

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.  
AND PRICEWATERHOUSECOOPERS  
ZHONG TIAN CPAs LIMITED

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The Honorable Cameron Elliot,  
Administrative Law Judge

**RESPONDENTS' DISCLOSURES OF THEIR EXPERT  
WITNESSES**

Respondents 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") hereby submit the expert reports of Paul Atkins and Laura Simmons.

\* \* \* \* \*

Dated: July 1, 2013

Respectfully submitted,



Neal E. Sullivan  
[nsullivan@sidley.com](mailto:nsullivan@sidley.com)

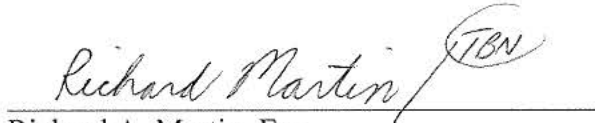
Griffith L. Green  
[ggreen@sidley.com](mailto:ggreen@sidley.com)

Timothy B. Nagy  
[tnagy@sidley.com](mailto:tnagy@sidley.com)

Giancarlo Pellegrini  
[gpellegrini@sidley.com](mailto:gpellegrini@sidley.com)

Sidley Austin, LLP  
1501 K Street, N.W.  
Washington, DC 20005  
Tel.: (202) 736-8471

*Counsel for Respondent KPMG Huazhen (Special  
General Partnership)*

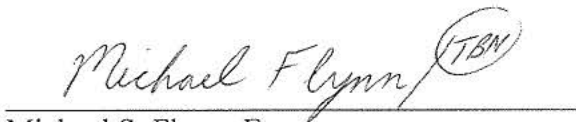


Richard A. Martin, Esq.  
[rmartin@orrick.com](mailto:rmartin@orrick.com)

Robert G. Cohen, Esq.  
[rgcohen@orrick.com](mailto:rgcohen@orrick.com)

Orrick, Herrington & Sutcliffe LLP  
51 West 52<sup>nd</sup> Street  
New York, NY 10019  
(212) 506-5000

*Counsel for Ernst & Young Hua Ming LLP*



Michael S. Flynn, Esq.  
[Michael.flynn@davispolk.com](mailto:Michael.flynn@davispolk.com)

Gina Caruso, Esq.  
[Gina.caruso@davispolk.com](mailto:Gina.caruso@davispolk.com)

Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, NY 10017  
(212) 450-4000

*Counsel for Pricewaterhousecoopers Zhong Tian  
CPAs Limited Company*

*Miles Ruthberg* 

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Miles N. Ruthberg, Esq.  
[Miles.ruthberg@lw.com](mailto:Miles.ruthberg@lw.com)  
Jamie L. Wine, Esq.  
[Jamie.wine@lw.com](mailto:Jamie.wine@lw.com)  
Latham and Watkins LLP  
885 Third Avenue  
New York, NY 10022  
*Counsel for Deloitte Touche Tohmatsu Certified  
Public Accountants LLP*

*Michael Warden* 

---

Michael D. Warden, Esq.  
[mwarden@sidley.com](mailto:mwarden@sidley.com)  
Gary F. Bendinger, Esq.  
[gbendinger@sidley.com](mailto:gbendinger@sidley.com)  
Sidley Austin LLP  
1501 K Street, N.W.  
Washington, DC 20005  
*Counsel for Deloitte Touche Tohmatsu Certified  
Public Accountants Ltd.*

*Deborah Meshulam* 

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Deborah R. Meshulam, Esq.  
[Deborah.meshulam@dlapiper.com](mailto:Deborah.meshulam@dlapiper.com)  
Grayson D. Stratton, Esq.  
[Gray.stratton@dlapiper.com](mailto:Gray.stratton@dlapiper.com)  
DLA Piper LLP  
500 8<sup>th</sup> Street, N.W.  
Washington, DC 20004  
(202) 799-4511  
*Counsel for Dahua CPA Co., Ltd.*



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## **I. Background and Qualifications**

1. I am the Chief Executive Officer of Patomak Global Partners, LLC. Patomak Global Partners provides consulting services regarding the financial services industry and capital markets to corporations and private parties worldwide. I am also the non-executive Chairman of the Board of Directors of BATS Global Markets, Inc., a leading operator of securities markets in the U.S. and Europe.

2. Prior to founding Patomak Global Partners, I served as a Commissioner of the U.S. Securities and Exchange Commission ("SEC"). I was twice confirmed by the Senate and appointed by the President, serving from August 2002 until August 2008. During my two terms, I participated in the SEC's rulemakings to implement the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), including approving Public Company Accounting Oversight Board ("PCAOB") Rule 2105. I also served as SEC liaison to the Commodity Futures Trading Commission and the North American Securities Administrators Association, and represented the SEC before the U.S.-E.U. Transatlantic Economic Council, the President's Working Group on Financial Markets, the World Economic Forum, and the Transatlantic Business Dialogue. During my tenure as Commissioner, I considered and voted on thousands of enforcement matters, including Rule 102(e) proceedings. In connection therewith, I was required to consider the appropriateness and remedial impact of sanctions.

3. From 2009 to 2010, I was appointed by the Congress to serve as a member of the Congressional Oversight Panel for the Troubled Asset Relief Program ("TARP"), the body that oversaw the operations of the Department of the Treasury with respect to the use of \$700 billion of TARP funding authorized by the Emergency Economic Stabilization Act of 2008.

4. Before serving as an SEC Commissioner, I was a partner of PricewaterhouseCoopers LLP, a Delaware limited liability partnership, and its predecessor firm, Coopers & Lybrand LLP, where I focused on advisory work for financial services firms, including regulatory compliance, internal controls, and risk management issues for broker-dealers, investment advisors, and mutual funds. I joined Coopers & Lybrand after serving on the staffs of SEC Chairmen Richard C. Breeden (as attorney-fellow and executive assistant) and Arthur Levitt (as counselor). Under Chairman Breeden, I helped organize the International Institute for Securities Market Development, the SEC's training outreach to developing markets, including China. While serving on the staffs of Chairmen Breeden and Levitt, I worked with the SEC's Office of International Affairs ("OIA") on various issues in connection with the International Organization of Securities Commissions ("IOSCO") and its Technical Committee and on various memoranda of understanding with foreign regulators. I also worked with the Division of Corporation Finance on issues related to the registration of foreign private issuers ("FPIs") and SEC policy to encourage their registration. In the Chairman's office, I advised Chairmen Breeden and Levitt on hundreds of enforcement matters.

5. A more complete listing of my qualifications can be found in my *curriculum vitae*, attached as Appendix A. Appendix A includes a list of all publications I have authored in the previous ten years. I have previously testified as an expert witness in connection with three court proceedings: in connection with litigation brought by Valores Bilbainos SICAV, S.A., Sallierca SICAV, S.A., Inversiones Avanti SICAV, S.A., Sayoa SICAV, S.A., and Inversiones Financieras Pepes SICAV, S.A. against Optimal Investment Services S.A. and others (Court No. 5 of Móstoles, Spain, proceedings 1644/2010); in connection with *Firefighters' Retirement System v. Regions Bank, et al.* (Nineteenth Judicial District Court for the Parish of East Baton

Rouge, Louisiana, case no. C567874); and in connection with *Chicago Board Options Exchange v. International Securities Exchange, LLC* (U.S. District Court for the Northern District of Illinois, case no. 07-cv-623).

## **II. Assignment**

6. In connection with this proceeding, I have been retained by counsel for the Respondents to provide an expert report on: the SEC's current and historical efforts to attract FPIs to the U.S. markets and to otherwise facilitate capital formation; the SEC's implementation of the Sarbanes-Oxley Act, including approving PCAOB rules related to non-U.S. accounting firms; the SEC's historical approach to the use of memoranda of understanding to attempt to resolve international conflict-of-law issues; the significance of the recently executed memorandum of understanding between PCAOB and the China Securities Regulatory Commission ("CSRC") and Ministry of Finance ("MOF"); the inconsistency of the instant enforcement proceeding with the historical approach and effort discussed above; the lack of a remedial purpose of potential sanctions; and the impact of potential sanctions on the U.S. markets, including the likely effect on non-U.S. issuers operating in China, multinational companies operating in China, and investors.

7. In forming my opinions, I considered and relied upon my experience working at the SEC, both as a Commissioner and a staff member for two Chairmen, and my time in private practice. I have also reviewed documents related to this proceeding, including the Order Instituting Proceedings, the Respondents' answers, the Administrative Law Judge's opinion on the motion for summary disposition and the parties' briefings related thereto, and the parties' pre-hearing briefs. I also have reviewed and considered various other materials pertinent to this proceeding. A complete list of the documents I reviewed and considered in preparing this report is attached as Appendix B.



### **III. Factual Background**

The following paragraphs set forth my understanding of certain events at issue in this matter and help to form the basis of my analysis and opinions contained in this report.

8. The Respondents are foreign public accounting firms based in the People's Republic of China ("China") that registered with the PCAOB between 2004 and 2006 and have maintained valid registrations since that time. Each Respondent's application for registration with the PCAOB was accompanied by a legal opinion setting forth the legal impediments under Chinese law to the disclosure of certain information to the PCAOB upon request. Respondents continue to make similar disclosures in connection with their annual filings of the Form 2, in particular Section 9.1 and again in Section 10.1(2)(e).

9. In connection with investigations conducted by the SEC's Division of Enforcement ("Division"), the Division requested documents from the Respondents relating to a total of ten audit clients that were China-based issuers whose securities are traded in the United States. The first such request was related to Deloitte Touche Tohmatsu Certified Public Accountants Ltd. ("DTTC") Client A. The Division originally sought the materials through the CSRC and then directly from DTTC. In early 2011, DTTC sought guidance from the CSRC concerning how it should respond. DTTC subsequently was advised by the CSRC that it was forbidden from producing the requested documents directly to the SEC. Certain of the remaining Respondents also reported U.S. regulators' requests for audit work papers to the Chinese regulators, including the CSRC and MOF, and sought guidance from those regulators. In October 2011, the Respondents received guidance from the CSRC that they could not release the documents directly to U.S. authorities without going through Chinese regulators. The Division never made a request directly to the CSRC with respect to eight of the ten audit clients at issue. In May

2012, the SEC instituted the first of these proceedings for sanctions against the Respondents for their failures to produce the documents requested. The CSRC and MOF have continued to reiterate their prior directive in in-person meetings even after the institution of this proceeding.

#### **IV. Analysis and Opinions**

10. In this report, my expert opinions are organized broadly into two sections: the first deals with the SEC's regulation of FPIs and foreign accounting firms and the SEC's use of cooperative agreements with foreign authorities; the second addresses the instant proceeding and, more specifically, the potential imposition of sanctions. In each instance, these opinions are not intended to be statements of legal conclusions, but they are my professional opinions based on my experience, familiarity, and expertise with federal securities regulatory and enforcement practices and the U.S. capital markets.

*A. The SEC has sought, as a long-running policy matter, to use regulatory accommodation to encourage foreign companies to issue securities in the United States.*

11. The SEC has a long and successful history of working collaboratively with foreign regulators to mitigate conflict-of-law issues. In the 1970s, the SEC began to be more accommodating to FPIs for the benefit of U.S. investors and with a goal to cement the status of the United States as the center of global capital markets. This effort included the creation of the Office of International Corporate Finance in 1973 "in recognition of the increased internationalization of capital markets and the securities business."<sup>1</sup> As the U.S. economy gained strength in the 1980s, the SEC continued this policy. Then-Commissioner Barbara Thomas stated in 1982: "[I]t is incumbent upon the Commission to examine whether it can reduce the legal barriers to entry by foreign issuers . . . . [F]acially equal rules create significant barriers to

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<sup>1</sup> 1973 U.S. Sec. & Exch. Comm'n Ann. Rep. 32.

foreign entry into the United States capital markets because of numerous practical differences between foreign issuers and American issuers.”<sup>2</sup>

12. Consistent with this long-standing policy, the SEC has taken many steps to adopt new rules to attract FPIs contemplating entering the U.S. capital markets. Since the 1970s, the SEC has accommodated FPIs through informal procedures that reflect the unique considerations applicable to foreign issuers, including allowing certain foreign issuers that are registering for the first time with the SEC to submit their registration statements on a confidential basis. The SEC has also formally changed certain of its rules to address the unique circumstances of FPIs.

Examples include:

- o *Annual Report Filings*: An FPI files an Annual Report on Form 20-F, rather than the more burdensome Form 10-K.

