the findings identified and/or conclusions reached by the PCAOB as reflected in both the 2017 and 2018 PCAOB Inspections.

37. According to the report summarizing the 2017 PCAOB inspection, the PCAOB found that Wang CPA issued "an audit report without having obtained a basic understanding of what is necessary to perform an audit, and issue an audit report, in accordance with PCAOB standards. This information provides cause for concern regarding whether the Firm's sole partner [i.e., Mr. Wang] has the necessary technical training and proficiency as an auditor to perform audits for issuers."[35]

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of total Firm revenue in each year. Because of the mutual interest between the issuer and the Firm created by these circumstances, the Firm appears not to have satisfied the general standard of independence set out in Rule 2-01(b) of Commission Regulation S-X." (SEC-LIT-000133605, footnote omitted).

Similarly, during an the 2018 PCAOB Inspection, the PCAOB concluded that Wang CPA "derived approximately 67 percent of its total revenues from one issuer audit client [i.e., FTFT]. Because of the mutual interest between the issuer and the firm created by these circumstances, the firm appears not to have satisfied the general standard of independence set out in Rule 2-01(b) of Commission Regulation S-X." (SEC-LIT-000133635, footnote omitted).

[34] FTFT's 2016 Form 10-K, p. F-3 (Exhibit P5).

[35] SEC-LIT-000133605.

38. According to the report summarizing the 2018 PCAOB inspection, the PCAOB concluded that "the engagement partner" (referring to Mr. Wang) did not possess "the necessary technical training and proficiency to perform audits of issuers."[36]

B. <u>The Respondents Failed to Exhibit Due Professional Care</u>

39. The overarching obligation that an auditor must adhere to when performing procedures underlying the expression of an audit opinion in accordance with PCAOB standards is the exercise of due professional care. The concept of due professional care is defined in AS 1015, *Due Professional Care in the Performance of Work* ("AS 1015"), as, in essence, "…what the independent auditor does and how well he or she does it."[37]

40. AS 1015 further describes due professional care as "the degree of skill commonly possessed" by auditors.[38] Due professional care requires an auditor to exercise "reasonable care and diligence" and "professional skepticism" when performing audit procedures and when rendering opinions relating to such.[39] AS 1015 describes professional skepticism in the following manner:[40]

> Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for by the profession of public accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence.
>
> Gathering and objectively evaluating audit evidence requires the auditor to consider the competency and sufficiency of the evidence. Since evidence is gathered and evaluated throughout the audit, professional skepticism should be exercised throughout the audit process.

[36] SEC-LIT-000133635.
[37] AS 1015.04.
[38] AS 1015.03.
[39] AS 1015.05 & .07.
[40] AS 1015.07 & .08.

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41. As reflected in the remaining sections of this Report, the Respondents failed to apply the required due professional care and professional skepticism in accordance with AS 1015 during their audits of FTFT's 2016, 2017, and 2018 annual financial statements.

42. I note that in 2019, FTFT engaged another auditor to audit the Company's 2018 annual financial statements. When this auditor reviewed the Respondents' 2017 work papers, it identified "issues" with the financial information reflected in the Company's 2017 Form 10-K and contacted the Company and Mr. Wang to state that these issues should be discussed in detail in order to "determine if the Company need[s] to restate the 2017 Audited Annual Report."[41] During his deposition, Mr. Wang testified that he did not take any steps to discuss any potential errors in FTFT's financial statements that were audited by the Respondents, including whether such statements needed to be restated in accordance with GAAP.[42]

C. <u>The Respondents Failed to Reconcile the Relevant Financial Statements with Underlying Accounting Records and with Other Information in Documents Containing Audited Financial Statements</u>

Relevant PCAOB Standards

43. PCAOB standards required the Respondents to evaluate FTFT's financial statements (and notes thereto) in order to identify whether such statements were presented in accordance with GAAP. As part of this process the PCAOB states in AS 2810, *Evaluating Audit Results* ("AS 2810"), that the auditor must evaluate the presentation of the financial statements, including the disclosures (i.e., notes to the financial statements), meaning that the auditors must "evaluate whether the financial statements contain the information essential for a fair presentation of the financial statements in conformity with the applicable financial reporting framework [e.g., GAAP]."[43] This information includes "consideration of the form, arrangement, and content of the financial statements (including the accompanying notes), encompassing matters such as the terminology used, the amount of detail given, the classification of items in the statements, and the bases of amounts set forth."[44]

[41] Exhibit P11A.
[42] August 9, 2023 Deposition of Mr. Wang, pp. 176-182.
[43] AS 2810.31.
[44] AS 2810.31.

44. In addition to the financial information presented within financial statements (and notes thereto), FTFT's 2016 through 2018 Forms 10-K presented financial information in other sections of such filings, such as the MD&A section. With respect to the financial information reflected within the MD&A section of FTFT's Forms 10-K, AS 2710, *Other Information in Documents Containing Audited Financial Statements* ("AS 2710"), required the Respondents to "consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements."[45]

Analysis of Respondents' Conduct Relative to Relevant PCAOB Standards

45. Through my review of FTFT's 2016, 2017, and 2018 Forms 10-K, I uncovered numerous errors and/or inconsistencies with respect to the financial information presented within such filings. Such errors and/or inconsistencies were reflected in both the financial statements (and notes thereto) contained within such filings on which the Respondents expressed unqualified (clean) opinions, as well as the MD&A section of such filings for which the Respondents had a responsibility to review in accordance with AS 2710. Many of these errors and/or inconsistencies are, in my opinion, simple and obvious in nature and should have been easily identified by an auditor who conducted audits in accordance with PCAOB standards. I also note that such errors and/or inconsistencies were predictable given the Company's lack of understanding of SEC reporting requirements.

46. The following reflect several examples of such errors and/or inconsistencies that should have been identified by the Respondents. In addition to these examples, I identified and have included other instances of similar errors and/or inconsistencies contained within FTFT's 2016, 2017, and 2018 Forms 10-K with respect to four Company subsidiaries/projects in a subsequent section of this Report regarding the Respondents' failures to obtain substantive audit evidence and prepare audit documentation in sufficient detail.

47. The Respondents consistent failure to identify and/or request FTFT to correct such errors and/or inconsistencies illustrate the Respondents' failures with respect to AS 2710 and AS 2810. Such failures also illustrate the Respondents' failure to exercise due professional care in

[45] AS 2710.04.

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accordance with AS 1015 as well as a lack of training and proficiency in conducting audits of large public filers in accordance with AS 1010.

48. *Example 1:* In Note 2, *Summary of Significant Accounting Policies*, to its 2016 annual financial statements, FTFT reported that it recorded an impairment loss of $2.1 million and $2.4 million in 2016 for Yingkou[46] and Huludao Wonder,[47] respectively. To a reader of such financial statements, these disclosures imply that the Company recorded an impairment loss totaling approximately **$4.5 million** for the two subsidiaries in 2016.

A few pages later, however, in Note 4, *Property, Plant and Equipment*, FTFT reported that "[i]n 2016, the Company recognized impairment loss of **$3.20 million**, mainly related to the concentrated fruit juice production equipment in Yingkou and Huludao [Wonder]…"[48] There was no explanation of this inconsistency in FTFT's 2016 financial statements. When questioned about this inconsistency during his deposition, Mr. Wang could not articulate a reasonable explanation and admitted to failing to identify the error during his review of the filing.[49] Instead, Mr. Wang admitted during his deposition that he "didn't catch" the inconsistency during his "review of the 10-K."[50]

49. I also note that in the FTFT OIP, and contrary to the aforementioned statements in its 2016 annual financial statements, the Company admitted that it did not actually record any impairment losses associated with Yingkou in 2016.[51] As discussed elsewhere in this Report, it is unclear whether the Company actually recorded any impairment loss in 2016 on Huludao Wonder's property, plant and equipment ("PP&E") assets.

50. *Example 2:* In its 2017 Form 10-K, FTFT reported that it recorded impairment losses in 2017 on the PP&E assets associated with a project identified as the Yidu Project, which included

[46] Yingkou refers to one of FTFT's subsidiaries, Yingkou Trusty Fruits Co., Ltd.
[47] Huludao Wonder refers to one of FTFT's subsidiaries, Huludao Wonder Fruit Co., Ltd.
[48] FTFT's 2016 Form 10-K, p. F-12 (Exhibit P5), emphasis added.
[49] August 9, 2023 Deposition of Mr. Wang, pp. 138-142.
[50] August 9, 2023 Deposition of Mr. Wang, pp. 138-142.
[51] Exhibit P10, p. 4.

construction in progress, fixed assets, and an orange plantation. The disclosures relating to the specific amount of such impairment losses were, however, inconsistent.

51. On two occasions, one in the MD&A section and one in a note to the financial statements, FTFT reported that it recorded impairment losses of $16.80 million "with respect to construction in progress and fixed assets" and a further impairment loss "of **$6.24 million** with respect to the orange plantation" related to the Yidu Project.[52] On two other occasions, however, both in the MD&A section, FTFT reported that the impairment loss it recorded in 2017 related to the orange planation associated with the Yidu Project was only **$0.62 million**.[53]

52. I have not identified anything in the Respondents' workpapers reconciling these inconsistent disclosures contained in FTFT's 2017 Form 10-K. Further, I have not identified anything in the Respondents' workpapers that indicate that these inconsistencies were identified by the Respondents.

