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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-15116

<p>In the Matter of</p> <p>BDO China Dahua CPA Co., Ltd.; Ernst & Young Hua Ming LLP; KPMG Huazhen (Special General Partnership); Deloitte Touche Tohmatsu Certified Public Accountants Ltd.; PricewaterhouseCoopers Zhong Tian CPAs Limited</p> <p>Respondents.</p>	<p>ANSWER OF RESPONDENT ERNST & YOUNG HUA MING LLP IN RESPONSE TO ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS</p>
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Respondent Ernst & Young Hua Ming LLP ("EYHM") submits this Answer in response to the Order Instituting Administrative Proceedings Pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice and Notice of Hearing issued by the U.S. Securities and Exchange Commission on December 3, 2012 (the "OIP"). EYHM denies all allegations of the OIP except as otherwise indicated below:

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative proceedings be, and hereby are, instituted pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice against BDO China Dahua CPA Co., Ltd.; Ernst & Young Hua Ming LLP; KPMG Huazhen (Special General Partnership); Deloitte Touche Tohmatsu Certified Public Accountants Ltd.; and PricewaterhouseCoopers Zhong Tian CPAs Limited (collectively "Respondents").

Answer to Section I: EYHM admits that the Commission has initiated proceedings against EYHM and the other respondents, pursuant to Rule 102(e)(1)(iii), but denies the remainder of Section I as directed to EYHM. To the extent Section I is directed to the other respondents, no response by EYHM is required, and EYHM refers to those other respondents for their responses.

II.

The Division of Enforcement alleges that:

A RESPONDENTS

- 1 BDO China Dahua CPA Co., Ltd.** ("BDO China") is located in Beijing, China, and is a PCAOB-registered member firm of BDO International Limited, a UK company limited by guarantee. BDO China audited the financial statements of an issuer client ("Client A") for the fiscal years ended December 31, 2010 and 2011.

Answer to Paragraph 1: Paragraph 1 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 1.

- 2 Ernst & Young Hua Ming LLP** (formerly known as Ernst & Young Hua Ming Certified Public Accountants) ("EYHM") is located in Beijing, China, and is a PCAOB-registered member firm of Ernst & Young Global Limited, a UK private company limited by guarantee. EYHM was engaged to audit the financial statements of an issuer client ("Client B") for the fiscal year ended December 31, 2010 and another issuer client ("Client C") for the fiscal years ended September 30, 2010 and 2011.

Answer to Paragraph 2: EYHM admits that Ernst & Young Hua Ming LLP is the successor firm to Ernst & Young Hua Ming Certified Public Accountants; that EYHM's headquarters are located in Beijing, China; and that EYHM is currently registered with the

PCAOB; and that EYHM is a member firm of Ernst & Young Global Limited, a U.K. private company limited by guarantee. EYHM admits that it was engaged to audit Client B's financial statements for the fiscal year ended December 31, 2010 and Client C's financial statements for the fiscal years ended September 30, 2010 and 2011. EYHM further states that, although it was engaged to audit the financial statements of Client B for the fiscal year ending December 31, 2010, it never prepared or issued an audit report for Client B. EYHM further states that it resigned from the engagements for Clients B and C prior to the issuance of the Requests made pursuant to Section 106.

- 3 KPMG Huazhen (Special General Partnership)** (formerly known as KPMG Huazhen) ("KPMG Beijing") is located in Beijing, China, and is a PCAOB-registered member firm of KPMG International Cooperative ("KPMG"), a Swiss entity. KPMG Beijing substantially assisted a KPMG affiliate in auditing the financial statements of an issuer client ("Client D") for the fiscal year ended December 31, 2010, another issuer client ("Client E") for the fiscal year ended December 31, 2010, and another issuer client ("Client F") for the fiscal years ended December 31, 2008, 2009 and 2010.

Answer to Paragraph 3: Paragraph 3 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 3.

- 4 Deloitte Touche Tohmatsu Certified Public Accountants Ltd. ("DTTC")** is located in Shanghai, China, and is a PCAOB-registered member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee. DTTC was engaged to audit the financial statements of an issuer client ("Client G") for the fiscal year ended June 30, 2010.

Answer to Paragraph 4: Paragraph 4 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 4.

