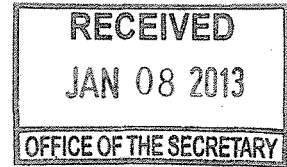


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File Nos. 3-14872, 3-15116

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In the Matter of)
)
)
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,)
)
Respondents.)
)
----- X

**ANSWER OF RESPONDENT PRICEWATERHOUSECOOPERS
ZHONG TIAN CPAs LIMITED COMPANY TO
ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS**

Respondent PricewaterhouseCoopers Zhong Tian CPAs Limited Company ("PwC Shanghai") submits this Answer in response to the Order Instituting Administrative Proceedings issued by the United States Securities and Exchange Commission (the "SEC" or the "Commission") on December 3, 2012 (the "OIP"). PwC Shanghai denies all allegations of the OIP except as otherwise indicated below.

* * *

PRELIMINARY STATEMENT

The OIP asserts that PwC Shanghai's failure to produce to the SEC workpapers and other audit-related materials created and located in China relating to two audit engagements

carried out exclusively by PwC Shanghai in China constitutes a “willful refusal” under Section 106 of the Sarbanes-Oxley Act, 15 U.S.C. § 7216 – even though PwC Shanghai never prepared or furnished a single audit report in connection with either engagement, and even though PwC Shanghai’s failure to produce the materials to the SEC was the result of express directives from Chinese regulatory authorities not to do so in accordance with Chinese law.

PwC Shanghai, at considerable effort and expense, cooperated with the Staff of the Division of Enforcement (the “Staff”) and has been responsive to the Staff’s requests for information relating to Clients H and I. From the outset, PwC Shanghai made the Staff aware of the Chinese secrecy, privacy, and confidentiality laws and the directives of the Chinese regulatory authorities not to produce the requested materials directly to the SEC without the authorization of the Chinese authorities. With each new request for documents, PwC Shanghai also promptly prepared and readied the materials for production to the Staff and sought permission from the Chinese regulatory authorities to produce the materials to the SEC.

At every step of the way, the Staff acknowledged PwC Shanghai’s cooperation. Never once did PwC Shanghai “willfully refuse” any request by the Staff. The critical point is that PwC Shanghai would produce, if it could without violating Chinese law and the express directives of the Chinese authorities which have the power to sanction the firm and its personnel criminally and to revoke the firm’s license. While PwC Shanghai’s failure to produce its in-progress work papers is assuredly not inadvertent, it likewise is not a “willful refusal” within any reasonable meaning of that phrase. A “willful refusal” implies a choice. In this case, PwC Shanghai has no choice since it is not an option for PwC Shanghai to violate Chinese law – the U.S. securities laws should not be read to require PwC Shanghai to violate Chinese law.

In any event, as a matter of fact and of law, there is no reasonable basis for an enforcement action against PwC Shanghai for several independent reasons. First, as a threshold matter, PwC Shanghai never prepared or furnished any audit report in connection with its engagements by Clients H and I. Because under Section 106(a) doing so is required in order for Section 106(b) to be applicable, Section 106(b) does not apply to PwC Shanghai in this instance and cannot be the predicate of a Rule 102(e)(1)(iii) action. Second, the OIP constitutes an impermissible attempt to enforce a request for information outside of court and is inconsistent with the longstanding rule that administrative requests for information are not self-executing. Third, even if Section 106 could reach PwC Shanghai in these circumstances, PwC Shanghai's inability to legally produce documents directly to the SEC and its readiness (through great effort) to produce the documents upon authorization from the China Securities Regulatory Commission (the "CSRC") both counsel that the only appropriate recourse here is to allow PwC Shanghai to satisfy its production obligations through the "alternate means" of production to the CSRC, as Section 106(f) expressly permits. Fourth, PwC Shanghai's failure to produce in these circumstances does not constitute a "willful refusal" within the meaning of Section 106. Fifth, this action against PwC Shanghai violates well-settled principles of international comity. Finally, sanctions against PwC Shanghai in any event are unwarranted and would have serious negative implications for public companies, their shareholders, and the U.S. markets and investing public more broadly. At the appropriate time, either as a threshold motion to dismiss or based on a more fully developed record, as necessary, PwC Shanghai intends to bring these issues before this tribunal.

* * *

RESPONSES TO ALLEGATIONS

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: PwC Shanghai denies the allegations in Section I, except admits that the Commission has instituted proceedings against PwC Shanghai and the other Respondents pursuant to Rule 102(e)(1)(iii).

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in paragraph 1.

2. **Ernst & Young Hua Ming LLP** (formerly known as Ernst & Young Hua Ming Certified Public Accountants) (“E&Y Beijing”) is located in Beijing, China, and is a PCAOB-registered member firm of Ernst & Young Global Limited, a UK private company limited by guarantee. E&Y Beijing 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: Paragraph 2 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in paragraph 2.