53. *Example 3:* In Note 2, *Summary of Significant Accounting Policies*, to its 2018 annual financial statements, FTFT reported the following information regarding the impairment losses the Company purportedly recorded in 2018 related to the Yidu Project:[54]

> An impairment loss of **$32.68 million** recorded in 2018 was related with our Yidu project. On November 23, 2015, the Company started the construction of the Yidu project, which was to establish the distribution center and the deep processing zone on the project land of approximately 280 mu. As the Chinese government recently tightened environment regulations, the Company is in the process of adapting the new standards and the project has been delayed. Since the Company's current cash cannot support the future input of this project and there is no forecasted cash flow from this project, the Company recorded an impairment cost of $8.28 million with respect to construction in progress and an impairment cost of $25.40 million with respect to the orange plantation.

[52] FTFT's 2018 Form 10-K, pp. 50 and F-7 (Exhibit P7), emphasis added.
[53] FTFT's 2018 Form 10-K, pp. 6 and 41 (Exhibit P7), emphasis added.
[54] FTFT's 2018 Form 10-K, p. F-8 (Exhibit P7), emphasis added.

54. The above excerpted paragraph contains an obvious mathematical error. In the paragraph, FTFT reported that the impairment loss the Company purportedly recognized in 2018 for its Yidu project was allocated between its construction in progress assets ($8.28 million) and its orange plantation ($25.40). These two reported impairment losses total **<u>$33.68 million</u>**, which is $1 million larger than the total impairment loss of **<u>$32.68 million</u>** the Company reported in the first sentence of the above excerpt.

55. I also note that in the MD&A section of this filing, FTFT included a paragraph with almost exactly the same information in it. The only difference between the paragraph in the MD&A section and the paragraph in notes to the financial statements section excerpted above is that the paragraph in the MD&A section begins with the sentence "[a]n impairment loss of **<u>$8.28 million</u>** recorded in 2018 was related to our Yidu project." This sentence is another example of an error since the paragraph in the MD&A section goes on to describing both the $8.28 million loss with respect to construction in progress AND the $25.40 million loss with respect to the orange planation.[55]

56. This example also illustrates the inconsistencies I identified between the disclosures of certain financial information reflected in the MD&A and notes to the financial statements in FTFT's financial reports.

57. I have not identified anything in the Respondents' workpapers reconciling these inconsistent disclosures contained in FTFT's 2018 Form 10-K. Further, I have not identified anything in the Respondents' workpapers that indicate that these inconsistencies were even identified by the Respondents.

58. *<u>Example 4:</u>* In its 2018 financial statements, FTFT reported that it recognized impairment losses totaling **<u>$178.3 million</u>** in 2018. The notes to the Company's 2018 financial do not, however, inform the reader of such financial statements as to what subsidiaries and/or projects comprise this amount of impairment losses statements (nor do the disclosures reflected in the MD&A section of FTFT's 2018 Form 10-K).

[55] FTFT's 2018 Form 10-K, p. 59 (Exhibit P7), emphasis added.

59. In Note 2, *Summary of Significant Accounting Policies*, to its 2018 annual financial statements, the Company disclosed information regarding impairment losses it purportedly recorded on its long-lived assets in 2018. The information in this note indicates that FTFT recorded a maximum of approximately $88.91 million in impairment losses on its long-lived assets in 2018.[56] In the same note, the Company also reported that it recorded "a full impairment loss of RMB 180 million" on a "receivable of distressed assets acquired by China Agricultural Silk Road Finance Lease Limited, one of our subsidiaries."[57] FTFT does not report what the dollar equivalent of 180 million RMB is in its 2018 annual financial statements, but discovery indicates that it is approximates $27.2 million.[58] Therefore, the amount of impairment loss FTFT reported in Note 2, *Summary of Significant Accounting Policies*, equals approximately $116.1 million, which is far short of the total impairment loss of $178.3 million the Company reported in its 2018 financial statements.

60. A few pages later, in Note 4, *Property, Plant and Equipment*, to its 2018 financial statements, FTFT reported that it recorded impairment losses of $44.5 million in 2018 associated with its PP&E.[59] In Note 5, *Land Usage Rights* ("Note 5"), FTFT reported that it recorded impairment losses of $6.9 million in 2018 associated with its land usage rights.[60] In Note 15, *Discontinued Operations*, FTFT reported that it recorded impairment losses of $1.1 million in 2018 associated with its discontinued operations, referring to Huludao Wonder.[61] The disclosures in these notes reflect impairment losses of only approximately $52.5 million ($44.5 million + $6.9 million + $1.1 million), far short of the total impairment loss of $178.3 million the Company reported in its 2018 financial statements.

[56] This amount is computed by adding impairment losses of $4.36 million (Yingkou) + $25.19 million (Guo Wei Mei and other unidentified projects) + $25.68 (Suizhong) + $33.68 (Yidu). These impairment losses are reflected in Note 2, *Summary of Significant Accounting Policies*, to FTFT's 2018 financial statements, specifically in discussion of impairment of the Company's long0lived assets. (FTFT's 2018 Form 10-K, p. F-8 (Exhibit P7).
[57] FTFT's 2018 Form 10-K, p. F-10 (Exhibit P7).
[58] This amount is computed using the exchange rate of 6.62 RMB = $1. This exchange rate was obtained from a 2018 audit workpaper maintained by the Respondents (SEC-LIT-000212806).
[59] FTFT's 2018 Form 10-K, p. F-16 (Exhibit P7).
[60] FTFT's 2018 Form 10-K, p. F-17 (Exhibit P7).
[61] FTFT's 2018 Form 10-K, p. F-26 (Exhibit P7).

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61. *Example 5:* In Note 15, *Discontinued Operations*, to its 2018 financial statements, FTFT included the following table which reflects its reported loss from discontinued operations for years ending December 31, 2018 and 2017.[62] As the rectangle in red highlights, the information for the year ending December 31, 2017 does not foot because no amount of impairment losses is reported. I note that in the 2017 Form 10-K, FTFT reported that it recorded an impairment loss of $11.3 million for its discontinued operations for the year ending December 31, 2017.

Loss from discontinued operations for fiscal 2018 and 2017 was as follows:

	December 31, 2018	December 31, 2017
REVENUES	$	$ 7,372
COST OF SALES		-
GROSS PROFIT (LOSS)		7,372
OPERATING EXPENSES:		
General and administrative	90,905	(2,459,220)
Selling expenses		-
Impairment loss	1,112,314	
Total	1,203,219	(13,794,523)
OTHER INCOME (EXPENSE)	5,312,915	
Interest expense	(96,329)	(875,796)
Interest income		-
Total		-
(Loss) Income from discontinued operations before income tax	5,216,586	(14,662,946)
Income tax provision		-
LOSS FROM DISCONTINUED OPERATIONS	$ 4,013,366	$ (14,662,946)

62. I have not identified anything in the Respondents' workpapers that indicate that the missing $11.3 million impairment loss related to Huludao Wonder for 2017 in the table in Note 15, *Discontinued Operations*, to FTFT's 2018 financial statements was identified by the Respondents.

D. The Respondents Failed to Adequately Plan and Assess Audit Risk

Relevant PCAOB Standards

63. AS 2101, *Audit Planning* ("AS 2101), states that an auditor is required to plan an audit so that it is conducted effectively, with the engagement partner having the responsibility for such plan.[63] This includes "establishing the overall audit strategy for the engagement and developing

[62] FTFT's 2018 Form 10-K, p. F-26 (Exhibit P7), rectangle in red added.
[63] AS 2101.02 & .03.

an audit plan, which includes, in particular, planned risk assessment procedures and planned responses to the risks of material misstatement."[64]

64. In addition to creating a plan for the audit, AS 2110, *Identifying and Assessing Risks of Material Misstatement* ("AS 2110"), requires auditors to "identify and appropriately assess the risks of material misstatement."[65] Further, AS 2110 requires auditors to "perform risk assessment procedures that are sufficient to provide a reasonable basis for identifying and assessing the risks of material misstatement, whether due to error or fraud, and designing further audit procedures."[66]

Analysis of Respondents' Conduct Relative to Relevant PCAOB Standards

65. Mr. Wang testified that as the engagement partner, he was responsible for determining that a sufficient plan to audit FTFT's annual financial statements was prepared by the professional staff he was supervising.[67]

66. According to FTFT's balance sheet included in its 2015 Form 10-K (see table below), the Company's largest asset group as of December 31, 2015 was its PP&E.[68] Further, as reflected in the table below, FTFT's asset identified as land use rights[69] comprised an additional approximately $25.9 million of the Company's total assets as of December 31, 2015. As of December 31, 2015, these two asset groups comprised more than 40% of FTFT's reported total assets.