- 5 PricewaterhouseCoopers Zhong Tian CPAs Limited ("PwC Shanghai")** is located in Shanghai, China, and is a PCAOB-registered member firm of PricewaterhouseCoopers International Limited, a UK private company limited by guarantee. PwC Shanghai was engaged to audit the financial statements of an issuer client ("Client H") for the fiscal year ended December 31, 2010 and another issuer client ("Client I") for the fiscal year ended December 31, 2010.

Answer to Paragraph 5: Paragraph 5 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 5.

B FACTS

Summary

6. The Division of Enforcement has ongoing fraud investigations concerning Clients A, B, C, D, E, F, G, H, and I, each of which is a U.S. issuer whose securities were registered with the Commission and whose principal operations were based in the People's Republic of China.

Answer to Paragraph 6: Paragraph 6 contains no allegations directed to EYHM and therefore no response is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations in paragraph 6, except admits that Clients B and C had at some point in time listed their shares on the NASDAQ Stock Market and have their principal operations in the People's Republic of China (the "PRC").

7. This action stems from Respondents' willful refusal, in response to Commission requests, to provide the Commission with audit workpapers and other materials prepared in connection with audit work or interim reviews performed for Clients A, B, C, D, E, F, G, H, and I, in contravention of their legal obligations as foreign public accounting firms.

Answer to Paragraph 7: EYHM denies the allegations of paragraph 7; to the extent the allegations in paragraph 7 are directed to other respondents, no response by EYHM is required and EYHM refers to those respondents for a response.

Commission's Section 106 Requests

8. On February 1, 2012, pursuant to Section 106 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), as amended by Section 929J of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Section 106"), the Commission served BDO China, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client A]" for the fiscal years ended December 31, 2010.

Answer to Paragraph 8: Paragraph 8 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 8.

9. On April 26, 2012, pursuant to Section 106, the Commission served EYHM, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client B]" for the fiscal year ended December 31, 2010.

Answer to Paragraph 9: EYHM denies the allegations of paragraph 9, except admits that a representative of Ernst & Young LLP received a letter dated April 26, 2012 from the SEC's Division of Enforcement addressed to EYHM, c/o Ernst & Young LLP, that requested that EYHM produce "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client B]" for the fiscal year ended December 31, 2010" (the "April 26 Request"); and that the letter stated that the April 26 Request was pursuant to Section 106 of the Sarbanes-Oxley Act of 2002 and Section 929J of the Dodd-Frank Wall Street Reform and Consumer Protection Act. EYHM also admits that EY LLP was designated as its agent as required by, and for the purposes referred to, in Section 106(d).

10. On February 2, 2012, pursuant to Section 106, the Commission served EYHM, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client C] for the fiscal years ended September 30, 2010 and 2011.

Answer to Paragraph 10: EYHM denies the allegations of paragraph 10, except admits that a representative of Ernst & Young LLP received a letter dated February 2, 2012 from the SEC's Division of Enforcement addressed to EYHM, c/o Ernst & Young LLP, that requested that EYHM produce "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client C] for the fiscal years ended September 30, 2010 and 2011" (the "February 2 Request"); and that the letter stated that the February 2 Request was pursuant to Section 106 of the Sarbanes-Oxley Act of 2002 and Section 929J of the Dodd-Frank Wall Street Reform and Consumer Protection Act. EYHM also admits that EY LLP was designated as its agent as required by, and for the purposes referred to, in Section 106(d).

11. On February 6, 2012, pursuant to Section 106, the Commission served KPMG Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client D]" for the fiscal year ended December 31, 2010.

Answer to Paragraph 11: Paragraph 11 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 11.

12. On February 9, 2012, pursuant to Section 106, the Commission served KPMG Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for "[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client E]" for the fiscal year ended December 31, 2010.

Answer to Paragraph 12: Paragraph 12 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 12.

13. On February 3, 2012 pursuant to Section 106, the Commission served KPMG Beijing, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit reports issued, audit work performed, or interim reviews conducted for [Client F]” for the fiscal years ended December 31, 2008, 2009, and 2010.

Answer to Paragraph 13: Paragraph 13 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 13.