- o *Quarterly Financial Reports*: An FPI generally is not required to publish quarterly financial information.

- o *Audit Committee*: Especially following enactment of the Sarbanes-Oxley Act, the SEC has made important accommodations for the independence of audit committees for FPIs. These accommodations were made expressly to avoid irreconcilable conflicts between U.S. law and organic corporate law of FPIs, especially German and Japanese issuers.

- o *Internal Control Reporting*: FPIs are not subject to quarterly assessments of changes in their internal control over financial reporting.

- o *Executive Compensation*: FPIs are exempt from disclosing individual executive compensation and compensation philosophy.

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<sup>2</sup> Barbara S. Thomas, *Internationalization of the Securities Markets: An Empirical Analysis*, 50 Geo. Wash. L. Rev. 155, 189 (1982).

13. Even after the commencement of the first of these proceedings in May of 2012, the SEC has continued to approve the effectiveness of the registration statements of Chinese FPIs audited by Respondents, including companies incorporated in China or with substantial revenues or assets in China.

***B. The SEC's implementation of the registration requirements under the Sarbanes-Oxley Act provided alternative means of compliance for foreign public accounting firms in order to avoid "unnecessary burdens and conflicting requirements."***

14. Section 106(a) of the Sarbanes-Oxley Act states that "[a]ny foreign public accounting firm that prepares or furnishes an audit report with respect to any issuer, shall be subject to this Act and the rules of the Board and the Commission issued under this Act, in the same manner and to the same extent as a public accounting firm that is organized and operates under the laws of the United States or any State."<sup>3</sup> However, Section 106(c) of the same Act provides that, "in the public interest or for the protection of investors," the SEC, and the PCAOB, subject to the approval of the SEC, may "exempt any foreign public accounting firm, or any class of such firms, from any provision of this Act."<sup>4</sup>

15. In connection with the final registration rules approved by the SEC in 2003, the SEC and PCAOB made numerous accommodations for non-U.S. accounting firms. These accommodations were in part a response to concerns from the international community about the fact that the PCAOB's proposed registration rules did not distinguish between U.S. and non-U.S. firms and that the rules might conflict with foreign laws. For example, the Government of Japan's Financial Services Agency's Director of International Financial Markets stated that the proposed registration rules would cause "a clear conflict between the Japanese CPAs' duty to keep confidentiality of information imposed under the CPA Law and the duty to provide

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<sup>3</sup> Sarbanes-Oxley Act of 2002 § 106(a), 15 U.S.C. § 7216(a) (2012).

<sup>4</sup> *Id.* § 7216(c).

information to the [PCAOB] if such duty were imposed on the Japanese audit firms under the Sarbanes-Oxley Act.”<sup>5</sup> The Swiss Institute of Certified Accountants and Tax Consultants raised similar concerns, stating that “any Swiss public accounting firm that subjects itself to the inspection and investigation powers of the [PCAOB] runs into a direct conflict with Swiss law and as a result exposes itself to criminal penalties and civil actions for damages that could put its very existence in peril.”<sup>6</sup>

16. As the SEC explained in its Order approving the final registration rules, “[i]n response to concerns expressed by foreign regulators, accounting firms and others about the impact of the [PCAOB’s] proposed rules on non-U.S. accounting firms, the [PCAOB] made several accommodations prior to submitting its proposed rules to the Commission.”<sup>7</sup> Included among the accommodations afforded to non-U.S. firms was PCAOB Rule 2105, which allows non-U.S. firms “to withhold certain information on [Form 1] if they can demonstrate that providing the information would conflict with non-U.S. law (by providing an English copy of the non-U.S. law, a legal opinion that submitting the information would violate the law, and an explanation of the applicant’s efforts to seek consents or waivers to eliminate the conflict).”<sup>8</sup>

17. In approving the PCAOB rules, the SEC also “encourage[d] the [PCAOB] to continue its reasoned approach when considering its oversight role, especially with respect to non-U.S. firms.”<sup>9</sup> The SEC continued by “applaud[ing] the [PCAOB’s] initiative to work with its foreign counterparts to find ways to accomplish the goals of the Act without subjecting foreign firms to

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<sup>5</sup> Letter from Naohiko Matsuo, Dir. for Int’l Fin. Mkts., Fin. Servs. Agency, Gov’t of Japan, to Office of the Sec’y, Pub. Co. Accounting Oversight Bd. 6 (Mar. 28, 2003), *available at* [http://pcaobus.org/Rules/Rulemaking/Docket%20001/008\\_FSA\\_of\\_Japan.pdf](http://pcaobus.org/Rules/Rulemaking/Docket%20001/008_FSA_of_Japan.pdf).

<sup>6</sup> Letter from Andreas Müller, Chairman, Swiss Inst. of Certified Accountants & Tax Consultants, to Office of the Sec’y, Pub. Co. Accounting Oversight Bd. § II(3) (Mar. 27, 2003), *available at* <https://www.sec.gov/rules/pcaob/pcaob200303/sicatc070203.htm>.

<sup>7</sup> Order Approving Proposed Rules Relating to Registration System, SEC Release No. 34-48180, 68 Fed. Reg. 43242, 43242 (July 21, 2003).

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 43243.

unnecessary burdens or conflicting requirements.”<sup>10</sup> Finally, the SEC “urge[d] the Board to continue its dialogue with oversight bodies outside the United States in order to try to find ways to reduce administrative burdens and coordinate in areas of common programmatic interest, such as annual reporting, inspections and discipline.”<sup>11</sup>

18. I was one of the Commissioners who approved Rule 2105.<sup>12</sup> At the time, I recall being extremely concerned about the extraterritorial effects of the Sarbanes-Oxley Act, as were the other Commissioners, and we were interested in mitigating them. Our goal was not only to encourage foreign issuers to list in the United States to increase the options available to investors but also to improve the quality of foreign audit services. This extraterritoriality issue extended to the PCAOB because European and other countries objected to the requirement under the Sarbanes-Oxley Act that the PCAOB examine non-U.S. accounting firms participating in audits of U.S. multinationals and FPIs. Then-Chairman William McDonough and other PCAOB members made extraordinary efforts to respond to these concerns and establish working relationships with foreign PCAOB equivalents, which foreign jurisdictions established to forestall the prospect of U.S. examinations conducted on foreign soil.

19. In response to the SEC’s concerns and consistent with my expectations, the final PCAOB rules expressly acknowledged the existence of serious conflict-of-laws issues that may arise from the SEC’s requests for documents to foreign (and not just Chinese) entities and contained provisions for foreign applicants for registration to acknowledge and address those issues. Though the SEC and the PCAOB knew of the difficulty regarding potential non-production of audit work papers by Chinese auditing firms, the PCAOB nevertheless permitted registration of China-based auditing firms so encumbered, including the Respondents, and continued to

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> PCAOB Rule 2105 (2003).

recognize the validity of the registrations, even to the present time. In approving the Respondents' registrations, PCAOB's preservation of its right to challenge the disclosed legal impediments likely was not unique to the Chinese accounting firms.<sup>13</sup> The SEC, of course, maintains strong working relationships with several important jurisdictions that hold different principles regarding the production of auditors' work papers, including formal agreements on enforcement co-operation with Japan, Switzerland, and others.<sup>14</sup> Given the historical policy and the efforts to mitigate potential conflicts, I disagree with the Division's assertion that Respondents should have anticipated that conflicts-of-laws would not be resolved by the sovereigns and that Respondents would have to assume legal exposure due to the lack of an agreement. Indeed, in my more than twenty-five years of experience in and around the SEC in connection with FPIs and foreign markets, the SEC has worked hard to resolve these issues.

***C. The SEC has a long-standing policy of cooperation with international securities regulators through the use of bilateral and multilateral cooperative agreements.***

20. The policy of the SEC, when faced with conflicts between its programmatic needs and foreign legal impediments, has traditionally been to turn to bilateral or multilateral cooperative agreements to advance investor protection while working with foreign counterparts. These agreements,<sup>15</sup> while non-binding, usually take the form of a memorandum of understanding ("MOU"), which is a bilateral or multilateral declaration of nations' commitment to work together, through both formal and informal means, to accommodate their own national interests

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<sup>13</sup> See, e.g., BDO Canada (Form 1) (Apr. 19, 2004); Deloitte Touche Tohmatsu Auditores Independentes (Form 1) (Apr. 20, 2004); Ernst & Young Terco Auditores Independentes S.S. (Form 1) (Apr. 27, 2004); KPMG Auditores Independentes (Form 1) (May 10, 2004); PricewaterhouseCoopers Auditores Independentes (Form 1) (Apr. 27, 2004).

<sup>14</sup> See *Cooperative Arrangements with Foreign Regulators*, U.S. Sec. & Exch. Comm'n, [http://www.sec.gov/about/offices/oia/oia\\_cooparrangements.shtml#enforce](http://www.sec.gov/about/offices/oia/oia_cooparrangements.shtml#enforce) (last modified Nov. 29, 2012).

<sup>15</sup> The SEC has MOUs active with over twenty countries. See *id.* (listing all MOUs signed by the SEC).

while promoting common international objectives.<sup>16</sup> As then-Commissioner Mary Schapiro explained in 1989:

In the early 1980s the Commission addressed this problem [of international securities fraud] in a unilateral manner, principally by seeking the production of evidence from abroad in civil actions brought in U.S. courts. This process was successful at times, but at other times not, and it became clear fairly quickly that we needed a new approach. The approach we eventually settled on, started in 1982, involves negotiating bilateral memoranda of understanding, or MOUs, with foreign regulators. . . . An MOU allows the Commission to avoid the problems of foreign secrecy and blocking statutes, and permits us to obtain the information we need without risk of causing an international incident.<sup>17</sup>

21. In 1982, the SEC entered into its first MOU, with Switzerland, to respond to difficulties in prosecuting insider traders who used the shield of foreign accounts, secrecy laws, and blocking statutes to keep their identities hidden. At the time, the U.S. Ambassador to Switzerland urged the SEC to find another way of interacting with foreign governments “other than simply having assets frozen, and fingers pointed.”<sup>18</sup> As a result of the accord, the Swiss Bankers Association agreed to have bank clients waive confidentiality and to have banks provide the SEC with information when SEC requests were made through official Swiss government channels.

22. In the 1990s, first Chairman Richard C. Breeden and then Chairman Arthur Levitt continued the drive to enter into MOUs with more countries, particularly in emerging markets, where the rule of law could be weaker, the recourse of investors could be less, and the power of the U.S. government to protect them more important. Following the fall of the Berlin Wall in

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<sup>16</sup> Barbara S. Thomas, Comm’r, U.S. Sec. & Exch. Comm’n, *Insider Trading: An Internal Problem with International Implications* 15 (Mar. 11, 1983), available at <http://www.sec.gov/news/speech/1983/031183thomas.pdf>.

<sup>17</sup> Mary L. Schapiro, Comm’r, U.S. Sec. & Exch. Comm’n, *Enforcement Initiatives of the SEC: 1989* 4 (Sept. 20, 1989), available at <http://www.sec.gov/news/speech/1989/092089schapiro.pdf>.

<sup>18</sup> Interview by Kenneth Durr with Edward Greene, General Counsel, U.S. Sec. & Exch. Comm’n 13 (Feb. 15, 2008), available at [http://3197d6d14b5f19f2f440-5e13d29c4c016cf96cbbfd197c579b45.r81.cf1.rackcdn.com/collection/oral-histories/greene\\_edward021508Transcript.pdf](http://3197d6d14b5f19f2f440-5e13d29c4c016cf96cbbfd197c579b45.r81.cf1.rackcdn.com/collection/oral-histories/greene_edward021508Transcript.pdf).



1989, the collapse of the Soviet Union, and the opening of China, newly formed states and emerging markets flooded the SEC with requests for technical assistance. In addition to pursuing MOUs as an important arm of investor protection, Chairman Breeden in 1989 (as one of his first official acts) constituted the OIA, appointing Michael Mann, an enforcement attorney, as its first director. As Chairman Breeden stated at the time, the new office “underlines the very high priority the [C]ommission places on international cooperation.”<sup>19</sup> With OIA, the SEC now had a centralized, dedicated resource to interface directly with foreign regulators, primarily for enforcement matters.

23. Chairman Breeden recognized the importance of providing technical assistance and forging close ties with foreign markets, but he also saw the impracticality of sending SEC employees on lengthy missions to provide training around the world. As a result, the SEC created the International Institute for Securities Market Development. I had the privilege of working closely with the OIA and the Office of the Chief Economist to establish the Institute when I served in the Chairman’s office in 1991. The importance of the Institute was that it efficiently promoted American ideas of free markets and investor protection and set the groundwork for closer cross-border co-operation. These ties led directly to the network of MOUs that exists today.