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[64] AS 2101.05.
[65] AS 2110.03.
[66] AS 2110.04, footnotes omitted.
[67] November 18, 2020 deposition of Mr. Wang, pp. 136-137.
[68] The information in this paragraph, as well as the table below, was obtained from FTFT's 2015 Form 10-K, p. F-3 (Exhibit P4), rectangle in red added. According to Accounting Standards Codification ("ASC") Topic 360, *Property, Plant, and Equipment* ("ASC 360"), PP&E "typically consist of long-lived tangible assets used to create and distribute an entity's products and services and include" (a) land and land improvements, (b) buildings, (c) machinery and equipment, and (d) furniture and fixtures. (ASC 360-10-05-3).
[69] According to the laws in China, individuals and companies must be granted rights by the PRC government to use any land within China. FTFT's land use rights represent the rights granted to it by the PRC government to develop and operate on specific tracts of land for a number of years. According to FTFT's financial statements, FTFT had the ability to transfer its land use rights to third-parties "upon approval by the land administrative authorities of the PRC (State Land Administration Bureau)." (2018 Form 10-K, p. F-17 – Exhibit P7). Because the use of this land has no physical substance, such asset is considered intangible in nature.

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SKYPEOPLE FRUIT JUICE, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$ 50,006,914	$ 25,130,302
Restricted cash	3,079,956	6,537,016
Accounts receivable, net of allowance of $2,407,160 and $837,200 as of December 31, 2015 and 2014, respectively	50,062,300	66,570,314
Other receivables	265,079	371,995
Inventories	3,444,740	4,118,630
Deferred tax assets	2,326,194	1,410,690
Advances to suppliers and other current assets	3,809,970	472,578
TOTAL CURRENT ASSETS	112,995,153	104,611,525
PROPERTY, PLANT AND EQUIPMENT, NET	82,947,233	96,279,068
LAND USE RIGHT, NET	25,867,932	6,502,420
LONG TERM ASSETS	2,979,857	3,162,281
DEPOSITS	45,321,919	68,878,798
Related party receivables	290,976	
TOTAL ASSETS	$ 270,403,070	$ 279,434,092

67. In its 2017 Form 10-K, FTFT reported that these two asset groups combined to comprise more than $60 million as of December 31, 2017, which was approximately 32% of FTFT's total reported assets as of that date.[70]

68. Due to the magnitude of the reported value of these assets relative to the Company's reported financial position, any potential errors in the carrying (i.e., reported) value of either of these two asset groups could lead to material misstatement to FTFT's financial statements. Accordingly, during the planning stage of its audits, the Respondents should have identified a high risk of material misstatement related to these two asset groups and the procedures the Respondents would perform to address such risks, including procedures related to the potential impairment of these asset groups.

69. A review of Wang CPA's audit workpapers, however, indicate that Mr. Wang failed to identify the risk of material misstatement with respect to the carrying value of FTFT's PP&E, specifically by failing to recognize in such workpapers that the assets were potentially subject to impairment, especially in light of FTFT's worsening economic and legal circumstances. Further,

[70] FTFT's 2017 Form 10-K, p. F-2 (Exhibit P6).

Wang CPA's audit workpapers related to planning failed to mention the risk of material misstatement associated with FTFT's land use rights. Additionally, these audit workpapers did not reflect any procedures the Respondents were planning to perform to test either asset group for impairment.

70. For example, the audit workpaper entitled *Audit Engagement Acceptance, Risk Assessments & Planning Memo* prepared by Wang CPA in connection with the audit of FTFT's 2016 annual financial statements has a section that implores the auditor to "consider and **document the factors that would help determine the focus of the team's efforts** (higher areas or risk, preliminary identification of material locations, whether internal control will be tested, industry, financial reporting or other relevant developments, use of specialists)."[71] In response, the Respondents appear to identify the categories of accounts receivable, revenue, payables, and cost of service as the only high risk areas with respect to the Company's financial information. The Respondents failed to mention the risk of material misstatement associated with FTFT's PP&E or land use rights, which, as discussed above, were significant components of the Company's total reported assets.

71. Additionally, this same workpaper contains a section containing the audit plan by area (e.g., asset group). The Respondents only identified the following procedures they planned to perform to test the carrying value of the Company's PP&E assets:[72]

> ***Property, Plant and Equipment*** – we will determine whether the depreciation practices followed by the companyare in conformity with GAAP and consistent with the prior period.

72. As reflected in the excerpt from the workpapers above, the only procedure related to PP&E that was identified by the Respondents is that they would test FTFT's PP&E to determine whether such assets were properly depreciated. In contrast, the Respondents did not identify any procedure they planned to perform to test whether (and by how much) FTFT's PP&E assets were impaired. Additionally, there is no mention of land use rights as an asset group that the Respondents planned on testing, and, accordingly, no specific procedures are identified in this planning workpaper to

[71] Exhibit P8, emphasis added,
[72] Exhibit P8.

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address the risk of material misstatement associated with the carrying value of FTFT's land use rights.

73. The Respondents' failure to identify FTFT's PP&E and land use rights as significant areas that contain risks of material misstatement and failing to identify any tests related to impairment of such assets violated AS 2101 and AS 2110.

74. These findings are consistent with the conclusions reached by the PCAOB during its 2017 PCAOB Inspection. According to the report summarizing this inspection, the PCAOB concluded the following:[73]

> The Firm [i.e., Wang CPA] failed to plan and perform sufficient procedures to test the significant accounts and disclosures in the financial statements or evaluate whether the issuer's financial statements were fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). Specifically, other than obtaining a signed engagement letter, the Firm failed to perform any planning procedures, including risk assessment procedures, establishment of materiality levels, or development of an overall audit strategy and audit plan.

75. Similarly, my findings are consistent with the conclusions reached by the PCAOB in 2018 PCAOB Inspection. According to the report summarizing this inspection, the PCAOB concluded that during the 2018 audit of FTFT, the Respondents "failed to identify and assess the risks of material misstatement at the financial statement level and at the assertion level for all significant accounts and disclosures. In addition, the Firm [i.e., Wang CPA] failed to identify all significant accounts and disclosures and their relevant assertions."[74] I note that in Mr. Wang's response to such PCAOB findings, he acknowledged that the Respondents "missed some audit procedures."[75]

[73] SEC-LIT-000133605.
[74] Exhibit P17.
[75] Exhibit P17.

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E. The Respondents Failed to Obtain Sufficient Appropriate Audit Evidence and Failed to Prepare Audit Documentation in Sufficient Detail

Relevant PCAOB Standards

76. PCAOB standards, specifically AS 1105, *Audit Evidence* ("AS 1105"), required the Respondents to obtain sufficient appropriate audit evidence to support the unqualified (i.e., clean) opinions expressed by Wang CPA on FTFT's annual financial statements for the years 2016 through 2018.[76] The PCAOB provides that sufficiency is the measure of the quantity of audit evidence and as the risk of material misstatement increases, "the amount of evidence that the auditor should obtain also increases."[77] The PCAOB further provides that for audit evidence to be appropriate, it "must be both relevant and reliable in providing support for the conclusions on which the auditor's opinion is based."[78]

77. AS 1105 defines audit evidence as "all the information, whether obtained from audit procedures or other sources, that is used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence consists of both information that supports and corroborates management's assertions regarding the financial statements or internal control over financial reporting and information that contradicts such assertions."[79] AS 1105 further states that "[i]f audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit."[80]

78. In addition to obtaining sufficient appropriate audit evidence, PCAOB standards required the Respondents to maintain "the written record of the basis for the auditor's conclusions that provides the support for the auditor's representations."[81] This written record is referred to as *audit documentation, work papers* or *working papers* in the PCAOB standards.[82] In order for audit

[76] AS 1105.03.
[77] AS 1105.05.
[78] AS 1105.05.
[79] AS 1105.02.
[80] AS 1105.29.
[81] AS 1215, Audit Documentation ("AS 1215").
[82] AS 1215.02.

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documentation to meet PCAOB standards, it must be "prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached."[83]

79. PCAOB expounds on this requirement by stating the following with respect to audit documentation:[84]

> The auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions. Audit documentation must clearly demonstrate that the work was in fact performed. This documentation requirement applies to the work of all those who participate in the engagement as well as to the work of specialists the auditor uses as evidential matter in evaluating relevant financial statement assertions. Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement:
>
> a. To understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and
>
> b. To determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review.

Analysis of Respondents' Conduct Regarding Impairment of FTFT's PP&E and Land Use Rights Relative to Relevant PCAOB Standards

80. As previously noted, the reported value of PP&E and land use rights comprised two of FTFT's largest asset groups throughout the relevant period. GAAP, in ASC 360,[85] states that after an entity acquires or develops a PP&E asset, the carrying value of such asset should be depreciated (i.e., reduced) over its useful life using a systematic method.[86] In addition, ASC 360 requires

[83] AS 1215.04.
[84] AS 1215.06, footnote omitted.
[85] Beginning with fiscal years beginning on or after January 1, 2009, the Accounting Standards Board ("ASB") of the FASB required reference and adherence to a codified set of accounting rules for purposes of financial reporting and, especially, the filing of reports that purported to be in accordance with GAAP with the SEC. The codification characterized and assigned a standardized reference system to then-existing accounting rules which, prior to such codification, could be found in various itemized standards issued by a number of different rule-making entities, such as the FASB itself, its sub-entities, and the SEC, among other dedicated committees.
[86] ASC 360-10-35-3. ASC 360 states that the concept of depreciation accounting is "a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation." (ASC 360-

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PP&E and other long-lived assets to be assessed for impairment "whenever events or changes in circumstances indicate that its carrying amount may not be recoverable."[87] Similar to PP&E, GAAP required FTFT to amortize its land use rights over their useful lives and to test such assets for impairment in a manner consistent with the tenets of ASC 360.[88]

81. ASC 360 provides the following examples of the events and circumstances (i.e., triggering events) that should prompt an assessment of impairment:[89]

> a. A significant decrease in the market price of a long-lived asset (asset group)
>
> b. A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
>
> c. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator
>
> d. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
>
> e. A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
>
> f. A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term *more likely than not* refers to a level of likelihood that is more than 50 percent.