14. On February 14, 2012, pursuant to Section 106, the Commission served DTTC, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client G]” for the fiscal year ended June 30, 2010.

Answer to Paragraph 14: Paragraph 14 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 14.

15. On February 8, 2012 pursuant to Section 106, the Commission served PwC Shanghai, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client H]” for the fiscal year ended December 31, 2010.

Answer to Paragraph 15: Paragraph 15 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 15.

16. On February 16, 2012, pursuant to Section 106, the Commission served PwC Shanghai, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work papers and all other documents related to any audit work performed for [Client I]” for the fiscal year ended December 31, 2010.

Answer to Paragraph 16: Paragraph 16 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 16.

17. Each of the Respondents has informed the Commission that it will not produce the documents to the Commission as requested in the Section 106 requests because, among other things, Respondents interpret the law of the People's Republic of China as prohibiting Respondents from doing so.

Answer to Paragraph 17: To the extent paragraph 17 relates to EYHM, EYHM denies the allegations of paragraph 17 and states that it has requested the authorization of the PRC government to produce to the SEC the documents described in the April 26 Request and the February 2 Request either directly or through the PRC government, and that the PRC government has to date directed EYHM not to produce the documents described in the April 26 Request and the February 2 Request directly to the SEC and has also instructed EYHM that doing so without CSRC authorization could violate PRC law and would potentially subject EYHM and its personnel to civil and criminal liability in the PRC. To the extent paragraph 17 is directed to other respondents, no response by EYHM is required. To the extent a further response is required, EYHM admits, on information and belief, that other respondents are subject to similar restrictions from producing documents directly to the SEC.

18. As of the date of this Order, the Commission does not have possession of the audit workpapers and other relevant documents sought in any of the Section 106 requests.

Answer to Paragraph 18: EYHM lacks sufficient information to admit or deny the allegations of paragraph 18.

C VIOLATIONS

19. Section 106(b) of Sarbanes-Oxley directs a foreign public accounting firm that "issues an audit report, performs audit work, or conducts interim reviews" to "produce the audit workpapers of the foreign public accounting firm and all other documents of the firm related to any such audit work or interim review" to the Commission upon request.

Answer to Paragraph 19: Paragraph 19 states a legal conclusion to which no response is required. To the extent a further response may be required, EYHM refers to the specific language of Section 106 for its full contents.

20. A willful refusal to comply, in whole or in part, with a request by the Commission under Section 106 is a violation of Sarbanes-Oxley. *See* Section 106(e).

Answer to Paragraph 20: Paragraph 20 states a legal conclusion to which no response is required. To the extent a further response may be required, EYHM refers to the specific language of Section 106 for its full contents.

21. A violation of Sarbanes-Oxley constitutes a violation of the Securities Exchange Act of 1934 ("Exchange Act"). See Sarbanes-Oxley Section 3(b)(1)

Answer to Paragraph 21: Paragraph 21 states a legal conclusion to which no response is required. To the extent a further response is deemed required, EYHM respectfully refers the Administrative Law Judge to Section 3(b)(1) for its full contents.

22. BDO China has willfully refused to provide the Commission with its audit workpapers and all other documents relating to BDO China's audit or interim review work for Client A.

Answer to Paragraph 22: Paragraph 22 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 22.

23. EYHM has willfully refused to provide the Commission with its audit workpapers and all other documents relating to EYHM's audit or interim review work for Client B.

Answer to Paragraph 23: EYHM denies the allegations of paragraph 23, and states that EYHM did not act with intent to violate the law, which is an essential element of "willful" behavior as that term is used in Rule 102(e) and Section 106(e).

24. EYHM has willfully refused to provide the Commission with its audit workpapers and all other documents relating to EYHM's audit or interim review work for Client C.

Answer to Paragraph 24: EYHM denies the allegations of paragraph 24.

25. KPMG Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to KPMG Beijing's audit or interim review work for Client D.

Answer to Paragraph 25: Paragraph 25 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 25.

26. KPMG Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to KPMG Beijing's audit or interim review work for Client E.

Answer to Paragraph 26: Paragraph 26 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 26.

27. KPMG Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to KPMG Beijing's audit or interim review work for Client F.

Answer to Paragraph 27: Paragraph 27 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 27.