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in 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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in 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: PwC Shanghai denies the allegations in paragraph 5, except admits that its headquarters are located in Shanghai, China; that it is registered with the PCAOB; that it is a member firm in the network of PricewaterhouseCoopers International Limited, a UK private company limited by guarantee; and that it was engaged to audit the financial statements of Clients H and I for the fiscal year ending December 31, 2010. PwC Shanghai further states that, although it was engaged to audit the financial statements of Clients H and I for the fiscal year ending December 31, 2010, it never completed an audit for either

Client H or Client I and it accordingly never prepared, issued, filed or furnished an audit report for either Client H or Client I for fiscal year 2010 or at any point. PwC Shanghai was terminated by Client H and resigned from the Client I engagement prior the issuance of the Staff's requests pursuant to Section 106.

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 PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in paragraph 6, except admits that Clients H and I 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: PwC Shanghai denies the allegations in paragraph 7 insofar as they are directed to PwC Shanghai, and otherwise refers to the responses of the other Respondents with respect to the remainder of the allegations in paragraph 7.

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in paragraph 8.

9. On April 26, 2012, pursuant to Section 106, the Commission served E&Y 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 B]” for the fiscal year ended December 31, 2010.

Answer to paragraph 9: Paragraph 9 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in paragraph 9.

10. On February 2, 2012, pursuant to Section 106, the Commission served E&Y 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 C]” for the fiscal years ended September 30, 2010 and 2011.

Answer to paragraph 10: Paragraph 10 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in paragraph 10.

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in 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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in 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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in 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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in 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: PwC Shanghai denies the allegations in paragraph 15, except admits that the Staff sent a letter, dated February 8, 2012, addressed to

“PricewaterhouseCoopers LLP c/o CT Corporation System as registered agent” requesting that PwC Shanghai produce “[a]ll audit work papers and all other documents related to any audit work or interim reviews performed for [Client H] for the year ending December 31, 2010” (the “February 8 Request”), and that the February 8 Request stated that the 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.”

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: PwC Shanghai denies the allegations in paragraph 16, except admits that the Staff sent a letter, dated February 16, 2012, addressed to PwC Shanghai, with a carbon copy to “PricewaterhouseCoopers LLP as designated agent,” requesting that PwC Shanghai produce “[a]ll audit work papers and all other documents related to any audit work performed for [Client I] for the year ended December 31, 2010” (the “February 16 Request”), and that the February 16 Request stated that the 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.”

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: PwC Shanghai denies the allegations in paragraph 17 insofar as they are directed to PwC Shanghai, and avers that it has requested the authorization of the PRC government to produce the documents described in the February 8 Request and the February 16 Request to the SEC either directly or through the PRC government, and that the

PRC government has to date declined to provide permission to PwC Shanghai to produce the documents described in the February 8 Request and the February 16 Request directly to the SEC and has also instructed PwC Shanghai that doing so without CSRC authorization would violate PRC law and principles of Chinese sovereignty and would subject PwC Shanghai to liability in the PRC. Insofar as the allegations in paragraph 17 are not directed to PwC Shanghai, PwC Shanghai refers to the responses of the other Respondents with respect to the remainder of the allegations in paragraph 17, and admits, on information and belief, that the other Respondents are similarly restricted 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: Paragraph 18 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai lacks sufficient information to admit or deny the allegations in 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 is deemed required, PwC Shanghai admits that paragraph 19 quotes a selected portion of Section 106(b) of the Sarbanes-Oxley Act but respectfully refers the Administrative Law Judge to Section 106 for its full contents. In particular, but without limitation, PwC Shanghai respectfully refers the Administrative Law Judge to Section 106(a), which provides that the applicability of Section 106 (including the

quoted portion of Section 106(b)) is triggered when the foreign public accounting firm prepares or furnishes an audit report for the issuer. Since PwC Shanghai never did so with respect to Client H or Client I, Section 106(b) is inapplicable as to PwC Shanghai.

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 is deemed required, PwC Shanghai respectfully refers the Administrative Law Judge to 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, PwC Shanghai respectfully refers the Administrative Law Judge to Section 3 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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai refers to the response of BDO China hereto.

23. E&Y Beijing has willfully refused to provide the Commission with its audit workpapers and all other documents relating to E&Y Beijing’s audit or interim review work for Client B.

Answer to paragraph 23: Paragraph 23 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai refers to the response of E&Y Beijing hereto.

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

Answer to paragraph 24: Paragraph 24 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai refers to the response of E&Y Beijing hereto.

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai refers to the response of KPMG Beijing hereto.

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai refers to the response of KPMG Beijing hereto.

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai refers to the response of KPMG Beijing hereto.

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 contains no allegations directed to PwC Shanghai and therefore no response is required. To the extent a further response is deemed required, PwC Shanghai refers to the response of DTTC hereto.

29. 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 H.

Answer to paragraph 29: PwC Shanghai denies the allegations in 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: PwC Shanghai denies the allegations in 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: PwC Shanghai denies the allegations in paragraph 31 insofar as they are directed to PwC Shanghai, and otherwise refers to the responses of the other Respondents with respect to the remainder of the allegations in paragraph 31.

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: PwC Shanghai denies the allegations in paragraph 32 insofar as they are directed to PwC Shanghai, and otherwise refers to the responses of the other Respondents with respect to the remainder of the allegations in paragraph 32.