24. Consistent with this web of bilateral agreements and relationships, the SEC also was instrumental in forging a strong international multilateral framework. Established in 1983,<sup>20</sup> IOSCO was created to develop, implement, and promote adherence to internationally recognized

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<sup>19</sup> John M. Doyle, *Breeden Wants to Cut Out Squabbles Over New Products*, Associated Press, Dec. 19, 1989, available at <http://www.apnewsarchive.com/1989/Breeden-Wants-To-Cut-Out-Squabbles-Over-New-Products/id-d925fb528049cb4c2e3656273243d89c>.

<sup>20</sup> IOSCO has 204 members, including national and provincial-level regulators. See *IOSCO Members List*, Int’l Org. of Sec. Comm’ns, <http://iosco.org/lists/> (last visited June 29, 2013) (listing ordinary, associate and affiliate members).

standards for securities regulation. Having worked for or with the past seven Chairmen, I have seen that one common policy imperative was a steadfast recognition of the importance of working with foreign counterparts, forging closer working relationships, and working with other arms of the U.S. government to negotiate acceptable resolutions with foreign authorities. In my experience, the results have been positive for U.S. markets and provided considerable alternatives for U.S. investors.

25. Congress has likewise recognized the importance of giving the SEC authority to forge cooperative relationships with other regulators. For example, in 1990, Congress passed the International Securities Enforcement Cooperation Act,<sup>21</sup> which allows the SEC to provide information to foreign authorities pursuant to MOUs, even when the conduct at issue is not unlawful in the U.S., and to withhold disclosure under the Freedom of Information Act.<sup>22</sup> In 1991, then-Commissioner Richard Roberts said, “Congress adopted these amendments specifically so that the Commission can provide reciprocal guarantees of confidentiality in its information-sharing agreements.”<sup>23</sup>

26. In 2002, IOSCO developed the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (“MMOU”), a non-binding multilateral enforcement information-sharing and co-operation arrangement that describes the terms under which any signatory can request information or co-operation from any other signatory as part of an investigation of violations of securities laws or regulations in the requestor’s jurisdiction, as well as the actions each should undertake to meet the requests. The MMOU has also greatly expanded the number of securities regulators who have the ability to

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<sup>21</sup> International Securities Enforcement Cooperation Act of 1990, 15 U.S.C. § 78x(d) (1990).

<sup>22</sup> See generally, *The Imperial SEC?*, Sec. & Exch. Comm’n Historical Soc’y, <http://www.sechistorical.org/museum/galleries/imp/imp08e.php> (last visited June 29, 2013).

<sup>23</sup> Richard Y. Roberts, Comm’r, U.S. Sec. & Exch. Comm’n, *SEC Progress Towards Internationalization 7* (Mar. 22, 1991), available at <http://www.sec.gov/news/speech/1991/032291roberts.pdf>.

gather information and share information with the SEC for enforcement investigations and proceedings.<sup>24</sup>

27. The SEC was among the first signatories of the MMOU,<sup>25</sup> stating on its website that “[t]he MMOU has significantly enhanced the SEC’s enforcement program by increasing and expediting the SEC’s ability to obtain information from a growing number of jurisdictions worldwide.”<sup>26</sup> The CSRC, which originally had joined IOSCO in 1995, signed the MMOU in 2007. “[T]he MMOU has created incentives for jurisdictions that lack the legal ability to engage in effective information sharing to enact legislation that will enable them to do so.”<sup>27</sup> Moreover, “[i]n May 2010, IOSCO published Principles Regarding Cross-Border Supervisory Cooperation, which included a report and sample Supervisory Memorandum of Understanding to assist securities regulators in building and maintaining cross-border cooperative relationships with one another.”<sup>28</sup>

28. This broad and deep network of MOUs is not just window dressing. In my experience at the SEC, the SEC’s policy was to use bilateral co-operative arrangements to enhance international enforcement co-operation. Indeed, “[i]n fiscal year 2011, the SEC made 772 requests to foreign authorities for enforcement assistance and responded to 492 requests from foreign authorities.”<sup>29</sup> The network of MOUs, and the SEC’s use of it in practice, shows its critical importance as a vibrant and useful tool for investor protection.

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<sup>24</sup> See Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (May 2002), available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD126.pdf>.

<sup>25</sup> See *International Enforcement Assistance*, U.S. Sec. & Exch. Comm’n, [http://www.sec.gov/about/offices/oia/oia\\_crossborder.shtml](http://www.sec.gov/about/offices/oia/oia_crossborder.shtml) (last modified Nov. 13, 2012).

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> Kathleen L. Casey, Comm’r, U.S. Sec. & Exch. Comm’n, before the U.S. Senate Banking Subcomm. on Sec. and Int’l Trade and Fin. *Testimony Concerning Continuing Oversight on International Cooperation to Modernize Financial Regulation* (July 20, 2010), available at <http://www.sec.gov/news/testimony/2010/ts072010klc.htm>.

<sup>29</sup> *International Enforcement Assistance*, *supra* note 25.

***D. The recent Memorandum of Understanding between the PCAOB and the Chinese authorities furthers the long-standing objective of international enforcement co-operation.***

29. The SEC has a long history of working with the Chinese regulatory authorities as China moves towards a market-based economy. Consistent with its long-standing policy, in 1994, the SEC entered into an MOU with the CSRC regarding co-operation, consultation, and the provision of technical assistance<sup>30</sup> under which the SEC and the CSRC have worked together for nearly two decades, including through provisions for information-sharing and mutual enforcement assistance regarding activities in the U.S. and Chinese securities markets.<sup>31</sup> This MOU, however, did not establish a direct obligation for the regulators to produce documents to each other and explicitly allowed for the denial of assistance requested by the SEC “[w]here the provision of assistance would be contrary to the public interest of [China].”<sup>32</sup>

30. Moreover, in 2006, after Respondents registered with the PCAOB, the SEC and the CSRC further deepened their co-operation by agreeing to “Terms of Reference for Cooperation and Collaboration.”<sup>33</sup> That agreement specifically provided for improving co-operation in cross-border securities enforcement matters. The Terms of Reference state, in part:

The CSRC and the SEC recognize that an increasingly important component of effective enforcement of domestic securities laws is the ability of securities regulators to both provide and receive assistance from their foreign counterparts. As the number of cross-border listings and dually-registered entities grow, so does the likelihood that perpetrators of securities fraud will seek to defraud investors in both the United States and China. Accordingly, the CSRC and SEC will work to communicate quickly on such matters and to provide timely and thorough assistance to one another, *consistent with domestic laws*.<sup>34</sup>

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<sup>30</sup> See Memorandum of Understanding Between the United States Securities and Exchange Commission and the China Securities Regulatory Commission Regarding Cooperation, Consultation, and the Provision of Technical Assistance (Apr. 28, 1994), *available at* [http://www.sec.gov/about/offices/oia/oia\\_bilateral/china.pdf](http://www.sec.gov/about/offices/oia/oia_bilateral/china.pdf).

<sup>31</sup> *See id.*

<sup>32</sup> *Id.* ¶ 2.

<sup>33</sup> Terms of Reference for the Cooperation and Collaboration Between the China Securities Regulatory Commission and the US Securities and Exchange Commission (May 2, 2006), *available at* [http://www.sec.gov/about/offices/oia/oia\\_bilateral/chinator.pdf](http://www.sec.gov/about/offices/oia/oia_bilateral/chinator.pdf).

<sup>34</sup> *Id.* ¶ 2 (emphasis added).

Thus, observing this continuing progress of rapprochement between the SEC and the CSRC, private parties like the Respondents would have been entirely rational to anticipate that the sovereigns would resolve their respective conflicts-of-law issues as outlined in these agreements.

31. On May 10, 2013, the PCAOB (for the United States) and the CSRC and the MOF (for China) signed a Memorandum of Understanding on Enforcement Cooperation,<sup>35</sup> under which the parties

each seek to improve the accuracy and reliability of audit reports so as to protect investors and to help promote public trust in the audit process and investor confidence in their respective capital markets. Given the global nature of capital markets, the Authorities recognize the need for cooperation to ensure compliance with, and enforcement of, their respective laws and regulations in matters related to the oversight of the auditors subject to their regulatory jurisdictions.<sup>36</sup>

32. The MOU sets forth “the Authorities’ intent with regard to mutual assistance and the exchange of information for the purpose of enforcing and securing compliance with the respective Laws and Regulations of the jurisdictions of the Authorities.”<sup>37</sup> The MOU similarly confirms each party’s “respect for the laws and regulations or national sovereignty of each party.”<sup>38</sup> This type of arrangement is wholly consistent with my expectation that the PCAOB would be sensitive to and seek to mitigate conflict-of-law issues.

33. Relevant to these proceedings, the MOU expressly provides that the PCAOB may share with the SEC information obtained in connection with co-operation under the MOU, provided that the PCAOB give advance notice to the Chinese regulators.<sup>39</sup>

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<sup>35</sup> Memorandum of Understanding on Enforcement Cooperation Between the Public Company Accounting Oversight Board of the United States and the China Securities Regulatory Commission and the Ministry of Finance of China (May 10, 2013) [hereinafter U.S.-China 2013 MOU], *available at* [http://pcaobus.org/International/Documents/MOU\\_China.pdf](http://pcaobus.org/International/Documents/MOU_China.pdf).

<sup>36</sup> *Id.* art. I(a).

<sup>37</sup> *Id.* art. I(b).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.* art. IX.

34. PCAOB Chairman James Doty has characterized this MOU as “an important step toward cross-border enforcement cooperation that is necessary to protect the interests of investors in U.S. capital markets.”<sup>40</sup> This recent and very positive development is the result of strong diplomatic efforts on the part of PCAOB. For instance, Board Member Lewis Ferguson addressed this very issue and the need for increased co-operation with China during his visit to China in June 2012, stating that “[i]n an attempt to address these problems, the PCAOB has intensified its dialogue with both the China Securities Regulatory Commission and the MOF over the past year. Both we and the Chinese regulators recognize the importance of improving audit quality and investor protection.”<sup>41</sup> Board Member Ferguson also noted that “[f]or the PCAOB, an agreement with China is important not only because of the risks investors face, but because of the size and rapid growth of the Chinese economy. Almost 5 percent of PCAOB registered firms are based either in China or Hong Kong, the largest group of non-U.S. firms.”<sup>42</sup>

35. In short, by “establish[ing] a mechanism for producing and exchanging audit documents relevant to investigations in both countries’ jurisdictions,”<sup>43</sup> the MOU represents an acknowledgement by the parties that the appropriate path for U.S. regulators to pursue requests for the production of documents from firms such as Respondents is through the CSRC. The PCAOB signed the MOU even though the MOU includes language permitting the withholding of information if disclosure of the information would violate domestic law.<sup>44</sup> Although the MOU was executed subsequent to the initiation of the instant proceeding, it would be troubling and

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<sup>40</sup> Michael Cohn, *PCAOB Signs Enforcement Cooperation Agreement with Chinese Regulators*, Acct. Today (May 24, 2013), <http://www.accountingtoday.com/news/PCAOB-Signs-Enforcement-Cooperation-Agreement-Chinese-Regulators-66855-1.html>.

<sup>41</sup> Lewis H. Ferguson, Board Member, Pub. Co. Accounting Oversight Bd., *Investor Protection through Audit Oversight* (Sept. 21, 2012), available at [http://pcaobus.org/News/Speech/Pages/09212012\\_FergusonCalState.aspx](http://pcaobus.org/News/Speech/Pages/09212012_FergusonCalState.aspx).

<sup>42</sup> *Id.*

<sup>43</sup> Ken Tysiac, *Pact Enables PCAOB, Chinese Regulators to Cooperate on Enforcement*, J. Acct. (May 24, 2013), <http://www.journalofaccountancy.com/News/20138065.htm>.

<sup>44</sup> U.S.-China 2013 MOU, *supra* note 35, at art. 3(b)(i).

inconsistent with the historical policy of the SEC for the SEC to pursue sanctions against Respondents, in the face of the official embrace by the PCAOB—a body under the pervasive supervision of the SEC<sup>45</sup>—of the CSRC’s right under the MOU to withhold consent to the production of documents under these circumstances.