10-35-4). FTFT reported in its 2018 Form 10-K that it computed depreciation using the straight-life method over the useful life of its assets. (FTFT's 2018 Form 10-K, p. F-13 - Exhibit P7).

[87] ASC 360-10-35-21.

[88] ASC 350-30, *Goodwill Intangibles Other Than Goodwill* (ASC 350-30)-35-6, states that an intangible asset must be amortized over its useful life unless that life is determined to be indefinite. ASC 350-30-35-14 states that "[a]n intangible asset that is subject to amortization shall be reviewed for impairment in accordance with the" principles described in ASC 360.

[89] ASC 360-10-35-21, emphasis in original.

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82. When completing such assessment of impairment, ASC 360 states that the entity must record an impairment loss "if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value."[90] ASC 360 further states that "[t]he carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group)."[91]

83. In its 2016, 2017, and 2018 annual financial statements, FTFT reported that it recognized millions in impairment losses in each of these years primarily by reducing the carrying value of its PP&E (in 2016, 2017, and 2018) and land use right (in 2018 only) assets through the recognition of impairment. In such financial statements, FTFT disclosed that it purportedly reviewed its PP&E and land use rights for impairment in accordance with ASC 360. For example, in Note 2, *Summary of Significant Accounting Policies*, to its 2018 financial statements, FTFT reported the following regarding its purported process for reviewing its long-lived assets (i.e., PP&E) and intangible assets subject to amortization (i.e., land use rights) for impairment:[92]

> **d) Impairment of Long-Lived Assets**
>
> In accordance with [ASC 360], long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, or it is reasonably possible that these assets could become impaired as a result of technological or other industrial changes. The determination of recoverability of assets to be held and used is made by comparing the carrying amount of an asset to future undiscounted cash flows to be generated by the assets.
>
> If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

[90] ASC 360-10-35-17.
[91] ASC 360-10-35-17.
[92] FTFT's 2018 Form 10-K, p. F-8 (Exhibit P7), emphasis in original.

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84. Although FTFT did report millions of impairment losses on its PP&E and land use rights assets between 2016 and 2018, my analysis of the aforementioned materials I reviewed in preparation of this Report (e.g., Mr. Wang's deposition testimony, the Respondents audit workpapers, etc.) demonstrates that the Respondents failed to obtain sufficient appropriate audit evidence in accordance with AS 1105 to test the carrying value of FTFT's PP&E and land use rights assets during their audits of the Company's 2016, 2017, and 2018 annual financial statements. Through my analysis of the aforementioned materials, I also conclude that the Respondents violated AS 1215 by failing to adequately prepare audit documentation describing any assessment of potential impairment of FTFT's PP&E and land use rights assets the Respondents performed, including procedures performed related to such potential asset impairment, during these audits.

85. I further conclude that such violations were due, in part, to the Respondents' failure to perform its audits in accordance with other PCAOB standards previously discussed (e.g., AS 1010, AS 1015, and AS 2810).

86. The following constitutes examples of the Respondents' failures of such PCAOB standards for four subsidiaries/projects controlled by FTFT:

Huludao Wonder

87. According to its 2016 Form 10-K, FTFT's subsidiary Huludao Wonder began producing fruit juices in April of 2012.[93] At some point prior to 2016, Huludao Wonder obtained a 40 million RMB loan from a bank, Suizhong Branch of Huludao Banking Co. Ltd., that was "collateralized by the buildings, machinery and land use rights of Huludao Wonder" and had a maturity date in December of 2016.[94]

88. Discovery indicates that by the time the Respondents were auditing FTFT's 2016 financial statements, FTFT concluded that Huludao Wonder was and would be unsuccessful in its business prospects. In its 2016 Form 10-K, FTFT reported that Huludao Wonder "suffered continued

[93] 2016 Form 10-K, p. 8 (Exhibit P5).
[94] 2016 Form 10-K, p. F-16 (Exhibit P5).

operating losses in the three fiscal years prior to 2016 and its cash flow was minimal for these three years."[95] In fact, discovery indicates that Huludao Wonder had effectively stopped operating by, at the latest, December 31, 2014.[96] FTFT also reported that it had stopped paying interest on the aforementioned loan in 2016, and had not repaid the loan which was due in December of 2016,[97] meaning that Huludao Wonder was in default on a multi-million dollar loan that was collateralized by its PP&E and land use rights.

89. In September of 2016, a lawsuit was filed by the aforementioned bank demanding that Huludao Wonder repay the 40 million RMB loan, plus interest.[98] In a deposition, Mr. Wang testified that he had an understanding that FTFT would likely lose this lawsuit because Chinese banks are controlled by the country's government.[99] FTFT reported in its 2016 Form 10-K that the court adjudicating this lawsuit froze the land and property owned by Huludao Wonder that were pledged as collateral for the loan so that such assets could not be transferred to any third-party, including another FTFT subsidiary.[100] In March of 2017, weeks before the 2016 Form 10-K was issued (April 17, 2017), the court seized Huludao Wonder's "land, property and other properties" that collateralized the loan.[101] I note that in 2018, the court ordered Huludao Wonder "to transfer its land use rights, building, equipment, electronic and transportation assets to [the bank] as payment of the outstanding principal, auction and evaluation fees and some interest of the loan."[102]

90. In reaction to its unsuccessful operations, FTFT "established a restructuring plan to close" Huludao Wonder in December of 2016.[103] This plan purportedly included transferring Huludao Wonder's equipment to another FTFT subsidiary and to sell the land and facilities it owned to another subsidiary of the Company "upon favorable circumstances."[104] I note that FTFT's

[95] 2016 Form 10-K, p. F-19 (Exhibit P5).
[96] Exhibit P9.
[97] 2016 Form 10-K, pp. 29, F-19 (Exhibit P5).
[98] 2016 Form 10-K, p. 29 (Exhibit P5).
[99] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 27-28.
[100] 2016 Form 10-K, p. 29 (Exhibit P5).
[101] SEC-LIT-000212859 (translated to English from original).
[102] 2018 Form 10-K, p. 48.
[103] 2016 Form 10-K, p. F-7 (Exhibit P5).
[104] 2016 Form 10-K, p. F-19 (Exhibit P5). The Company reported in its 2016 Form 10-K that as of December 31, 2016, it did not expect to sell such assets in the near future.

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description of such restructuring plan fails to mention the court freezing Huludao Wonder's assets that the Company wanted to transfer and/or sell. As a consequence of such restructuring plan and purportedly in accordance with GAAP, FTFT reported the financial results of Huludao Wonder in its 2016 Form 10-K as discontinued operations in its 2016 Form 10-K as well as subsequent filings.[105]

91. Prior to recording any impairment, discovery indicates that the net carrying value[106] of Huludao Wonder's PP&E was approximately 93 million RMB as of December 31, 2016.[107] The majority of this amount, approximately 67 million RMB, was categorized as buildings in audit workpapers prepared by the Respondents, with equipment comprising an additional 26 million RMB.[108] In its 2016 Form 10-K, FTFT reported that the carrying values of Huludao Wonder's buildings and land use rights were approximately $15.5 million and $4.4 million, respectively, as of December 31, 2016.[109]

92. According to a March 2017 FTFT's board of directors' meeting, and in light of Huludao Wonder's deteriorating economic and legal circumstances, FTFT's board of directors agreed to fully impair Huludao Wonder's equipment as of December 31, 2016 (i.e., reduce the carrying value of such assets to zero).[110] In its 2016 Form 10-K, FTFT reported that it recorded $2.4 million of

[105] 2016 Form 10-K, p. F-19 (Exhibit P5). I note that in the 2016 and 2017 Forms 10-K, FTFT stated that because it was treating Huludao Wonder as a discontinued operation as of December 31, 2016, it would cease depreciating its assets in subsequent periods. Discovery indicates, however, that more than 5.5 million RMB of accumulated depreciation to its fixed was recorded in 2017. (SEC-WangR-E-0059664). I have not seen any workpaper prepared by the Respondents to document why FTFT continued to depreciate Huludao Wonder's fixed assets in 2017 after reporting it would not do so in its 2016 and 2017 Forms 10-K.

[106] In this context, the net carrying value refers to the assets' gross carrying value less any accumulated depreciation.

[107] SEC-WangR-E-0059678 and SEC-WangR-E-0059664. Both documents reflect a gross balance of Huludao Wonder's fixed assets as of December 31, 2016 of 159,161,092 RMB and accumulated depreciation of 65,995,432 RMB, netting to 93,195,660 RMB (excluding consideration of fixed asset impairment discussed below).