III.

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

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

- B.** What, if any, remedial action is appropriate against Respondents 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, PwC Shanghai denies the allegations in Section III, including that administrative proceedings are appropriate, insofar as they are directed to PwC Shanghai, and otherwise refers to the responses of the other Respondents as to the allegations in Section III insofar as they are not directed to PwC Shanghai. PwC Shanghai further avers that 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 PwC Shanghai, and that no federal court has deemed enforceable, in whole or in part, the February 8 Request or the February 16 Request regarding Clients H and I, respectively.

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 each Respondent 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 any Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, such Respondent may be deemed in default and the proceedings may be determined against such Respondent 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(f) and 201.310.

Under the authority conferred by Rule 141(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.141(a)(2), this Order shall be served upon Respondents through the respective domestic registered public accounting firms or other United States agents that Respondents have designated for service under Section 106(d) of Sarbanes-Oxley, 15 U.S.C. § 7216(d), or by any other method reasonably calculated to give notice to a Respondent, provided that the other method of service used is not prohibited by the law of the foreign country in which the Respondent is located.

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.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

Answer to Section IV: Section IV requires no response. To the extent a response is deemed required, PwC Shanghai denies the allegations in Section IV insofar as they are directed to PwC Shanghai, and otherwise refers to the responses of the other Respondents as to the allegations in Section IV insofar as they are not directed to PwC Shanghai.

* * *

DEFENSES AND AFFIRMATIVE DEFENSES

PwC Shanghai asserts the following separate defenses and affirmative defenses to the OIP. In so doing, PwC Shanghai does not assume the burden of production or proof with respect to any fact or proposition necessary to that defense or affirmative defense where the burden of production and/or proof is properly imposed on the Division of Enforcement (the "Division"), nor is the absence of any other applicable defense or affirmative defense intended to, nor should it be construed to, waive such defense or affirmative defense. PwC Shanghai 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 PwC Shanghai with respect to this proceeding and thus this matter cannot be adjudicated in this forum.

2. *Section 106 does not apply to PwC Shanghai in this instance, and therefore cannot be the predicate of a Rule 102(e)(1)(iii) proceeding, because PwC Shanghai never prepared or furnished any audit report in connection with its engagements by Clients H and I.*
3. *The OIP was not properly served on PwC Shanghai.*
4. *The OIP fails to state a claim upon which relief may be granted.*
5. *This proceeding is not warranted by the facts and, in any event, is unsupported by substantial evidence.*
6. *This proceeding violates PwC Shanghai's constitutional rights, including PwC Shanghai's rights to due process and equal protection.*
7. *This proceeding is an improper use of the 102(e) process because PwC Shanghai and the other Respondents are being singled out for selective prosecution.*
8. *This proceeding constitutes arbitrary and capricious agency action, including under the Administrative Procedures Act.*
9. *This proceeding is unlawful, improper, and unwarranted because there has been no judicial determination regarding the enforceability of the Staff's February 8 Request or February 16 Request.*
10. *This proceeding is unlawful, improper, and unwarranted because PwC Shanghai acted in good faith and in compliance with Chinese law and because PwC Shanghai is unable to comply with the February 8 Request and the February 16 Request because of Chinese law and directives from the PRC government.*
11. *This proceeding violates PwC Shanghai'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 PwC Shanghai's defense at the hearing of this matter.*

12. *Sanctions against PwC Shanghai would be inappropriate based on the conduct alleged in the OIP and contrary to the public interest and any sanctions would not be remedial.*

13. *Sanctions against PwC Shanghai would be inappropriate based on the conduct alleged in the OIP because PwC Shanghai, at considerable effort and expense, cooperated with the Staff and accommodated the Staff's requests for information relating to Clients H and I, including preparing materials for production and seeking permission from the PRC regulatory authorities to produce the materials to the SEC.*

14. *Sanctions against PwC Shanghai would be inappropriate based on the conduct alleged in the OIP because PwC Shanghai 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).*

15. *Sanctions against PwC Shanghai would be inappropriate based on the conduct alleged in the OIP because PwC Shanghai's failure to produce the materials requested in the February 8 Request and the February 16 Request is not a "willful refusal" within the meaning of Section 106.*

16. *The SEC lacks the authority to require the production of documents that existed prior to the enactment of the Dodd-Frank Act on July 21, 2010 and its amendments to Section 106.*

17. *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.*

18. *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.*

19. *The SEC may not sanction PwC Shanghai based on PRC legal impediments because (1) PwC Shanghai consented in its registration with the PCAOB only to produce documents to the extent permitted by PRC and any other applicable laws; and (2) PwC Shanghai consented in its designation of an agent under SOX Section 106 only to the extent permitted by applicable law of the PRC.*

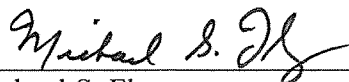
20. *Sanctions against PwC Shanghai would be inappropriate based on the conduct alleged in the OIP because any sanctions here would be inconsistent with principles of international comity.*

21. *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 PwC Shanghai.*

* * *

Dated: New York, New York
January 7, 2013

Respectfully submitted,



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