***E. Imposing the sanctions sought by the SEC would negatively affect investors, issuers, and the U.S. securities markets.***

36. It is my understanding that the Division is seeking the following sanctions: (i) a censure; (ii) a permanent bar from issuing audit reports filed with the SEC; and (iii) a permanent bar from playing a 50 percent or greater role in the preparation or furnishing of an audit report filed with the SEC. In my view, these sanctions would be inconsistent with long-standing SEC policy and have no remedial effect.

37. Qualified and independent auditors, such as Respondents, play a crucial role in advancing the SEC’s goals of protecting investors and maintaining market integrity. Investors’ confidence and participation in the market are dependent upon the faith and expectation that issuers are providing full, complete and accurate financial statements. The audited financial statements that accompany all issuers’ annual reports promote this confidence and reinforce trust in financial information.

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<sup>45</sup> This oversight has been recognized by both the PCAOB (“The SEC has oversight authority over the PCAOB, including the approval of the Board’s rules, and budget.”) and the SEC (“When Congress created the PCAOB, it gave the SEC the authority to oversee the PCAOB’s operations, to appoint or remove members, to approve the PCAOB’s budget and rules, and to entertain appeals of PCAOB inspection reports and disciplinary actions.”). See *About the PCAOB*, Pub. Co. Accounting Oversight Bd., <http://pcaobus.org/about/pages/default.aspx> (last visited June 29, 2013); *Public Company Accounting Oversight Board*, U.S. Sec. & Exch. Comm’n, <http://www.sec.gov/answers/pcaob.htm> (last modified Jan. 16, 2013). Moreover, the SEC’s comprehensive oversight of the PCAOB was essential to the U.S. Supreme Court’s decision in *Free Enterprise Fund v. Public Company Accounting Oversight Board*. See 130 S. Ct. 3138 (2010). While recognizing the SEC’s “[b]road power over Board functions,” the Supreme Court ultimately found the SEC inability to remove the PCAOB members “at will” to be unconstitutional. Accordingly, the Court struck down those provisions and found that the PCAOB could only continue if the SEC had even greater authority over the PCAOB by allowing the SEC to remove PCAOB members “at will.” *Id.*

38. Changing auditors under any circumstances can be time consuming, costly and disruptive. In this case, should the SEC impose the Division's proposed sanctions, it will be unlikely that any China-based issuer of U.S. securities will be able to find a qualified and independent auditor because (1) the potential replacement accounting firms may be either unwilling or not qualified to take on the task; or (2) the issuer's audit committee may not accept the potential replacement. In any case, any replacement accounting firm would be subject to the same prohibitions from the CSRC regarding the production of documents. The replacement auditors also would have to meet any requirements imposed by additional exchanges on which an issuer's securities are registered. These added requirements may create more delays and costs, which of course are ultimately borne by the shareholders of the FPIs audited by Respondents.

39. The PCAOB-registered accounting firms located in China all would face similar sanctions when they are unable to produce requested documents because of CSRC objections. Indeed, if the SEC were to sanction Respondents as the Division proposes in the present action, it is likely that other Chinese auditing firms would de-register with the PCAOB to avoid similar proceedings. Under the severe standard the Division proposes, it is unlikely that any multinational auditing firm would wish to take over auditing the accounts of Chinese issuers of securities on the U.S. markets. The only option available to the Chinese issuers to meet their obligation under the Securities Exchange Act of 1934<sup>46</sup> would be to enlist a small local auditing firm, most likely with little or no prior experience performing audit services for U.S.-listed companies. Such a firm would be far less experienced (both in general and with respect to the company's accounting statements) and perhaps somewhat unfamiliar with the U.S. definition of independent reviews. In fact, in my own experience at Coopers & Lybrand, a predecessor to

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<sup>46</sup> Securities and Exchange Act of 1934, 15 U.S.C. § 78a *et seq.* (2012).



PricewaterhouseCoopers,<sup>47</sup> the firm had to invest significantly in personnel working at its Chinese counterpart to train them to international standards in technical accounting knowledge and auditing practices and to accustom them to the cultural and operational bases necessary to appreciate the standard of independence for audit reviews. Respondents, similarly, have invested heavily in developing and maintaining their presence in China.<sup>48</sup> The Division's proposed sanction is inconsistent with the SEC's mission to protect investors because it will inevitably undermine the quality of audit services available in China.

40. Respondents issued audit reports in 2012 for more than ninety percent of Chinese companies that trade in the United States. It is unrealistic to expect, in a short time frame, the next tier of Chinese accounting firms to replace Respondents or for an audit committee, cognizant of its responsibilities to oversee the integrity of the company's financial statements and the work of the external auditor, to risk the integrity of its independent audit. Moreover, a significant factor in past audit failures has been gaps that are created when different audit firms collaborate on a multinational audit; for example, in the 1990s, Nick Leeson was able to perpetrate his fraud and skirt internal controls at Barings Bank partly because of this lack of co-

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<sup>47</sup> One of my roles at Coopers & Lybrand was to serve as the Executive Partner of the International Financial Services Group, which was a committee of audit practice leaders from the major developed countries concentrating on issues of practice development, international resource augmentation, and quality enhancement. A significant focus in the mid-1990s was the development of the China practice and the necessity of investment and training in what was perceived to be a huge potential market with much inherent risk. Therefore, the firm dedicated a large amount of resources and senior-level attention to building its practice in China.

<sup>48</sup> Since registering with the PCAOB in 2004, Deloitte Touche Tohmatsu Certified Public Accountants, Ltd. has grown from 149 certified public accountants (including accountants employed by the firm with comparable licenses from non-US jurisdictions) ("CPAs") and 1,190 total personnel to 974 CPAs and 5,857 total personnel in 2013. Similarly, Ernst & Young Hua Ming LLP grew from 229 CPAs and 1,258 total personnel to 1,172 CPAs and 4,440 total personnel; KPMG Huazehn (Special General Partnership) grew from 211 CPAs and 1,428 total personnel to 716 CPAs and 3,467 total personnel; and PricewaterhouseCoopers Zhong Tian CPAs Limited grew from 470 CPAs and 2,060 total personnel to 1,809 CPAs and 6,255 total personnel. Since registering in 2006, Dahua CPA Co., Ltd. grew from 85 CPAs and 187 total personnel to 960 CPAs and 3,238 total personnel. See *Registered Firms*, Pub. Co. Accounting Oversight Bd., <http://pcaobus.org/Registration/Firms/Pages/RegisteredFirms.aspx> (last visited June 29, 2013).

ordination.<sup>49</sup> The SEC's proposed action, therefore, runs the serious risk of disruption to U.S. securities markets and risk of investor harm.<sup>50</sup>

41. More recently, in a similar context, congressional and SEC action created havoc in the securities markets when the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was enacted. Section 939G of the Act nullified SEC Rule 436(g), which exempted credit rating agencies from expertizing offering documents in which their ratings appear.<sup>51</sup> Rating agencies promptly reacted by refusing to allow their opinions to be disclosed in offering documents, which resulted in a frozen market for the issuance of new securities. To avoid disaster, the SEC issued a no-action letter stating that it would not recommend an enforcement action if an asset-backed issuer omitted the ratings disclosure.<sup>52</sup>

42. A similar disruption to audit firms—such as imposing sanctions on Respondents that in turn could cripple the ability of Chinese issuers to list their securities on U.S. markets—could result in a similar frozen securities market for Chinese issuers in the U.S. A stated mission of the SEC is to “maintain fair, orderly, and efficient markets, and facilitate capital formation.” A primary objective of this mission is to maintain the pre-eminent position of the U.S. capital markets in the global economy. It is simply bad policy and inconsistent with decades of

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<sup>49</sup> See, *How Leeson Broke the Bank*, BBC News (June 22, 1999), <http://news.bbc.co.uk/2/hi/business/375259.stm>.

<sup>50</sup> See Thomas M. Shoesmith, *SEC Moves Against Accounting Firms – What Does This Mean for U.S.-Listed Chinese Companies?*, Pillsbury Winthrop Shaw Pittman Client Alert, Dec. 5, 2012 (“If the accounting firms are ultimately barred from auditing these companies, it could force the delisting of all China-based companies from the U.S. markets. \* \* \* No doubt other markets around the world would see this as America’s potential loss and their gain.”); see also R. Daniel O’Connor, Kim B. Nemirow, & Paul W. Boltz, Jr., *SEC’s Charges Against Chinese Affiliates of U.S.-Based Accounting Firms Have Broad Implications*, Bloomberg BNA Sec. Reg. & L. Rep., Apr. 15, 2013 (noting “the far-reaching implications for not only the accounting firms charged by the SEC but also the hundreds of China-based, U.S.-listed companies (which have a combined share value running into the tens of billions of dollars), as well as those multinational corporations which rely on the Chinese affiliates of their U.S. accounting firms for purposes of completing their consolidated audits”).

<sup>51</sup> See Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111-203, § 939G, 124 Stat. 1376, 1890 (2010).

<sup>52</sup> See Letter from Katherine Hsu, Senior Special Counsel, U.S. Sec. & Exch. Comm’n, to Ford Motor Credit Company LLC (Nov. 23, 2010) (extending relief granted July 22, 2010), *available at* <http://www.sec.gov/divisions/corpfin/cf-noaction/2010/ford072210-1120.htm>.

sustained effort by the SEC for the SEC to impose sanctions that could effectively cut off Chinese companies from the U.S. capital markets. The public markets serve a vital function and contribute to our nation's wealth and prosperity. To maintain the competitiveness of the U.S. capital markets in the global economy, the SEC must take steps to open more doors than it closes. Failure to do so will only drive investments elsewhere.

43. Another important consideration for the SEC is the timing of its decision in this matter. Any adverse decision, particularly during the fourth quarter, likely would cause further disruption as issuers make a mad dash to find replacement auditors in time to file their annual reports. For example, when the multinational audit firm Arthur Andersen surrendered its licenses to practice after being convicted of criminal charges related to its audits of Enron, the SEC issued several no-action letters and special dispensations to try to keep under control the scramble for auditors that occurred afterward. Followed to its logical conclusion, if the SEC were to impose sanctions in the instant enforcement proceeding, it could cause similar severe disruptions by chilling auditor participation in foreign issuances.

44. As noted above, the SEC has encouraged foreign issuers to list on U.S. exchanges both for the protection and convenience of U.S. investors and to bolster the stature of U.S. capital markets globally. It is unquestionable that the imposition of the sanctions sought by the Division in the instant proceeding will have a chilling effect on the desire and ability of Chinese companies, and possibly other foreign companies as well, to list their securities in the United States. The market capitalization of companies that are traded in the United States and are either incorporated in China or have 100 percent of revenues or assets in China is substantial. I disagree with the Division's assertion that the sanctions will not restrict unduly the investment choices available to U.S. investors or impede capital formation in the United States. If, because

of the severe penalties the Division seeks to impose on Respondents, Chinese companies cannot find auditors that will undertake the necessary auditing work, then those companies will not be able to meet the SEC's requirement to file audited financial statements with the SEC and thus will not be permitted to list their securities on U.S. exchanges. In fact, even the uncertainty caused by the change in SEC policy may have a chilling effect on some foreign, not only Chinese, issuers whose securities trade in the United States and on some foreign companies considering listing their securities in the United States.

45. Beyond the impact on potential future listings, investors are negatively affected in a variety of ways when a stock is delisted. Issuers forced to move to the over-the-counter market could face less liquidity and transparency, which raise the costs of trading their securities—costs that are borne directly by investors. Of course, trading securities outside of the United States raises other costs, risks, and practical consequences for investors. Moreover, investment restrictions may prevent certain categories of institutional investors from maintaining their positions in securities that are non-listed, even if the underlying financial positions of those companies remain the same. A sudden, forced liquidation by, for instance, pension funds could have negative consequences for the holdings of other U.S. investors. In addition, the costs of capital formation will increase for the companies involved because they will not have ready access to the deep and liquid U.S. capital markets. Higher capital costs have implications for investor returns, economic development, and international trade.

**V. Conclusion**

46. For the reasons stated above, it is my opinion that the instant proceeding is inconsistent with the SEC's longstanding policies and amounts to selective prosecution; inconsistent with the continued registration of the Respondents with the PCAOB; and inconsistent with principles of international comity under which the SEC has long acted, including the SEC's own MOU and Terms of Reference for Cooperation and Collaboration and the very recent MOU the PCAOB concluded with the Chinese securities enforcement authorities. Particularly in light of this recently negotiated MOU, which provides the appropriate framework for obtaining the information that the Division seeks, sanctions against Respondents for the conduct alleged in this proceeding are inappropriate and unjustified.