28. DTTC has willfully refused to provide the Commission with its audit workpapers and all other documents relating to DTTC's audit or interim review work for Client G.

Answer to Paragraph 28: Paragraph 28 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 28.

29. PwC Shanghai has willfully refused to provide the Commission with its audit work papers and all other documents relating to PwC Shanghai's audit or interim review work for Client H.

Answer to Paragraph 29: Paragraph 29 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 29.

30. PwC Shanghai has willfully refused to provide the Commission with its audit workpapers and all other documents relating to PwC Shanghai's audit or interim review work for Client I.

Answer to Paragraph 30: Paragraph 30 is not directed to EYHM and therefore no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 30.

31. As such, Respondents have each willfully violated Section 106 of Sarbanes-Oxley and therefore also the Exchange Act.

Answer to Paragraph 31: EYHM denies the allegations of paragraph 31 directed to EYHM. To the extent allegations in paragraph 31 are directed to other respondents, no response by EYHM is required and EYHM refers to those respondents for a response.

32. As a result of the conduct described above, it is appropriate that this proceeding be brought pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice to determine whether Respondents should be censured or denied the privilege of appearing and practicing before the Commission for having willfully violated Section 106 of Sarbanes-Oxley.

Answer to Paragraph 32: EYHM denies the allegations of paragraph 32 directed to EYHM. To the extent allegations in paragraph 32 are directed to other respondents, no response by EYHM is required. To the extent a further response is deemed required, EYHM lacks sufficient information to admit or deny the allegations of paragraph 32.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it appropriate that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth above are true and, in connection therewith, to afford EYHM an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate and in the public interest against EYHM pursuant to Rule 102(e)(1)(iii) of Commission's Rules of Practice.

Answer to Section III: Section III requires no response. To the extent a response is deemed required, EYHM denies all allegations in Section III, including that administrative proceedings are appropriate. EYHM further alleges that the enforceability of a Section 106 request may be determined only by a federal court, that the SEC has not sought a judicial determination of the enforceability of any Section 106 request to EYHM, and that no federal court has deemed enforceable, in whole or in part, the April 26 Request regarding Client B or the February 2 Request regarding Client C.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that EYHM shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If EYHM fails to file the directed answer, or fails to appear at a hearing after being duly notified, EYHM may be deemed in default and the proceedings may be determined against EYHM upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(1) and 201.310.

This Order shall be served forthwith upon EYHM through its designated agent.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

Answer to Section IV: Section IV does not require a response. To the extent a response is necessary, EYHM denies all allegations in Section IV.

AFFIRMATIVE DEFENSES

EYHM asserts the following separate, affirmative defenses to the OIP. In so doing, EYHM does not assume the burden of production or proof with respect to any fact or proposition necessary to that affirmative defense where the burden of production and/or proof is properly imposed on the Division. The absence of any other applicable defense or affirmative defense is not intended to, nor should it be construed to, waive such defense or affirmative defense. EYHM reserves the right to modify, revise, and/or supplement this Answer and these defenses and affirmative defenses to the maximum extent permitted by law and applicable procedure.

- 1. Under the plain language of Section 106, there is no subject matter and/or personal jurisdiction over EYHM with respect to this proceeding and thus this matter cannot be adjudicated in this forum.*
- 2. The OIP was not properly served on EYHM.*
- 3. The OIP fails to state a claim upon which relief may be granted.*

4. *This proceeding is not warranted by the facts and, in any event, is unsupported by substantial evidence.*

5. *This proceeding violates EYHM's constitutional rights, including EYHM's rights to due process and equal protection.*

6. *This proceeding is an improper use of the 102(e) process because EYHM and the other respondents have been singled out for selective prosecution.*

7. *This proceeding constitutes arbitrary and capricious agency action, including under the Administrative Procedures Act.*

8. *This proceeding is unlawful, improper, and unwarranted because there has been no judicial determination regarding the enforceability of the Commission Staff's April 26, 2012 and February 2, 2012 Requests.*

9. *This proceeding with regard to Client B is unwarranted because EYHM did not issue an audit report nor did it perform audit work which was relied upon in connection with the issuance of an audit report for any period with respect to the financial statements of Client B. Specifically, EYHM cannot be the subject of a Rule 102(e)(1)(ii) proceeding because EYHM never prepared or furnished any audit report in connection with its engagement by Client B.*