[108] Two other categories, Means of Transport and Others, contained a minimal amount of the carrying value of Huludao Wonder's fixed assets as of December 31, 2016. (SEC-WangR-E-0059678).

[109] 2016 Form 10-K, p. 29 (Exhibit P5). I note that using an exchange rate of $1 USD = 6.9551 RMB, which is the exchange rate as of December 31, 2016 according to https://www.exchangerates.org.uk/USD-CNY-spot-exchange-rates-history-2016.html, such USD value equates to approximately 108 million RMB. This is considerably more than either the carrying value (net of accumulated depreciation) or the gross book value (prior to considering accumulated depreciation) of what the Respondents audit workpaper reflects (according to SEC-WangR-E-0059678, the December 31, 2016 carrying value of Huludao Wonder's buildings are approximately 67 million and the gross book value of such buildings are approximately 93 million RMB. I have not identified any Respondent workpaper that supports the December 31, 2016 reported carrying value of Huludao Wonder's buildings of $15,477,389 reflected in the Company's 2016 Form 10-K.

[110] Exhibit P9.

impairment on Huludao Wonder's PP&E in 2016.[111] A document which appears to be a memorandum written by the Respondents to FTFT indicates that the Respondents recommended to the Company that it should record a full impairment of 16,605,104 RMB (approximately $2.4 million) on Huludao Wonder's equipment as of December 31, 2016.[112]

93. I have not seen any workpaper prepared by either FTFT or the Respondents to confirm the $2.4 million impairment related to Huludao Wonder was actually recorded in 2016. In fact, a table in FTFT's 2017 annual financial statements purporting to reflect the financial results of the Company's discontinued operations (i.e., Huludao Wonder) indicates that no impairment loss for Huludao Wonder was recorded in 2016 (see table below):[113]

Loss from discontinued operations for fiscal 2017 and 2016 was as follows:

	December 31, 2017	December 31, 2016
REVENUES	$ 7,372	$ 14,972
COST OF SALES	-	1,613,661
GROSS PROFIT (LOSS)	7,372	(1,598,688)
OPERATING EXPENSES:		
General and administrative	(2,459,220)	(2,727,359)
Selling expenses	-	-
Impairment loss	(11,335,303)	
Total	(13,794,523)	(2,727,359)
OTHER INCOME (EXPENSE)		
Interest expense	(875,796)	(459,753)
Interest income	-	284)
Total	-	(459,468)
(Loss) Income from discontinued operations before income tax	(14,662,946)	(459,468)
Income tax provision	-	-
LOSS FROM DISCONTINUED OPERATIONS	$ (14,662,946)	$ (4,785,187)

94. Although both the Respondents and FTFT's board of directors recommended to fully impair Huludao Wonder's equipment as of December 31, 2016, the Respondents' audit workpapers indicate that the December 31, 2016 carrying value of Huludao Wonder's equipment (after the purported recognition of the $2.4 million impairment) was almost 10 million RMB, or $1.4 million.[114] I have not identified any document describing why FTFT did not record

[111] 2016 Form 10-K, p. F-19 (Exhibit P5).
[112] SEC-LIT-000212848 (translated to English from original).
[113] 2017 Form 10-K, p. F-22 (Exhibit P6), rectangle in red added. The same table reflecting the financial results of the Company's discontinued operations in FTFT's 2016 Form 10-K does not have an operating expense titled "Impairment Loss." (See 2016 Form 10-K, p. F-19 – Exhibit P5).
[114] SEC-WangR-E-0059678. The USD equivalent of the remaining carrying value of almost 10 million RMB was computed using the $1 USD = 6.9551 exchange rate as of December 31, 2016.

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impairment on the remaining carrying value of Huludao Wonder's equipment as of December 31, 2016 considering its board of directors asserted that Huludao Wonder's equipment should be fully impaired, nor have I seen a workpaper explaining any procedures the Respondents purportedly performed to test whether the remaining carrying value of Huludao Wonder's equipment was or was not impaired (through, for example, an analysis comparing the fair value of Huludao Wonder's equipment to its remaining carrying value).

95. Further, FTFT reported in its 2016 Form 10-K that the fair values of Huludao Wonder's other assets, specifically its buildings and land use rights, were greater than the carrying value of such assets, which were reported to be approximately $15.5 million and $4.4 million, respectively, as of December 31, 2016.[115] I have not seen any document and/or workpaper prepared by the Respondents to test whether this assertion is supported by sufficient and appropriate evidence. For example, I was unable to identify any document detailing the fair value for either Huludao Wonder's buildings or land use rights that was prepared by FTFT, the Respondents, or any third-party, nor any workpaper prepared by the Respondents testing the purported fair value of such assets.

96. I was also unable to identify any workpaper indicating that the Respondents considered whether the aforementioned lawsuit (that it expected Huludao Wonder to lose) required FTFT to record additional impairment to Huludao Wonder's equipment, buildings and/or land use rights as of December 31, 2016 considering that all or part of such assets were used to collateralize the disputed loan.

97. During his deposition, Mr. Wang was asked why he did not recommend that FTFT's management recognize additional impairment on Huludao Wonder's fixed assets in 2016 even though he was aware the subsidiary had effectively stopped operations and faced a lawsuit it was not likely to win. My interpretation of Mr. Wang's testimony is that he wanted to wait to see if Huludao Wonder's conditions improved in 2017 as well as the final court order regarding the aforementioned lawsuit before recommending to FTFT whether it should recognize further

[115] 2016 Form 10-K, p. 29 (Exhibit P5).

impairment losses on Huludao Wonder's assets.[116] I have not seen any documentation of such purported considerations in the Respondents' 2016 audit workpapers.

98. In addition to failing to document any such consideration in the Respondents' 2016 audit workpapers, Mr. Wang's testimony that the Company should have waited for more information before recording additional impairment losses on Huludao Wonder's fixed assets in 2016 disregards the considerable negative conditions Huludao Wonder was experiencing by the time FTFT issued its Form 10-K on April 17, 2017, much of which was reported in FTFT's 2016 Form 10-K. Such negative conditions included (a) FTFT's reporting that Huludao Wonder suffered continued operating losses in the three years prior to 2016, (b) FTFT's reporting that Huludao Wonder's cash inflows were minimal during the three years prior to 2016, (c) FTFT's reporting that FTFT established a restructuring plan to close Huludao Wonder and that, as a result, the Company identified Huludao Wonder as discontinued operations, and (d) Huludao Wonder's involvement in a lawsuit it knew it was unlikely to win in connection with a loan that was collateralized by Huludao Wonder's PP&E and land use rights. Accordingly, the explanation provided by Mr. Wang for why he did not recommend further impairment on Huludao Wonder's assets does not constitute sufficient appropriate audit evidence to support the reported value of Huludao Wonder's PP&E and land use rights assets as of December 31, 2016.

99. In its 2017 Form 10-K, FTFT reported that it recorded impairment losses of $11.3 million in 2017 "with respect to the concentrated fruit juice production equipment in Huludao Wonder."[117] In this filing, FTFT reported that after recording the 2017 impairment losses, Huludao Wonder's buildings and land use rights had a carrying value of approximately $0.9 million and $4.5 million, respectively. Similar to its 2016 Form 10-K, the Company continued to report that these carrying values were lower that the fair values of such assets. I have not seen any document detailing cash flow projections for either Huludao Wonder's buildings or land use rights, nor any workpaper prepared by the Respondents testing any cash flow projections (or any kind of recoverability

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[116] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 25-44.

[117] 2017 Form 10-K, p. 50 and F-22 (Exhibit P6). I note that in its 2018 Form 10-K, FTFT reported that it recorded an impairment loss of $11.76 million in 2017 "with respect to the concentrated fruit juice production equipment." (2018 Form 10-K, p. 59 - Exhibit P7). I have not seen any document or workpaper prepared by the Respondents explaining this difference in purported impairment losses.

analysis required by ASC 360), that supports the statements made in the Company's 2017 annual financial statements that the fair values of such assets were greater than their carrying values as of December 31, 2017.

100. In its 2018 Form 10-K, FTFT reported that it recorded an additional $1.1 million in impairment losses in 2018 related to its Huludao Wonder operations.[118] I have not seen any document prepared by the Respondents describing why it was appropriate for FTFT to record such impairment in 2018 (instead of in 2016 or 2017).

101. The aforementioned discussion demonstrates the Respondents' violations during its audits of FTFT's financial statements during the relevant period of AS 1015, AS 1105 and AS 1215 with respect to Huludao Wonder.