Executed this 1st day of July, 2013

  
Paul S. Atkins

**PAUL S. ATKINS**

**PROFESSIONAL EXPERIENCE**

**Chief Executive Officer, Patomak Global Partners, LLC** **2009 to present**

Providing consulting services regarding securities and investment management industry matters, including strategy, regulatory compliance, crisis management, public affairs, and corporate governance; expert testimony; and independent reviews and examinations. Significant projects include:

- **Dodd-Frank Act Regulatory Advice.** Various projects assisting foreign and domestic financial services firms regarding salient aspects of the statute, including building a web-based catalogue of statutory provisions, developing an interactive calendar of agency actions and deadlines, formulating public comments, and providing regular advisory services regarding significant provisions.
- **European Regulatory Advice.** At client request, built a web-based capability to cover financial services regulatory developments in Europe, including both European Union and member country initiatives, and providing advisory services regarding various directives and proposals.
- **SEC/CFTC Regulatory and Corporate Affairs Advice.** Assisted clients in understanding and implementing SEC- and CFTC-related actions and with assessing related risks and opportunities.
- **Independent Reviews.** Conducted reviews of supervisory, compliance, and operational policies, procedures, and controls designed to identify and avoid regulatory violations.
- **Corporate Governance.** Various projects for publicly traded companies and trade associations regarding board duties and shareholder proposals.
- **Expert witness engagements** have included federal, state, and foreign litigation as well as SEC enforcement and arbitration/mediation proceedings.

**Non-Executive Chairman of the Board, BATS Global Markets, Inc.** **2012 to present**

Independent director and non-executive chairman of a non-public company that is a leading operator of electronic U.S. and European securities markets trading listed cash equity securities and listed equity options.

**Visiting Scholar, American Enterprise Institute for Public Policy Research** **2009 to present**

Writing and speaking regarding U.S. and international financial services regulation, accounting and auditing rules, and financial market structure.

**Congressional Oversight Panel for the Troubled Asset Relief Program (TARP)** **2009-2010**

Appointed by Congress as one of five panel members to provide accountability and transparency regarding the Treasury Department's commitments of funds through its various TARP activities.

**Commissioner, U.S. Securities and Exchange Commission** **2002-2008**

Twice appointed by President George W. Bush with Senate confirmations; duties included

- considering and voting on thousands of rule-related actions and enforcement matters;
- representing SEC at official functions, including President's Working Group on Financial Markets, Transatlantic Economic Council, Transatlantic Business Dialogue, European Parliamentary Financial Services Forum, World Economic Forum (Davos), and U.S. congressional hearings;
- serving as intermediary between the SEC and foreign jurisdictions regarding the extraterritorial effect of various proposed SEC rules and actions, with extensive interaction with European Union and foreign national securities and bank regulatory officials;

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- acting as official liaison between the SEC and the Commodity Futures Trading Commission and the North American Securities Administrators Association; and
- judging appeals of administrative and enforcement actions.

**Partner, PricewaterhouseCoopers LLP (and predecessor firm Coopers & Lybrand L.L.P.) 1994-2002**

Practice included providing consulting services on securities and investment management industry matters, especially regarding issues of strategy, regulatory compliance, risk management, new product development, and organizational control. Significant projects included:

- **President of Finance Company:** served as president of Resort Funding, Inc., a publicly traded time-share and real-estate finance company; tasks included stabilizing management, rationalizing operations, instituting effective internal controls, managing cash flows, reassuring existing lenders, negotiating new financing sources, and rebuilding and expanding customer relationships. Company's market capitalization increased by almost 2000% and company ultimately sold to Cendant.
- **Regulatory Compliance Consulting:** advisor to banks, securities firms, investment managers, and insurance companies in connection with business strategy, risk management, organizational structure, compliance, and policies and procedures, including focusing on issues such as internal controls, sales practices, registration and licensing, suitability, pricing and valuation, personal trading and conflicts of interest, portfolio management and trading, books and records, and operations.
- **Investigations:** assisted general and outside counsel of securities and investment management firms in context of potential SEC enforcement actions regarding incidents of conflicts of interest, fraud, and other regulatory violations by portfolio managers and other employees.
- **Technology-enhanced Solutions:** for several financial services firms, analyzed portfolio management and trading activities, including trade allocation and execution; implemented technology solutions for ongoing compliance and supervision, including automated platforms and web-based applications; used group-ware software in facilitated sessions to improve risk assessment and organizational management.
- **Bankruptcy of The Bennett Funding Group, Inc.:** advisor to the bankruptcy trustee in a \$1 billion "Ponzi" fraud, which affected more than 20,000 investors.
- **Deutsche Telekom A.G.:** advisor on the corporatization and privatization of the German telecommunications system, including listing and timing issues in four international markets, securities registration, disclosure, and organizational issues concerning divestment of operations.
- **International Financial Services Executive Partner:** focused on Coopers & Lybrand's global activities in the financial services industry, including developing client service strategies and new products such as Generally Accepted Risk Principles, a risk management benchmarking tool for financial services firms.

**Chief of Staff to Chairman Richard C. Breeden, U.S. Securities and Exchange Commission 1990-1993**

**Counsellor to Chairman Arthur Levitt, U.S. Securities and Exchange Commission 1993-1994**

Served as a senior advisor to two SEC chairmen on a wide variety of legal, legislative, policy, enforcement, regulatory, and administrative issues, including securities litigation reform, barriers to entry for small businesses to the capital markets, listing of foreign corporations in the United States, and co-operation and co-ordination with securities markets and regulators in developed and developing markets, including International Organization of Securities Commissions.

**Associate, Davis Polk & Wardwell, New York, N.Y., and Paris, France 1984-1990**

Practice focused on a wide range of corporate financing transactions, public offerings and private placements of securities, U.S. and European mergers and acquisitions, product and geographic expansion,

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and other capital raising exercises by U.S. and foreign entities, including assisting in the negotiation and execution of transactions and related regulatory advice for financial institutions. Clients included domestic and multinational banks, securities firms, investment managers, and industrial companies.

Resident for 2½ years in Paris office and admitted as *conseil juridique* in France, where practice focused on mergers and acquisitions, cross-border securities offerings, international investments and joint ventures, and general corporate advice, with an emphasis on representing European clients.

### **EDUCATION AND OTHER QUALIFICATIONS**

#### **Vanderbilt University School of Law (Nashville, Tennessee), J.D., 1983**

- Senior Student Writing Editor, *Vanderbilt Law Review*

#### **Wofford College (Spartanburg, South Carolina), A.B. *summa cum laude*, Phi Beta Kappa, 1980**

- Majors: English Literature and Accounting

**Professional Memberships:** New York and Florida Bars, Association of the Bar of the City of New York

**Trustee, American Council on Germany**

**2010 to present**

**Languages:** Proficient in written and spoken French and German



**SPEECHES, PUBLICATIONS, AND PRESENTATIONS**

- “SEC Should Reject Partisan Ploy: Opposing View,” *USA Today*, 1 May 2013
- “SEC Rule on Corporate Political Giving Too Extreme,” *Politico*, 3 February 2013
- Statement at the ICI Securities Law Developments Conference, December 12, 2012
- Remarks at the Money Market Funds Summit in Brussels, October 4, 2012
- “Mistaken Ideas about Money-Market Funds,” *The American*, 18 July 2012
- Testimony regarding “Fixing the Watchdog: Legislative Proposals to Improve and Enhance the SEC,” U.S. House of Representatives Committee on Financial Services, 15 September 2011 and Addendum to Statement, 14 October 2011
- Testimony regarding “Enhancing Investor Protection After The Financial Crisis,” U.S. Senate Committee on Banking, Housing, and Urban Affairs, 12 July 2011
- “TARP Was No Win for the Taxpayers,” op-ed with M. McWatters and K. Troske for *The Wall Street Journal*, 17 March 2011
- “SEC’s Sop to Unions,” op-ed for *The Wall Street Journal*, 27 August 2010
- “Trickle-down Retribution,” op-ed for *Forbes.com*, 9 July 2010
- Testimony regarding “Initiatives to Promote Small Business Lending, Jobs, and Economic Growth,” House Financial Services Committee, 18 May 2010
- Testimony regarding “Performance of the Treasury Department in Managing and Disposing of Stock Warrants Acquired through TARP,” Subcommittee on Oversight and Investigations, House Financial Services Committee, 11 May 2010
- “Great Moments in Financial Regulation,” op-ed for *The Wall Street Journal*, 28 April 2010
- “Too Big to Fail ... Or Save,” *The International Economy*, Spring 2010
- “The Wrong Lessons,” *Quantum*, January 2010
- “Tort Lawyers Target Mutual Funds,” op-ed for *The Wall Street Journal*, 2 November 2009
- Testimony regarding “Securities Market Regulation,” U.S. Senate Banking Committee, 26 March 2009
- “Evaluating the Mission: A Critical Review of the History and Evolution of the SEC Enforcement Program” in 8 *Fordham Journal of Corp. & Fin. Law* 367 (2008)
- “Stoneridge and the Rule of Law,” op-ed for *The Wall Street Journal*, 25 January 2008
- “Just Say ‘No’ to the Trial Lawyers,” op-ed for *The Wall Street Journal*, 9 October 2007
- “A Serious Threat to our Capital Markets,” op-ed for *The Wall Street Journal*, 10 June 2006
- “New Hedge Fund Rule would be a False Economy,” op-ed for the *Financial Times*, 25 October 2004
- In addition to the foregoing, I made speeches and statements as a Commissioner of the SEC, some of which may have been transcribed or placed on the SEC website.

## Appendix B

### Materials Considered

| Document   | Date       |
|--|------------|
| <b>Parties' Filings</b>  |            |
| SEC Reply Memorandum in Support of Its Renewed Application for Order Requiring Compliance with Subpoena Declaration of Donald Clarke (with exhibits)       | 5/30/2013  |
| Second Declaration of Donald Clarke  | 11/29/2012 |
| Respondent DTTC's Memorandum of Points and Authorities Opposing the SEC's Renewed Application for Order Requiring Compliance with a Subpoena               | 5/15/2013  |
| Declaration of Charles Lip Sai-Wo  | 4/11/2012  |
| Declaration of James Edward Jamison (with exhibits)  | 3/19/2013  |
| Declaration of James V. Feinerman (with exhibits)  | 4/11/2012  |
| Declaration of Professor Xin Tang (with exhibits)  | 4/11/2012  |
| Second Declaration of Professor Xin Tang (with exhibits)   | 5/15/2013  |
| Order Instituting Administrative Proceedings Pursuant to Rule 102(e)(1)(iii) of the SEC's Rules of Practice and Notice of Hearing                          | 12/3/2012  |
| Answer of Respondent Ernst & Young Hua Ming LLP in Response to Order Instituting Administrative Proceedings  | 1/7/2013   |
| Answer of Respondent BDO China Dahua CPA Co., Ltd. to Order Instituting Administrative Proceedings   | 1/7/2013   |
| Answer of Respondent KPMG Huazhen (Special General Partnership) to Order Instituting Administrative Proceedings  | 1/7/2013   |
| Answer of Respondent Deloitte Touche Tohmatsu Certified Public Accountants Ltd. to Order Instituting Administrative Proceedings                            | 1/7/2013   |
| Answer of Respondent PricewaterhouseCoopers Zhong Tian CPAs Limited Company to Order Instituting Administrative Proceedings                                | 1/7/2013   |
| Motion for Summary Disposition as to Certain Threshold Issues on Behalf of Respondent KPMG Huazhen (Special General Partnership) and Memorandum in Support | 2/1/2013   |
| Respondents' Motion for Summary Disposition as to Certain Threshold Issues and Memorandum in Support   | 2/1/2013   |
| Declaration of James V. Feinerman (with exhibits)  | 2/1/2013   |
| Respondent BDO China Dahua CPA Co., Ltd.'s Motion for Summary Disposition on Threshold Issues and Memorandum in Support                                    | 2/1/2013   |
| Respondent PWC Shanghai's Motion for Summary Disposition as to Certain Threshold Issues and Memorandum in Support  | 2/1/2013   |
| Respondent Ernst & Young Hua Ming LLP's Motion for Summary Disposition as to Certain Threshold Issues and Memorandum in Support                            | 2/1/2013   |