10. *This proceeding violates EYHM's due process rights to the extent that it does not allow the opportunity for appropriate pre-hearing discovery or to compel the appearance or testimony of witnesses in EYHM's defense at the hearing of this matter.*

11. *Sanctions against EYHM would be inappropriate based on the conduct alleged in the OIP and contrary to the public interest.*

12. *The SEC lacks the authority to request documents from EYHM that existed prior to the enactment of the Dodd-Frank Act on July 21, 2010.*

13. *This proceeding is improper because the Division's allegations are inconsistent with the SEC's publicly-stated approach and long-standing policy and practice to resolve issues of access to audit workpapers and other such documents located in foreign jurisdictions through diplomatic negotiations.*

14. *This proceeding is improper because the Division's allegations are inconsistent with the cooperative framework for obtaining documents from foreign jurisdictions as set forth in the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions, to which both the SEC and CSRC are members.*

15. *The SEC may not sanction EYHM based on PRC legal impediments because (1) EYHM consented in its registration with the Public Company Accounting Oversight Board only to produce documents to the extent permitted by PRC and any other applicable laws; and (2) EYHM consented in its designation of an agent under Section 106 of Sarbanes-Oxley only to the extent permitted by applicable law of the PRC.*

16. *Sanctions against EYHM would be inappropriate based on the conduct alleged in the OIP because any sanctions here would be inconsistent with principles of international comity.*

17. *Any alleged failure by the SEC to obtain the requested documents is the result of the failure of the SEC to negotiate acceptable international agreements with the CSRC, not any refusal, willful or otherwise, to produce documents by EYHM.*

18. *Sanctions against EYHM would be inappropriate based on the conduct alleged in the OIP because EYHM did everything within its legal ability, at considerable effort and expense, to cooperate with the Staff and to accommodate the Staff's requests for information relating to Clients B and C, including seeking permission from the PRC regulatory authorities to produce the materials to the SEC.*

19. *Sanctions against EYHM would be inappropriate because EYHM's conduct regarding Clients B and C is entirely inconsistent with the SEC's contention that EYHM willfully refused to produce the requested materials to the SEC. EYHM determined it likely that members of management of Clients B and C had engaged in illegal acts that appear to be the subject of the SEC's investigation of those issuer clients, raised appropriate questions with those clients and, when it was not satisfied with their responses, resigned from the engagements and issued its reports to those clients pursuant to Rule 10A(b)(2) of the Securities Exchange Act of 1934 which were filed with the SEC. EYHM further states that it was willing*

to, and would have produced the requested materials to the SEC, had it not been instructed by the CSRC and MOF not to do so.

20. Sanctions against EYHM would be inappropriate because the CSRC instructed EYHM, and the MOF confirmed, that it could not produce to the staff the materials requested in the April 26 Request and the February 2 Request, and that producing the requested materials could subject EYHM and its personnel to civil and potentially criminal liability.

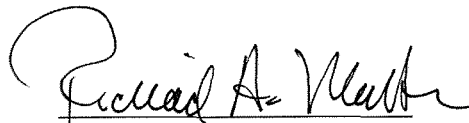
21. Sanctions against EYHM would be unlawful based on the conduct alleged in the OIP because federal case law dictates that firms in analogous circumstances should not be sanctioned for their inability to comply with requests from US regulators.

22. Sanctions against EYHM are inappropriate because EYHM and its personnel face the real prospect of criminal and civil sanctions if EYHM produced the requested materials in violation of the laws of the PRC and the instructions of the CSRC and the MOF. Equity requires that EYHM not be sanctioned domestically for being caught between diplomatic negotiations of two regulators.

23. Sanctions against EYHM would be inappropriate based on the conduct alleged in the OIP because EYHM has offered and is willing to produce the requested documents to the CSRC consistent with Section 106(f)'s provision for alternate means of production. 15 U.S.C. § 7216(f).

24. Sanctions against EYHM would be inappropriate based on the conduct alleged in the OIP because EYHM's failure to produce the materials requested in the April 26 Request and the February 2 Request is not "willful" within the meaning of Section 106.

Dated January 7, 2013


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