The Suizhong Project

102. According to its financial reports, FTFT began construction on a project in 2011 "to establish a fruit and vegetable industry chain and further processing demonstration zone in Suizhong County, Liaoning Province," otherwise referred to as the Suizhong Project in the Company's public filings.[119] According to its filings, FTFT began construction on the project in August of 2013, although other disclosures made by the Company indicate that construction on the Suizhong Project started during the third quarter of 2012.[120]

103. In its 2015 Form 10-K, FTFT reported that it "finished construction of an office building, dormitory, refrigeration storage facility and warehouse" and that it had expended approximately $26 million on capital expenditures in connection with the Suizhong Project.[121] The Company also reported, however, that as of December 31, 2015, "due to heavy competition in the concentrated fruit juice business in China, construction work on [the Suizhong Project] is currently

[118] 2018 Form 10-K, p. 59 - Exhibit P7).
[119] 2016 Form 10-K, p. 36.
[120] In FTFT's 2018 Form 10-K, p. F-8 (Exhibit P7), the Company states that it started that Suizhong Project in August of 2013. In FTFT's 2016 Form 10-K, p. 34 (Exhibit P5), the Company states that it started construction on the Suizhong Project in the third quarter of 2012.
[121] 2015 Form 10-K, p. 41 (Exhibit P4).

suspended" and that a "land certificate has not been issued as the Company has not yet fully paid for the land use right[s]."[122]

104. FTFT made the same disclosures in its 2016 Form 10-K,[123] i.e., meaning that by December 31, 2016, FTFT had suspended construction on the Suizhong Project for over one year (at a minimum). In its 2017 Form-K, the Company reported that the construction of the Suizhong Project "has been stopped for more than 2 years due to a shortage of capital," further supporting that construction on the Suizhong Project was stopped in 2015 (or earlier). Mr. Wang also testified at his deposition that he was aware that construction on the Suizhong Project was halted at least partially due to a notice issued by China's Environmental Protection Agency (the "EPA Notice").[124]

105. Although construction on the Suizhong Project had been stopped for more than a year (at least) by December 31, 2016, the Company did not record any impairment losses related to the Suizhong Project in 2016.

106. While FTFT ultimately recorded impairment losses on the Suizhong Project's PP&E (but not land use rights) in 2017, the suspension of construction on the project in 2015 (or earlier) and the EPA Notice are examples of triggering events that should have resulted in FTFT conducting a recoverability analysis of the carrying value of the PP&E and land use rights assets related to the Suizhong Project in accordance with AS 360. Further, Mr. Wang testified that FTFT did not prepare a cash flow analysis to enable the testing of the recoverability of the carrying value of the Suizhong Project's PP&E or land use rights.[125] I also have not identified any document indicating that the Company performed any recoverability analysis of the Suizhong Project's PP&E or land use rights as of December 31, 2016.

[122] 2015 Form 10-K, pp. 41, 43 (Exhibit P4).
[123] 2016 Form 10-K, pp. 34, 36 (Exhibit P5).
[124] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 64-89.
[125] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 84-85.

107. Accordingly, FTFT's inclusion of the PP&E and land use rights assets related to the Suizhong Project in its 2016 financial statements and its assertion that such assets were not impaired as of December 31, 2016 lacked a supportable basis.

108. Considering the absence of cash flow projections (or, apparently, any type of recoverability analysis performed by the Company, the Respondents, or any third-party), the Respondents should have recommended to the Company to fully impair the Suizhong Project's PP&E and land use rights as of December 31, 2016. In fact, Mr. Wang testified that in the absence of such cash flow analyses relating to these projects, he would propose impairment write-downs for all such projects.[126] Instead, Mr. Wang testified that he decided to wait to see whether FTFT would restart construction of the Suizhong Project in 2017 before making any such recommendation.[127] Mr. Wang also testified that he wanted to wait for a formal court order related to the aforementioned lawsuit before making any recommendation related to asset impairment even though he was aware that Huludao Wonder was not likely to succeed in its dispute with a bank owned by the Chinese government.[128]

109. Waiting to see how events develop when circumstances indicate asset impairment and insufficient appropriate audit evidence to support the carrying value of an asset violates the PCAOB Standards as set forth in AS 1105. The events and circumstances surrounding the Suizhong Project as of December 31, 2016 should have led the Company to perform a recoverability (i.e., impairment) analysis in accordance with ASC 360. Mr. Wang's failure to require such from management that and instead accept FTFT's assertions as to the December 31, 2016 carrying values of the assets related to the Suizhong Project, demonstrates the Respondents' failure to exercise due professional care as described in AS 1015. In addition, the reasons Mr. Wang testified to that purportedly led him to wait until 2017 before recommending the Company record impairment of the PP&E assets related to the Suizhong Project were not documented by the Respondents in their 2016 audit workpapers, thereby violating AS 1215.

[126] August 9, 2023 Deposition of Mr. Wang, pp. 148-149.
[127] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 84-89.
[128] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 84-89.

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110. In its 2017 Form 10-K, FTFT reported that it recorded an impairment loss of $25.06 million on fixed assets and construction in progress (both included in the Company's PP&E) related to the Suizhong Project.[129] In a workpaper, the Respondents noted that this impairment loss, which appears to have constituted 100% of FTFT's PP&E assets related to the Suizhong Project, was required because the Company had no plans to restart construction "[d]ue to the 3-year shutdown of the project, the company's insufficient funds to support it, and the environmental protection requirements for the factory."[130] The Respondents further noted in this workpaper that FTFT was unable to provide cash flow projects for the Suizhong Project, which is why the assets were considered fully, instead of partially, impaired as of December 31, 2017. The Respondents did not document in the workpapers why such impairment was not recorded in 2016.

111. Ultimately, I was unable to identify any document prepared by either FTFT or the Respondents wherein the carrying value of the PP&E associated with the Suizhong Project was tested for impairment as of December 31, 2016. I also note that none of FTFT's 2016, 2017, and 2018 Forms 10-K or the Respondents audit workpapers mention the EPA Notice as a partial cause that compelled the Company to stop construction on the Suizhong Project.

112. Accordingly the Respondents' failure to obtain sufficient appropriate audit evidence supporting the carrying value of the PP&E or land use rights related to the Suizhong Project as of December 31, 2016 violated AS 1105. Further, the Respondents' failure to document any purported justification supporting the reported values of the PP&E and land use rights assets as of December 31, 2016 related to the Suizhong Project violated AS 1215.

113. I note that FTFT reported that it recorded impairment losses of $25.68 on fixed assets and construction in progress (i.e., PP&E) **in 2018** related to the Suizhong Project in both the financial statements and the MD&A section of its **2018** Form 10-K.[131] As FTFT's prior Forms 10-K disclosed that the Company had expended approximately $26 million on the project, and the impairment losses associated with the Suizhong Project in 2017 constituted, for all indications, the

[129] 2017 Form 10-K, p. F-7 (Exhibit P6).
[130] SEC-LIT-000212811 (Translated from Chinese).
[131] 2018 Form 10-K, pp. 59, 62, F-8 (Exhibit P7).

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carrying value of the PP&E assets for the project, the "additional" impairment losses recorded in 2018 (as reported in FTFT's 2018 Form 10-K) are almost certainly erroneous.

114. Further, a workpaper prepared by the Respondents during its 2018 audit of FTFT appears to identify an error made regarding the specific year impairment losses on the Suizhong Project were recorded.[132] Although the Respondents seem to acknowledge in this workpaper that the impairment losses related to the Suizhong Project were recorded by the Company in 2017 and not 2018, they failed to verify that the disclosures in FTFT's 2018 Form 10-K were accurate and free from material misstatements.

115. Failing to identify the erroneous impairment of PP&E assets related to the Suizhong Project reflected in FTFT's 2018 Form 10-K represents another example of the Respondents violating AS 1015 (Due Professional Care in the Performance of Work), as well as AS 2710 (Other Information in Documents Containing Audited Financial Statements).[133]

116. The aforementioned discussion demonstrates the Respondents' violations during its audits of FTFT's financial statements during the relevant period of AS 1015, AS 1105, AS 1215, and AS 2710 with respect to the Suizhong Project.

Guo Wei Mei

117. In 2013, FTFT established a subsidiary, Guo Wei Mei, "to engage in the business of producing kiwi fruit juice, kiwi puree, cider beverages, and related products."[134] In its 2016 Form 10-K, the Company reported that it planned to complete the construction of Guo Wei Mei in the second quarter of 2017.[135] Discovery indicates, however, that the Guo Wei Mei's operations were shut down in 2016 or earlier.[136]

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[132] SEC-LIT-000212806.

[133] The principles outlined in AS 2710 are discussed in a subsequent section of this Report, including other examples of The Respondents' violations of AS 2710.

[134] 2016 Form 10-K, p. 36 (Exhibit P5).

[135] 2016 Form 10-K, p. 36 (Exhibit P5).

[136] SEC-LIT-000212811 (Translated to English). Specifically, in support of the impairment on Guo Wei Mei's PP&E assets recorded in 2017, the "Remarks" column included a statement stating that construction on Guo Wei Mei was suspended for 2 years prior to December 31, 2017.

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118. As of December 31, 2016, the carrying value of PP&E related to Guo Wei Mei totaled 185,224,709 RMB, or approximately $26.7 million, and consisted primarily of buildings and construction in progress, less accumulated depreciation.[137] FTFT did not record an impairment charge related to Guo Wei Mei's PP&E in 2016.