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| Division of Enforcement's Consolidated Opposition to Respondents' Motions for Summary Disposition as to Certain Threshold Issues (with attachments) | 2/22/2013 |
| Reply Memorandum in Support of Respondents' Motion for Summary Disposition as to Certain Threshold Issues   | 3/8/2013  |
| Supplemental Declaration of James V. Feinerman (with exhibits)  | 3/8/2013  |
| Order on Motions for Summary Disposition as to Certain Threshold Issues   | 4/30/2013 |
| Respondents' Consolidated Witness List  | 6/14/2013 |
| Division of Enforcement's Witness List  | 6/14/2013 |
| Respondent Ernst & Young Hua Ming LLP's Pre-Hearing Brief   | 6/24/2013 |
| Respondent DTTC's Pre-Hearing Brief   | 6/24/2013 |
| Respondent KPMG Huazhen's Pre-Hearing Brief   | 6/24/2013 |
| SEC Division of Enforcement Pre-Hearing Brief   | 6/24/2013 |

### **Cases and Statutes**

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|  |      |
|--|------|
| Sarbanes-Oxley Act of 2002   | 2012 |
| International Securities Enforcement Cooperation Act of 1990                   | 1990 |
| Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010              | 2010 |
| Securities Exchange Act of 1934  | 2012 |
| <i>Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.</i> , 130 S. Ct. 3138 | 2010 |

### **Memoranda of Understanding**

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|   |           |
|---|-----------|
| IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information  | 5/2002    |
| Memorandum of Understanding Between the United States Securities and Exchange Commission and the China Securities Regulatory Commission   | 4/28/1994 |
| Terms of Reference for the Cooperation and Collaboration Between the China Securities Regulatory Commission and the US Securities and Exchange Commission   | 5/2/2006  |
| Memorandum of Understanding on Enforcement Cooperation Between the Public Company Accounting Oversight Board of the United States and the China Securities Regulatory Commission and the Ministry of Finance of China | 5/10/2013 |

### **SEC Releases and Public Documents**

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|   |           |
|---|-----------|
| 1973 Annual Report  | 1973      |
| Letter from Japan FSA to PCAOB  | 3/28/2003 |
| Letter from Swiss Institute of Certified Accountants and Tax Consultants to PCAOB | 3/27/2003 |

## Appendix B

|  |            |
|--|------------|
| Order Approving Proposed Rules Relating to Registration System, SEC Release No. 34-48180   | 7/21/2003  |
| List of Cooperative Arrangements with Foreign Regulators   | 11/29/2012 |
| Barbara S. Thomas Speech, <i>Insider Trading: An Internal Problem with International Implications</i>                              | 3/11/1983  |
| Mary L. Schapiro Speech, <i>Enforcement Initiatives of the SEC: Internationalization</i>   | 9/20/1989  |
| Richard Y. Roberts Speech, <i>SEC Progress Towards Internationalization</i>  | 3/22/1991  |
| About OIA – International Enforcement Assistance   | 11/13/2012 |
| Kathleen L. Casey Testimony, <i>Concerning Continuing Oversight on International Cooperation to Modernize Financial Regulation</i> | 7/20/2010  |
| Answers About the PCAOB  | 1/16/2013  |
| No-action Letter from SEC to Ford Motor Credit   | 11/23/2010 |
| <b>PCAOB Public Documents</b>  |            |
| PCAOB Rule 2105  | 7/16/2003  |
| List of Registered Firms   | Undated    |
| Lewis H. Ferguson Speech, <i>Investor Protection through Audit Oversight</i>   | 9/21/2012  |
| About the PCAOB  | Undated    |
| KPMG Huazhen 2013 Form 2   | 6/21/2013  |
| BDO China Dahua CPA Co., Ltd. 2013 Form 2  | 6/19/2013  |
| Ernst & Young Hua Ming LLP 2013 Form 2   | 6/28/2013  |
| Deloitte Touche Tohmatsu Certified Public Accountants 2013 Form 2  | 6/28/2013  |
| PricewaterhouseCoopers Zhong Tian CPAs Limited Company 2013 Form 2   | 6/11/2013  |
| KPMG Huazhen 2012 Form 2   | 6/27/2012  |
| BDO China Dahua CPA Co., Ltd. 2012 Form 2  | 6/29/2012  |
| Ernst & Young Hua Ming Certified Public Accountants 2012 Form 2  | 6/26/2012  |
| Deloitte Touche Tohmatsu Certified Public Accountants Limited 2012 Form 2  | 6/28/2012  |
| PricewaterhouseCoopers Zhong Tian CPAs Limited Company 2012 Form 2   | 6/22/2012  |
| KPMG Huazhen Form 1  | 4/26/2004  |
| BDO Shenzhen Dahua Tiancheng CPAs Form 1   | 9/25/2005  |
| Ernst & Young Hua Ming Certified Public Accts Form 1   | 5/25/2004  |
| Deloitte Touche Tohmatsu CPA Ltd. Form 1   | 4/16/2004  |
| PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. Form 1   | 4/26/2004  |
| BDO Canada Form 1  | 4/19/2004  |
| Deloitte Touche Tohmatsu Auditores Independentes Form 1  | 4/20/2004  |
| Ernst & Young Terco Auditores Independentes S.S. Form 1  | 4/27/2004  |
| KPMG Auditores Independentes Form 1  | 5/10/2004  |

## Appendix B

PricewaterhouseCoopers Auditores Independentes (Form 1) 4/27/2004

### Articles

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|   |            |
|---|------------|
| John M. Doyle, <i>Breeden Wants to Cut Out Squabbles Over New Products</i>  | 12/19/1989 |
| SEC Historical Society, <i>The Imperial SEC?</i>  | Undated    |
| Michael Cohn, <i>PCAOB Signs Enforcement Cooperation Agreement with Chinese Regulators</i>  | 5/24/2013  |
| Ken Tysiac, <i>Pact Enables PCAOB, Chinese Regulators to Cooperate on Enforcement</i>   | 5/24/2013  |
| BBC News, <i>How Leeson Broke the Bank</i>  | 6/22/1999  |
| Thomas M. Shoosmith, <i>SEC Moves Against Accounting Firms – What Does This Mean for U.S.-Listed Chinese Companies?</i>                   | 12/5/2012  |
| O'Connor, Nemirow, and Boltz, Jr.; <i>SEC's Charges Against Chinese Affiliates of U.S.-Based Accounting Firms Have Broad Implications</i> | 4/15/2013  |
| Barbara S. Thomas, <i>Internationalization of the Securities Markets</i>  | 1982       |

### Miscellaneous

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|  |           |
|--|-----------|
| Interview with Edward Greene, General Counsel, SEC | 2/15/2008 |
| IOSCO, List of Members                             | Undated   |

**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 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 :

The Honorable Cameron Elliot,  
Administrative Law Judge

Respondents. :

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**EXPERT REPORT OF LAURA E. SIMMONS**

**I. Qualifications**

1. I am currently a Senior Advisor with Cornerstone Research, a consulting firm specializing in the analysis of complex finance, accounting, economics, and other business issues. I have over fifteen years of experience as a consultant with Cornerstone Research. During this tenure, I have analyzed a wide variety of issues, such as auditor liability, corporate governance matters, damages and liability for securities class actions, lost profit calculations, tax effects, and valuations. My experience includes extensive analysis of a broad range of datasets. I have been retained as an expert on matters involving financial accounting issues, modeling of securities portfolio performance, analysis of

project cost records, analysis of securities class action settlements, and the estimation of securities case damages. In addition, I have led Cornerstone Research's study of securities class action settlements, including the development of the related database and its analysis, since the inception of this research in 1996.

2. I previously served as an accounting faculty member at the College of William and Mary. Among other publications, I have authored research published in *Auditing: A Journal of Practice and Theory* and *The Journal of Accounting and Public Policy*. My research has focused on the empirical analysis of datasets. My educational background includes a Ph.D. in Accounting from the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill, an M.B.A. from the University of Houston, and a B.B.A. in Accounting from the University of Texas at Austin. I am a certified public accountant and, from 1986 – 1991, I was employed as an accountant with Price Waterhouse. My curriculum vitae is attached as **Appendix A** to this report.

## II. **Assignment**

3. I was retained by counsel for the Respondents to conduct research and analysis of certain topics, including the number and characteristics of accounting firms registered with the Public Company Accounting Oversight Board ("PCAOB") and located in the People's Republic of China ("China"), the number and characteristics of issuers of securities traded in the United States that either are incorporated in China or have significant operations in China, and the likely consequences of an order permanently barring Respondents from issuing audit reports or playing a 50 percent or greater role in the preparation or furnishing of

an audit report for issuers with securities traded in the U.S.<sup>1</sup> I understand that I may also be asked to respond to opinions offered by opposing experts. The materials that I have relied upon in preparing this report are listed in **Appendix B**.

### III. Summary of Opinions

4. The number of PCAOB-registered firms located in China has increased considerably since 2004, when firms first began registering. Among the 45 that are currently registered, only 11 were registered as of 2004. Although the number of registered firms has increased substantially, the number of firms actually performing audits of Chinese firms remains relatively low. Specifically, based on current data (as of June 30, 2013), only five firms other than the Respondents are classified as Category A firms, *i.e.*, firms that have issued an audit report for at least one issuer.
5. The vast majority of audit reports provided by PCAOB-registered firms located in China in 2012 for SEC registrants were issued by Respondents. Moreover, compared to the Respondents, the size of potential substitute firms—as measured by the number of Certified Public Accountants as well as the aggregate size of the issuers audited by the potential substitute firms—is considerably smaller.
6. The market capitalization of U.S. traded companies incorporated in China or with 100 percent of revenues or assets in China was substantial as of December 31, 2012 (exceeded \$640 billion). The market capitalization of firms incorporated outside of China with at least 50 percent (but less than 100 percent) of revenues or assets in China was also substantial as of December 31, 2012 (exceeded \$90

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<sup>1</sup> Division of Enforcement's Pre-Hearing Brief, Administrative Proceeding File Nos. 3-15116, filed June 24, 2013.



billion). Accordingly, the combined market capitalization for these two groups exceeded \$730 billion, of which approximately \$720 billion was audited by the Respondents and their network affiliates.

7. Academic literature supports that larger accounting firms are associated with higher quality audits, including an enhanced ability to provide specialized industry expertise. Moreover, academic literature supports that there are significant costs to changing auditors in general, and particularly for switching to smaller audit firms.
8. Academic literature also supports that there are significant costs to issuer firms as a result of delisting from U.S. stock exchanges. Applying the findings in the academic literature to issuers that may be affected by the outcome of this matter, the predicted decline in value of their shares around their delisting date is \$115 billion.

#### **IV. Basis for Opinions**

##### **A. Methodology**

9. The data and the methodology that I applied in my analyses are described in **Appendix C**.

##### **B. PCAOB-Registered Firms Located in China**

10. I was asked to collect and analyze data on PCAOB-registered firms located in China. See Appendix C for specifics regarding the data sources and methodology for this analysis. For purposes of the analysis set forth herein, I excluded three

PCAOB-registered firms that were listed on the PCAOB's website under "China" because they are actually located in Hong Kong.<sup>2</sup>

11. According to information available on the PCAOB's website, the number of firms located in China that were registered with the PCAOB increased significantly between 2004 and 2012. In 2004, a total of 11 firms registered with the PCAOB, including Respondents Deloitte Touche Tohmatsu Certified Public Accountants Ltd. ("DTTC"), PricewaterhouseCoopers Zhong Tian CPAs Limited ("PwC Shanghai"), Ernst & Young Hua Ming LLP ("EYHM"), and Huazhen (Special General Partnership) ("KPMG Huazhen"). Respondent Dahua CPA Co., Ltd. ("Dahua") (formerly known as BDO China Dahua CPA Co., Ltd.) registered with the PCAOB in 2006.

12. According to the PCAOB's website as of June 30, 2013, a total of 45 firms located in China are currently registered with the PCAOB. Exhibit 1 presents the following information for each of these 45 firms as reflected on the PCAOB website or as reported in the firm's Annual Reports (Form 2) for the 2012 reporting year:

- (i) date of the firm's registration with the PCAOB;
- (ii) the category according to the PCAOB's classification;
- (iii) the reported number of audit reports issued by the firm;
- (iv) the reported number of audit reports in which the firm played a "substantial role";<sup>3</sup>

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<sup>2</sup> Those three firms were: Anthony Kam & Associates Limited, KPMG [Hong Kong], and Zhen Hui Certified Public Accountants.

- (v) whether Item 9.1 (Affirmation of Understanding of, and Compliance With, Consent Requirements) on the firm's Annual Report (Form 2) was complete; and
- (vi) the reported total number of certified public accountants employed by the firm.