119. Mr. Wang testified that he was aware of a dispute whereby a leasing company brought a lawsuit against Guo Wei Mei and that this lawsuit was not resolved as of December 31, 2016, although he did not provide significant context related to this lawsuit in his deposition.[138] I note that it does not appear that this lawsuit was disclosed in any of FTFT's annual financial statements (including notes to such statements) contained in the Company's 2016 or 2017 Forms 10-K. Mr. Wang also testified that FTFT could not provide cash flow projections associated with the Guo Wei Mei project.[139]

120. The aforementioned lawsuit and interruption of construction indicate that Guo Wei Mei was experiencing deteriorating economic and legal challenges as of December 31, 2016, as described in ASC 360. Accordingly, FTFT should have conducted a recoverability analysis of the carrying value of the PP&E assets related to Guo Wei Mei as of December 31. 2016. I have not identified any document containing an analysis supporting the Company's assertion the carrying value of Guo Wei Mei's PP&E assets was not impaired as of December 31, 2016.

121. Since it does not appear that the Company performed any analysis to determine the fair value of Guo Wei Mei's PP&E assets as of December 31, 2016, including whether the fair value was impacted by the aforementioned lawsuit, or projected cash flows related to the project, the Respondents should have recommended a full impairment of Guo Wei Mei's PP&E assets as of December 31, 2016 to management, as Mr. Wang testified in his deposition was his practice. The Respondents failure to do so, allowing FTFT to assert that the carrying value of Guo Wei Mei's

[137] SEC-LIT-000208244, tabs A300-2017, K, and K110. The USD amount is computed using the December 31, 2016 exchange rate of $1 = 6.9451 RMB which was reflected in a document containing impairment losses the Company recorded on its PP&E assets in 2017 in RMB and their USD equivalent.
[138] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 104-107.
[139] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 109-117.

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PP&E assets were not impaired as of December 31, 2016 violated the PCAOB standard on audit evidence (AS 1105).

122. Mr. Wang was asked during this deposition why he did not recommend to management that it should record either a full or partial impairment charge relating to Guo Wei Mei's PP&E assets in lieu of any cash flow projections or recoverability assessment as of December 31. 2016. In response, Mr. Wang stated that he allowed the Company "a chance to see if" progress could be made on finishing construction on Guo Wei Mei after December 31, 2016 and that he "needed time to conclude" on whether the subsidiary could continue with construction in 2017 or subsequent years. Specifically, Mr. Wang further testified that he needed "one more year" to fully understand the situation that Guo Wei Mei was in before making any sort of recommendation to impair Guo Wei Mei's PP&E assets.[140]

123. Such purported consideration Mr. Wang testified to that led him to wait until 2017 before recommending the Company impair the PP&E assets related to Guo Wei Mei was not documented by the Respondents in their 2016 audit workpapers, thereby violating AS 1215.

124. As of December 31, 2017, the carrying value of Guo Wei Mei's PP&E, prior to impairment charges, totaled 184.7 million RMB, or approximately $27.3 million, and consisted primarily of buildings and construction in progress, less accumulated depreciation.[141] The following table reflects the carrying value (in RMB and USD) of Guo Wei Mei's PP&E as of December 31, 2017 by category:[142]

[140] December 16, 2021 Investigative Testimony of Mr. Wang, pp. 114-117.
[141] SEC-LIT-000208244, tab "A300-2017." The USD amount was computed using an exchange rate of $1 = 6.7824 RMB. This exchange rate was computed using the impairment losses the Company recorded on its PP&E assets in 2017 in RMB and the USD equivalent as reflected in SEC-LIT-000212811.
[142] The RMB amounts in the table below were obtained from tab A300-2017 in SEC-LIT-000208244 which is a Respondents' 2017 audit workpaper. Tab A300-2017 reflects a trial balance of Guo Wei Mei. The USD amounts in the table were computed using the exchange rate of $1 = 6.7824 RMB.

PP&E Category	RMB	USD
Buildings and Other	129,000,000	19,019,816
Construction in Progress	76,203,859	11,235,530
Subtotal	**205,203,859**	**30,255,346**
Accumulated Depreciation	(20,457,948)	(3,016,329)
Total	**184,745,911**	**27,239,017**

125. In its 2017 Form 10-K, the Company reported that it recorded impairment losses totaling 205.2 million RMB, or $30.26 million, on Guo Wei Mei's PP&E assets.[143] According to this filing, such impairment losses were comprised of impairment of "an R&D center and an office building with a total investment of RMB 76.2 million (approximately $11.24 million)" and "a fruit juice production line of RMB 129 million (approximately $19.02 million)."[144]

126. I note that $30.26 million is GREATER than the carrying value of Guo Wei Mei's PP&E, prior to impairment charges, as of December 31, 2017 by approximately $3 million (see table above). It appears that FTFT and the Respondents overlooked the approximately $3 million of accumulated depreciation that was recorded on Guo Wei Mei's PP&E as of December 31, 2017 when determining the impairment losses of $30.26 million for 2017. Accordingly, it appears that by recording impairment losses of $30.26 million on Guo Wei Mei's PP&E assets in 2017, the remaining carrying value of such PP&E assets consisted solely of accumulated depreciation, or NEGATIVE $3 million.

127. According to FTFT's 2017 Form 10-K, Guo Wei Mei's impairment losses of $30.26 million were necessitated because "the Chinese government recently tightened environmental regulations" and as a result of FTFT's having to adapt to such regulations, the Company halted construction of Guo Wei Mei's projects.[145] FTFT further reported in this filing that "[s]ince the Company's current cash cannot support the future input of this project and there is no forecasted

[143] 2017 Form 10-K, p. F-7 (Exhibit P6).
[144] 2017 Form 10-K, p. F-7 (Exhibit P6). This composition of Guo Wei Mei's impairment losses is consistent with FTFT's 2017 impairment loss worksheet SEC-LIT-000212811 that was apparently reviewed by the Respondents during their 2017 audit of the Company.
[145] 2017 Form 10-K, p. F-7 (Exhibit P6).

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cash flow from this project, the Company recorded an impairment cost of $30.26 million with respect to construction in progress and fixed assets of this project."[146]

128. I have not identified any document detailing sufficient appropriate audit evidence to support recording impairment losses totaling $30.26 million related to Guo Wei Mei in 2017 (instead of, for example, 2016), nor have I identified a workpaper explaining any procedures the Respondents performed to test whether such impairment losses were appropriate and why $3 million of accumulated depreciation was not incorporated into the determination of the amount of such impairment losses.

129. Instead, the only information I have reviewed that described and/or identified the circumstances purportedly necessitating the $30.26 million impairment loss was a document prepared by the Company that was adopted by the Respondents as part of their 2017 audit workpapers. My interpretation of the remarks contained in this document as it relates to the $30.26 million impairment is that such impairment was necessitated by the Company's decision to suspend construction on Guo Wei Mei's projects for the two years prior to December 31, 2017, FTFT not having "sufficient funds" to restart construction, and the environmental requirements associated with Guo Wei Mei's projects that had to be met.[147]

130. It appears that these same circumstances, however, existed as of December 31, 2016 but no impairment losses relating to Guo Wei Mei's assets were recorded as of that date. I have not identified any appropriate audit evidence, or any documentation prepared by the Respondents, to support FTFT's decision not to impair (or even conduct an impairment analysis relating to) Guo Wei Mei's PP&E assets as of December 31, 2016.

131. In 2018, FTFT recorded additional impairment losses to further reduce the carrying value of Guo Wei Mei's PP&E assets. In its 2018 Form 10-K, FTFT reported that it recognized impairment losses related to Guo Wei Mei, although the precise level of such losses was

[146] 2017 Form 10-K, p. F-7 (Exhibit P6).
[147] My interpretation of the "remarks" column associated with the 2017 impairment losses on Guo Wei Mei as reflected in SEC-LIT-000212811.

inconsistently disclosed. In the MD&A section of its 2018 Form 10-K, FTFT reported that it recorded both an impairment loss of $11.51 million related to Guo Wei Mei's PP&E assets and, what appears to be a separate $45.0 million impairment loss related to Guo Wei Mei.[148] In the financial statements contained in its 2018 Form 10-K, FTFT reported only the $11.51 million impairment loss associated with Guo Wei Mei's PP&E assets.[149]

132. According to FTFT's 2018 Form 10-K, the $11.51 million impairment loss for Guo Wei Mei was related to Guo Wei Mei's fixed assets and construction in progress and there was no explanation provided in the filing as to what the $45.0 million impairment loss related to. I have not identified any Respondent audit workpaper supporting either the $11.51 million and/or the $45.0 million impairment loss FTFT purportedly recognized in 2018 related to Guo Wei Mei, including why such impairment losses were purportedly recorded in 2018 and not earlier.