Exhibit 1 also lists the aggregate market capitalization of the issuers identified by each firm in its Annual Report (Form 2) for which the PCAOB-registered firm issued an audit report and for which the PCAOB-registered firm played a substantial role in the audit. As described in Appendix C, these amounts were obtained from Capital IQ as of the end of the PCAOB's 2012 reporting period (March 31, 2012).

13. Note that a firm that issues an audit opinion in a given year is not required to also provide the number of audit reports in which it played a substantial role in its Form 2.<sup>4</sup> For example, none of the four Respondents that issued audit reports identified any substantial role work in their Form 2s. As a result, the actual number of audit reports in which Category A firms played a substantial role is likely understated in Exhibit 1.

14. As described above, Exhibit 1 lists the PCAOB category for each firm.

According to the PCAOB, Category A consists of firms that have issued an audit report for at least one issuer. Category B consists of firms that have not issued

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<sup>3</sup> Under PCAOB Rule 1001 p(ii), to "play a substantial role" in an audit report means

(1) to perform material services that a public accounting firm uses or relies on in issuing all or part of its audit report with respect to any issuer, or

(2) to perform the majority of the audit procedures with respect to a subsidiary or component of any issuer the assets or revenues of which constitute 20% or more of the consolidated assets or revenues of such issuer necessary for the principal accountant to issue an audit report on the issuer.

<sup>4</sup> The instructions to Item 4.2 (Audit Reports With Respect to Which the Firm Played a Substantial Role During the Reporting Period) in Form 2 state: "If the Firm identifies any issuer in response to Item 4.1 [Audit Reports Issued By The Firm], the Firm need not respond to Item 4.2."

audit reports for issuers but have played a substantial role in the audit of at least one issuer. Category C consists of firms that have issued no audit reports for issuers and have not played a substantial role in any issuer audits, but issued a report on the financial statements of at least one broker-dealer. Category D consists of firms that do not fall into any of the prior categories. Category E consists of firms that have not yet filed an Annual Report (Form 2).

15. Information for the 2011 and 2010 reporting years is presented in Exhibits 2 and 3, respectively. As discussed above, these exhibits likely understate the actual number of audit reports in which Category A firms played a substantial role.
16. Exhibit 4 recaps the data in Exhibits 1 through 3, with the firms broken into three primary groups. The first group consists of the Respondents. The remaining two groupings are intended to distinguish (i) firms that have indicated their inability to produce documents to the SEC and/or PCAOB under Chinese law (or otherwise) from (ii) firms that have not.<sup>5</sup> The next group—referred to herein as “Other Non-Consenting Firms”—consists of 4 firms that, like Respondents, did not complete Item 9.1 (Affirmation of Understanding of, And Compliance With, Consent Requirements) in their Annual Reports (Form 2) for the 2012 reporting year. The last group—called “Potential Substitute Firms”—consists of firms that provided affirmation of consent by completing Item 9.1 in their most recent Form 2 or in Item 8 on their Form 1 and is broken into subcategories corresponding to PCAOB Categories A through E. For ease of reference, Exhibit 5 further summarizes the data in Exhibit 4.

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<sup>5</sup> I have not considered whether the Potential Substitute Firms would in fact be able to produce documents to the SEC and/or PCAOB under Chinese law (or otherwise). That issue is beyond the scope of this report and my expertise.

17. The data reported in Exhibit 4 and Exhibit 5 suggest that Respondents have substantially more experience issuing audit reports than either the Other Non-Consenting Firms or the Potential Substitute Firms. In 2012, Respondents were responsible for almost all of the audit work performed by PCAOB-registered firms located in China in terms of the number of audit reports issued. For example, in 2012, Respondents together issued 100 audit reports for issuers. The Other Non-Consenting Firms issued only 8, and the Potential Substitute Firms issued only 3.
18. Similarly, Respondents were responsible for the majority of the audits in which a substantial role was reported by a PCAOB-registered firm located in China. According to the 2012 Form 2 reports, Respondents played a substantial role in the audits of at least 25 issuers. The Other Non-Consenting Firms did not play a substantial role in any audits, and the Potential Substitute Firms reported that they played a role in 18. Data for 2011 and 2010 shows similar results. As previously noted, firms issuing an audit opinion in a given year (Category A firms) are not required to also provide the number of audit reports in which they played a substantial role. Accordingly, with the exception of KPMG Huazhen (a Category B firm) the number of audit reports in which the Respondents played a substantial role is likely to be understated. This is also true for the Category A firms that are not Respondents.
19. Respondents were also responsible for the majority of audit work in terms of the aggregate size of the issuers audited. For 2012, the aggregate market capitalization of the issuers for which Respondents issued audit reports or in

whose audits they played a substantial role was \$553 billion. The aggregate market capitalization of issuers audited by all other firms combined was only \$121 billion. Data for 2011 and 2010 shows a similar pattern.

20. Second, Respondents as a group are much larger in size than other categories of PCAOB-registered firms located in China. For 2012, the median number of certified public accountants employed by Respondents was 974; for the Other Non-Consenting Firms, it was 373; for the Potential Substitute Firms, it was 24.

21. I understand that the SEC's Division of Enforcement has requested an order permanently barring Respondents from (i) issuing audit reports and (ii) performing audit work that will be used or relied on by a principal auditor in the issuance of an audit report if (a) that audit work comprises 50 percent or more of the principal auditor's total hours or fee or (b) relates to 50 percent or more of the issuer's revenues or assets.<sup>6</sup> Such an order would prohibit Respondents from continuing to perform the majority of the audit work reported by them in their Form 2s (as well as audit work not reported on their Form 2s due to the fact that firms that have issued an audit opinion are not required to also provide the number of audit reports in which they played a substantial role).

22. An effect of such an order would be to require the affected issuers to attempt to engage new auditors to replace Respondents. (Data on issuers that would likely be affected by the order is discussed in section C, below.) As noted below, academic literature shows that changing auditors can impose significant costs on an issuer. These costs include search costs, renegotiation costs, time to educate a

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<sup>6</sup> Division of Enforcement's Pre-Hearing Brief, Administrative Proceeding File Nos. 3-15116, filed June 24, 2013.

new auditor, and a potential negative market reaction to the switch. These costs may be greater if the change occurs near the end of an issuer's fiscal year or shortly before the due date of its annual report.

23. Accounting firms consider risk before accepting new audit clients. Accordingly, it is unlikely that the Other Non-Consenting Firms would be willing to take over the audit work currently performed by Respondents. Specifically, by withholding consents on either Item 8.1 (Consent to Cooperate With the Board and Statement of Acceptance of Registration Condition) of their Application for Registration (Form 1) or Item 9.1 (Affirmation of Understanding of, And Compliance With, Consent Requirements) in their Annual Reports (Form 2), these firms have indicated that they cannot provide the affirmation without violating non-U.S. law. The initiation of these proceedings is likely to have highlighted to these firms the substantial risks associated with auditing U.S. issuers in the current environment. Moreover, the Other Non-Consenting Firms have substantially less experience issuing audit reports than the Respondents. Together, these firms issued audit reports for only 8 issuers. They are also substantially smaller in size than Respondents.

24. The Category A and B Potential Substitute Firms are also substantially less experienced in providing audit reports and substantially smaller than the Respondents. As shown in Exhibits 4 and 5, only three of these firms have ever issued an audit report for an SEC registrant. Together, in 2012, these firms audited only 3 issuers and employed 232 CPAs. Further, in 2012, six category B firms played a substantial role in an audit of an issuer (but had not issued an audit

report). Together, these six firms played a substantial role in the audits of 18 issuers and employed 1,206 CPAs. In comparison, as reported in the 2012 Form 2s, Respondents employed nearly 6,000 CPAs, issued audit reports for 100 issuers, and played a substantial role in the audits of an additional 25 issuers.

25. Exhibit 6 compares the number of audit reports issued by Category A Respondents and Category A Potential Substitute Firms over the past 3 years. As shown in the exhibit, the Respondents have substantially more experience issuing audit reports than the Potential Substitute Firms. The Potential Substitute Firms are also considerably smaller in size than Respondents, as measured by number of Certified Public Accountants. Implications of the difference in size and experience between the Respondents and the Potential Substitute Firms are discussed in Section E.

26. Exhibit 7 compares the aggregate market capitalization of issuers audited by Category A Respondents and Category A Potential Substitute Firms over the past 3 years. As shown in the exhibit, the total market capitalization of firms audited by the Respondents is substantially larger than that for the Potential Substitute Firms.

**C. Issuers Incorporated in China or with Significant Operations in China**

27. I was also asked to collect and analyze data on current issuers of equity securities traded in the United States that either (i) are incorporated in China or (ii) regardless of where incorporated, have 50 percent or more of their revenues or assets in China (based on their 2012 financial information). See Appendix C for discussion of the sources used and methodology applied to prepare this analysis.



28. For purposes of this analysis, I will refer to issuers that either are incorporated in China or have 100 percent of their revenues or assets in China as “Chinese Issuers.” Chinese Issuers include, for example, PetroChina Co. Ltd. (incorporated in China) and Sohu.com Inc. (incorporated in the United States, with 100 percent of its revenues and assets in China).
29. I will refer to issuers that are incorporated outside of China but have 50 percent or more (but less than 100 percent) of their revenues or assets in China as “Multinational Corporations.” Multinational Corporations include, for example, Baidu, Inc. (incorporated in the Cayman Islands, with more than 99 percent of its revenues in China) and Yum! Brands, Inc. (incorporated in the United States, with over 50 percent of its revenues in China).
30. Exhibit 8 presents detailed data on Chinese Issuers. See Appendix C for discussion of the sources used and methodology applied to prepare this analysis. For purposes of analysis, Exhibit 8 excludes 226 companies that are traded on the over-the-counter market and not on an exchange or the OTC Bulletin Board.
31. Exhibit 8 shows that 169 Chinese Issuers are currently traded on U.S. exchanges or OTC Bulletin Board and have an aggregate market capitalization as of December 31, 2012, of over \$643 billion. These companies include 7 companies that had a market capitalization in excess of \$10 billion and 1 whose market capitalization exceeded \$250 billion at that time. The accounting firm for all but 1 of these 7 companies was a Respondent or a network affiliate of a Respondent. Some of these Chinese Issuers (including China Life Insurance Co. Ltd., China

Telecom Corp. Ltd., China Unicom (Hong Kong) Limited, and Aluminum Corporation Of China Limited) are in the Fortune Global 500.

32. Exhibit 9 presents detailed data on Multinational Corporations. See Appendix C for discussion of the sources used and methodology applied to prepare this analysis. For purposes of analysis, Exhibit 9 excludes 84 companies that are traded on the over-the-counter market and not on an exchange or the OTC Bulletin Board.
33. Exhibit 9 shows that 35 Multinational Corporations are currently traded on U.S. exchanges or OTC Bulletin Board and had an aggregate market capitalization in excess of \$92 billion as of December 31, 2012. Three of these companies had market capitalizations exceeding \$10 billion as of that date, including Baidu, Inc., Yum! Brands, Inc., and LG Display Co., Ltd. Two of these Multinational Corporations are in the Fortune U.S. 500: Yum! Brands, Inc. and Advanced Micro Devices, Inc. Seven of the ten largest Multinational Corporations on Exhibit 9 have more than 50 percent of their outstanding shares held by institutional investors.
34. Note that Exhibits 8 and 9 may understate the actual number of Chinese Issuers and Multinational Corporations. As discussed in Appendix C, only revenues or assets in a specific geographic segment for “China” were included as revenues or assets in China. Companies for which data was listed using less a specific geographic segment (for example, “Asia-Pacific”) were not included.
35. For ease of reference, Exhibit 10 summarizes the data set forth in Exhibits 8 and 9. In summary, 204 companies with an aggregate market capitalization of

almost \$736 billion are traded in the U.S. that are either (i) incorporated in China or (ii) have 50 percent or more of their assets or revenues in China. Of this amount, Respondents issue audit reports for approximately \$83 billion of the company market capitalization, and their network affiliates issue audit reports for an additional \$637 billion; thus, the potential consequences of the outcome of this matter extend to companies with approximately \$720 billion in market capitalization. Exhibit 11 presents this information in a bar chart.

36. Exhibit 12 lists the subset of the Chinese Issuers and Multinational Corporations in Exhibits 8 and 9 whose securities are primarily traded in the United States. See Appendix C for discussion of the sources used and methodology applied to prepare this analysis. As shown, a total of 187 companies with an aggregate market capitalization of \$130 billion are primarily traded in the United States.