133. I also note that the carrying value of Guo Wei Mei's PP&E assets appear to be negative $3 million as of December 31, 2017 (which subject is discussed above), which further raises the question as to how the Company could have recorded impairment losses of at least $11.51 on Guo Wei Mei's PP&E assets as reported in its 2018 Form 10-K. In fact, a Respondent workpaper indicates that in 2018, the Company recorded a NEGATIVE provision for impairment on Guo Wei Mei's PP&E assets of approximately 6 million RMB in order for such assets to have a carrying value of zero (0) as of December 31, 2018.[150]

134. I further note that the various impairment amounts associated with Guo Wei Mei as reported in FTFT's 2018 Form 10-K ($11.51 million and/or $45.0 million) are not consistent with a document I reviewed that reflects total impairment losses of $178.3 million FTFT reported in its 2018 income statement and which attributes such losses by subsidiary, including Guo Wei Mei. According to this workpaper, the 2018 impairment loss associated with Guo Wei Mei (identified as subsidiary #17 in the workpaper) was 226,006,319 RMB, which equates to approximately $34.1 million using the $1 USD = 6.62 RMB exchange rate reflected in the same workpaper.[151]

[148] 2018 Form 10-K, pp. 59, 62 (Exhibit P7).
[149] 2018 Form 10-K, p. F-8 (Exhibit P7).
[150] See SEC-LIT-000212894 in tab A7.
[151] SEC-LIT-000212806.

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135. The aforementioned discussion demonstrates the Respondents' violations during its audits of FTFT's financial statements during the relevant period of AS 1015, AS 1105 and AS 1215 with respect to Guo Wei Mei.

Yingkou

136. In its 2015 Form 10-K, FTFT reported that its subsidiary Yingkou "had no production activities" in 2015 or 2016 and as a result, "[t]he Company decided to recognize an impairment loss of $2.38 million with respect to the concentrated fruit juice production equipment in Yingkou."[152] In its 2016 Form 10-K, the Company continued to report that there was no production in Yingkou and, as a result, impairment of $2.1 million was recorded on machinery owned by Yingkou.[153] In its 2017 Form 10-K, the Company continued to report that there was no production in Yingkou in 2017. Specifically, FTFT reported in this filing that "[i]n fiscal years 2017 and 2016, the Company [sic] recorded an impairment loss of $2.1 and $0 million with respect to the concentrated fruit juice production equipment in Yingkou."[154] In its 2018 Form 10-K, FTFT reported that it recognized an impairment loss of $4.36 million in 2018.[155]

137. In contrast to the aforementioned disclosures, some of which were inconsistent with the Yingkou-related disclosures made in the prior years' Forms 10-K, FTFT did not record any impairment losses on Yingkou prior to 2018. Therefore, prior to 2018, the carrying value of PP&E and land use rights assets related to Yingkou were overstated as included in the assets reported by the Company in its Forms 10-K.

138. In my analysis of the aforementioned materials I reviewed in preparation of this Report, I was unable to identify any documents prepared by either the Company or the Respondents to test the carrying value of Yingkou's PP&E or land use rights assets for impairment, even though the Company consistently reported that there had been no production at Yingkou's facilities since 2015 (if not earlier).

[152] 2015 Form 10-K, p. F-8 (Exhibit P5).
[153] 2016 Form 10-K, p. 42 (Exhibit P6).
[154] 2017 Form 10-K, p. 47 (Exhibit P7).
[155] 2018 Form 10-K, p. F-8 (Exhibit P8).

139. Accordingly, such failure demonstrates the Respondents inability to obtain sufficient appropriate audit evidence that supported the carrying value of Yingkou's PP&E and land use rights assets as of December 31, 2016 or 2017, a violation of AS 1105 (audit evidence). Additionally, the Respondents failure to document anything related to such potential impairment is a violation of AS 1215 (Audit Documentation). Finally, the Respondents failure to identify the material errors regarding the impairment losses FTFT actually recorded on its PP&E assets prior to 2018, and the Company's inconsistent disclosures related to such impairment in its Forms 10-K demonstrate violations of AS 1015 (Due Professional Care), AS 2710 (Other Information in Documents Containing Audited Financial Statements), and AS 2810 (Evaluating Audit Evidence).

Conclusion

140. As reflected above, a number of FTFT's subsidiaries/projects were confronting difficult economic and/or legal challenges by December 31, 2016, if not earlier. Such circumstances, which are examples of events or changes in circumstances that indicate that the carrying value of long-lived assets may not be recoverable (i.e., triggering events) as described in ASC 360, should have required the Company to perform recoverability tests in order to ascertain whether such assets were or were not impaired in accordance with ASC 360. Such tests would typically have included determining the fair values of such assets by utilizing projected discounted future cash flows associated with the specific projects.

141. I have not seen any evidence that FTFT performed such cash flow projections or recoverability analyses relating to PP&E and land use rights assets for the four subsidiaries/projects discussed above during the relevant period. Without sufficient appropriate audit evidence in support of the carrying values of these assets, the Company should have recorded impairment losses relating to the assets (PP&E and land use rights) of the aforementioned subsidiaries when it became aware of the aforementioned economic and/or legal circumstances afflicting the subsidiaries/projects.

142. Instead, it does not appear that FTFT recorded any impairment losses related to these subsidiaries/projects until 2017 (contrary to disclosures implying that the Company reported small

amounts of impairment losses in 2016 for Huludao Wonder and Yingkou), and then recorded additional impairment on such assets in 2018. It also does not appear that FTFT recorded any impairment losses on the land use rights assets held by any of its subsidiaries until 2018. I have seen no explanation in the Respondents' workpapers for why such impairment losses were recorded in a given year (2017 or 2018) and not earlier.

143. Similarly, I have not observed sufficient appropriate audit evidence obtained and documented by the Respondents to support the reported value of FTFT's PP&E and land use rights with respect to the four aforementioned subsidiaries/projects. Instead, according to Mr. Wang's testimony, it appears that during the 2016 audit, the Respondents agreed to wait to see if the economic and legal circumstances[156] would improve at certain subsidiaries before recommending an impairment charge in 2017 and 2018.

144. In addition to not documenting such purported reasons, I have seen nothing in the Respondents' audit workpapers that explains any procedures the Respondents performed to identify the nature and timing of any impairment losses recorded or not recorded by FTFT during the relevant period, including why it was appropriate not to record impairment charges to a subsidiary's assets in one year, but then to completely write-off the carrying value of such assets in the following year when conditions remained, in essence, the same.

145. Such actions demonstrate the Respondents' violations of AS 1015 (Due Professional Care in the Performance of Work), AS 1105 (Sufficient Appropriate Audit Evidence) and AS 1215 (Audit Documentation) with respect to its audits of FTFT's annual financial statements for years 2016 through 2018. In fact, my review of the Respondents' workpapers demonstrates that, in my opinion, an experienced auditor would not be able to understand the nature, timing, extent, and

[156] I note that Mr. Wang testified that during the Respondents' audits of FTFT, he obtained legal letters from local Counsel in China regarding the status of lawsuits FTFT's subsidiaries were involved in. (See, for example, the November 18, 2020 Investigative Testimony of Mr. Wang, p. 121). Although it appears that the Respondents maintained these legal letters in their audit workpapers, I have not seen any evidence that the Respondents used the information in such letters to change the nature, timing and extent of the audit procedures that the Respondents performed during such audits. Additionally, I have not seen any evidence that the Respondents considered the contents of such legal letters in their assessment of the realizability of the carrying values of FTFT's PP&E and land use rights assets during the relevant period (i.e., whether the contents reflected in such legal letters had an impact on the potential impairment of the Company's PP&E and land use rights assets).

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results of the procedures performed, evidence obtained, and conclusions reached by the Respondents, a violation of AS 1215.06.

146. I note that my findings are consistent with the findings of the 2017 and 2018 PCAOB Inspections.

147. According to the report summarizing the 2017 PCAOB Inspection, the PCAOB concluded that the Respondents "issued an auditor's report expressing an unqualified opinion without having planned and performed sufficient procedures to evaluate whether the issuer's financial statements were fairly presented in accordance with GAAP." Accordingly, the PCAOB concluded that "[i]t was inappropriate for the Firm [i.e., Wang CPA] to issue an audit report asserting that the Firm had performed an audit in accordance with PCAOB standards and that its audit provided a reasonable basis for the Firm's audit opinion on the issuer's [i.e., FTFT's 2017 annual] financial statements."[157]

148. According to the report summarizing the 2018 PCAOB Inspection, the PCAOB concluded that the Respondents failed to perform sufficient procedures to test the carrying value of FTFT's land use rights as of December 31, 2018, and instead only tested whether amortization expense on such assets was accurately computed.[158] The PCAOB also found that the Respondents failed to perform any procedures to evaluate potential impairment indicators on FTFT's land use rights as of December 31, 2018.[159]

149. Additionally, as discussed above, I identified several instances of material misstatements and/or inconsistencies in FTFT's 2016 through 2018 Forms 10-K with respect to impairment losses which the Company reported it had recorded. The Respondents failures to identify such misstatements and/or inconsistencies demonstrated their (a) lack of proficiency and training (AS 1010), (b) failure to exercise due professional care (AS 1015), (c) and failure to reconcile FTFT's annual financial statements for years 2016 through 2018 with the Respondents' own audit

[157] SEC-LIT-000133605.
[158] Exhibit P16. It is uncertain whether the PCAOB inspected the Respondents' audit procedures with respect to FTFT's PP&E assets as the carrying value of those assets was effectively written-off through impairment in 2018.
[159] Exhibit P16.

workpapers, including documents prepared by FTFT that were retained by the Respondents (AS 2810) and with other information in documents containing audited financial statements (AS 2710).

_[redacted]__

Harris L. Devor, CPA

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