**D. Registrations and Equity Offerings by Chinese Issuers in 2012 and the First Half of 2013**

37. Several of the Chinese Issuers listed on Exhibit 8 first registered securities with the Securities and Exchange Commission and conducted public equity offerings after January 1, 2012. For example, YY Inc. and LightInTheBox Holding Co., Ltd. conducted initial public offerings in November 2012 and June 2013, respectively; Vipshop Holdings Ltd., conducted an initial public offering in March 2012 and a secondary offering in March 2013. See Exhibit 13 for details of these offerings. The exhibit shows that throughout 2012 and the first half of 2013, the SEC continued to approve security offerings by Chinese Issuers.

**E. Impact on Issuers and Investors From Changes in Audit Firms and Delisting**

38. I was asked to opine on potential effects on issuers and investors from

(i) changing audit firms and (ii) delisting from exchanges.

39. Academic research has established that larger audit firms have a reputation for performing higher quality audits than smaller firms.<sup>7</sup> Larger firms are also able to invest more in training, technology, etc., thereby allowing them to execute audits more efficiently.<sup>8</sup>

40. As a result, changing from a large, well-known audit firm to a smaller, less-well-known audit firm has several negative effects that are documented in academic literature. First, companies generally experience an increase in the cost of debt.<sup>9</sup> This effect is particularly pronounced for newer companies, where monitoring by audit firms is seen as being more important.<sup>10</sup> Second, companies experience negative effects on their share prices in the form of a statistically significant stock price decline upon announcement of a change to a smaller auditor,<sup>11</sup> as well as

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<sup>7</sup> DeAngelo, Linda Elizabeth, "Auditor size and audit quality," *Journal of Accounting and Economics*, Vol. 3, No. 3, (1981), 197. Lennox, Clive S., "Audit quality and auditor size: An evaluation of reputation and deep pockets hypotheses," *Journal of Business Finance & Accounting*, Vol. 26, No. 7-8 (1999), 779-805. Francis, Jere R., and Dechun Wang, "The joint effect of investor protection and big 4 audits on earnings quality around the world," *Contemporary Accounting Research*, Vol. 25, No. 1 (2008), 157-191.

<sup>8</sup> Chaney, Paul, Deborah Jeter, and Lakshmanan Shivakumar, "Self-Selection of Auditors and Audit Pricing in Private Firms," *The Accounting Review*, Vol. 79, No. 1, (2004), p. 53.

<sup>9</sup> Mansi, Sattar A., William F. Maxwell, and Darius P. Miller, "Does auditor quality and tenure matter to investors? Evidence from the bond market," *Journal of Accounting Research*, Vol. 42, No. 4 (2004), p. 778.

<sup>10</sup> Pittman, Jeffrey A., and Steve Fortin, "Auditor choice and the cost of debt capital for newly public firms," *Journal of Accounting and Economics*, Vol. 37, No. 1 (2004), p. 128.

<sup>11</sup> Knechel, Robert W., Vic Naiker, and Gail Pacheco, "Does Auditor Industry Specialization Matter? Evidence from Market Reaction to Auditor Switches," *Auditing: A Journal of Practice & Theory*, Vol. 26, No. 1 (2007), p. 30.

reduced market responses to positive earnings surprises (which has been attributed to investors placing less value on audited results).<sup>12</sup>

41. It should be noted that the above costs are in addition to the costs associated with changing auditors in general. These costs include search costs, renegotiation costs, time to educate a new auditor, and a potential negative market reaction to the switch.<sup>13</sup>
42. The costs of switching auditors have not only been studied in the academic literature, but have also been documented in a study conducted by the United States General Accounting Office (GAO) in conjunction with consideration of mandatory audit firm rotation. Specifically, in November 2003, the GAO released its report "Required Study on the Potential Effects of Mandatory Audit Firm Rotation."<sup>14</sup> The GAO surveyed public accounting firms and Fortune 1000 publicly-traded firms and concluded that the costs of mandatory audit rotation (*i.e.*, increased auditor switching) would exceed the benefits. Specific effects noted by participants in the survey included higher long-term audit fees, as well as

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<sup>12</sup> Teoh, Siew Hong, and T. J. Wong. "Perceived auditor quality and the earnings response coefficient," *Accounting Review* (1993), pp. 363-364.

<sup>13</sup> Chaney, Paul K., and Kirk L. Philipich, "Shredded reputation: The cost of audit failure," *Journal of Accounting Research*, Vol. 40, No. 4, (2002). See also, Barton, Jan. "Who Cares about Auditor Reputation?" *Contemporary Accounting Research*, Vol. 22, No. 3 (2005), 549-586. Blouin, Jennifer, Barbara Murray Grein, and Brian R. Rountree, "An analysis of forced auditor change: The case of former Arthur Andersen clients." *The Accounting Review*, Vol. 82, No. 3 (2007), pp. 621-650.; U.S. General Accounting Office (GAO), 2003, *Accounting Firm Consolidation. Selected Large Public Company Views on Audit Fees, Quality, Independence, and Choice*, GAO-03-1158, Washington, DC: GAO; U.S. General Accounting Office (GAO), 2003, *Mandatory Audit Firm Rotation Study, Study Questionnaires, Responses, and Summary of Respondents Comments*, GAO-04-217, Washington, DC: GAO.

<sup>14</sup> See [www.gao.gov/cgi-bin/getrpt?GAO-04-216](http://www.gao.gov/cgi-bin/getrpt?GAO-04-216).

selection costs and additional initial year support costs incurred by the publicly traded firms.<sup>15</sup>

43. Research also demonstrates that industry knowledge directly affects “an auditor’s ability to assess audit risk, detect errors and misstatements, and improve earnings quality.”<sup>16</sup> Accordingly, when companies switch from auditors with specialized industry knowledge to auditors without relevant industry expertise, the stock market response is negative. For example, Knechel et al. (2007) find significant stock price declines in response to companies switching from auditors with industry specialization to auditors who are not industry specialists. Even more negative stock price responses are found when companies switch from a Big 4 firm with industry specialization to a non-Big 4 auditor that is not an industry specialist.<sup>17</sup>
44. Generally, large accounting firms have an advantage in developing significant industry expertise. This is in part due to the fact that they are able to invest more in training, as well as the fact that auditors with larger market shares are naturally able to develop greater industry-specific expertise and knowledge.<sup>18</sup> Moreover,

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<sup>15</sup> See U.S. General Accounting Office, *Mandatory Audit Firm Rotation Study, Study Questionnaires, Responses, and Summary of Respondents’ Comments*, February 2004.

<sup>16</sup> Knechel, Robert W., Vic Naiker, and Gail Pacheco, “Does Auditor Industry Specialization Matter? Evidence from Market Reaction to Auditor Switches,” *Auditing: A Journal of Practice & Theory*, Vol. 26, No. 1 (2007), p. 20. See also Krishnan, G. V., “Does Big 6 auditor industry expertise constrain earnings management?” *Accounting Horizons*, Vol. 17 (Supplement): 1–16; Balsam, S., J. Krishnan, and J. G. S. Yang, “Auditor industry specialization and the earnings response coefficient,” *Auditing: A Journal of Practice & Theory*, No. 22 (2003): 71–97; Owhoso, V. E., W. F. Messier Jr., and J. G. Lynch Jr., “Error detection by industry-specialized teams during sequential audit review,” *Journal of Accounting Research*, 40(3) 883–900 (2002); Maletta, M., and A. Wright, “Audit evidence planning: An examination of industry error characteristics,” *Auditing: A Journal of Practice & Theory*, Vol. 15 (1996): 71–86.

<sup>17</sup> Knechel, Robert W., Vic Naiker, and Gail Pacheco, “Does Auditor Industry Specialization Matter? Evidence from Market Reaction to Auditor Switches,” *Auditing: A Journal of Practice & Theory*, Vol. 26, No. 1 (2007), p. 39-40.

<sup>18</sup> Mayhew, Brian and Michael Wilkins, “Audit Firm Industry Specialization as a Differentiation Strategy: Evidence from Fees Charged to Firms Going Public,” *Auditing: A Journal of Practice & Theory*, Vol. 22, No. 2 (2003), p. 33.

the large global audit firm networks create “multidisciplinary industry specialist teams supported by global knowledge management databases and common industry-specific work programs and training.”<sup>19</sup> As shown in Exhibit 14, the Respondents have experience issuing audit opinions across a wide variety of industries, whereas the Potential Substitute Firms have experience issuing audit reports in only 2 of the 10 industry categories shown.

45. Finally, issuers that are unable to engage new auditors to replace Respondents (or unable to engage them quickly enough to file timely financials statements) could be delisted from the U.S. exchanges on which they are currently traded. Academic research has documented that a company’s delisting from a U.S. exchange has a substantial negative impact on its stock price and, thus, on investors. Specifically, academic research documents that the stock prices of companies that are delisted from an exchange and forced to trade on the “Pink Sheets” and other over-the-counter markets (regardless of the reason) experience a significant decline.<sup>20</sup> The research has found that the average drop is 50 percent for stocks listed on the NYSE and 19 percent for stocks listed on the Nasdaq.

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<sup>19</sup> Carson, Elizabeth, “Industry Specialization by Global Audit Firm Networks,” *The Accounting Review*, Vol. 84, No. 2 (2009), p. 356.

<sup>20</sup> See Macey, Jonathan, Maureen O’Hara, and David Pompilio, “Down and out in the stock market: The law and economics of the delisting process,” *Journal of Law and Economics*, Vol. 51, No. 4 (2008), p. 685 and Harris, Jeffrey, Venkatesh Venky Panchapagesan, and Ingrid Werner, “Off but not gone: a study of Nasdaq delistings,” *Fisher College of Business Working Paper*, (2008), p. 15. Also see Bushee, Brian J., and Christian Leuz, “Economic consequences of SEC disclosure regulation: evidence from the OTC bulletin board,” *Journal of Accounting and Economics*, Vol. 39, No. 2, (2005): 233-264; Leuz, Christian, Alexander Triantis, and Tracy Yue Wang, “Why do firms go dark? Causes and economic consequences of voluntary SEC deregistrations,” *Journal of Accounting and Economics*, Vol. 45, No. 2 (2008): 181-208.

This price decline is in addition to other negative effects such as increased spreads and volatility.<sup>21</sup>

46. As of December 31, 2012, the total market value of the outstanding U.S.-traded shares of the companies in Exhibits 8 and 9 was \$271 billion.<sup>22</sup> Of the \$271 billion, approximately \$206 billion of market capitalization was listed on the NYSE, \$63 billion was listed on the Nasdaq, and a little over a billion traded on the OTC Bulletin Board. Accordingly, applying the findings in the academic literature described above to these companies,<sup>23</sup> the predicted decline in value of these shares around their delisting date is \$115 billion (*i.e.*, investors could incur losses of that amount).<sup>24</sup>

I declare under penalty of perjury that the foregoing is true and correct.



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Laura E. Simmons

Dated: July 1, 2013

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<sup>21</sup> Macey, Jonathan, Maureen O'Hara, and David Pompilio, "Down and out in the stock market: The law and economics of the delisting process," *Journal of Law and Economics*, Vol. 51, No. 4 (2008), p. 685.

<sup>22</sup> Calculated as the sum of the market values of the U.S. traded securities for each company listed in the Exhibits as of December 31, 2012. The market value of each security is calculated as the product of the security price and number of shares outstanding as of December 31, 2012. Data on security price and number of shares outstanding were obtained from Bloomberg and identified by the Ticker. If price or shares outstanding data are not available as of December 31, 2012, but Bloomberg provides market capitalization data for the entire company on that date, prior price or shares outstanding data most recent to December 31, 2012 were used to calculate the market value of the U.S. traded securities. If market capitalization data for the entire company was not available as of December 31, 2012, the company was not included in the calculation.

<sup>23</sup> To be conservative, I have assumed no drop for the stocks listed on the OTC Bulletin Board.

<sup>24</sup> The foregoing analysis estimates the potential impact on investors of delisting of the U.S.-traded shares of the companies in Exhibits 8 and 9 and assumes that those shares would continue to be traded in over-the-counter markets. In addition, it does not address the potential impact on investors of deregistration of those companies by the SEC.



# Appendix A

**Laura E. Simmons, Ph.D., CPA**  
**Senior Advisor**  
**Cornerstone Research**

1919 Pennsylvania Avenue, N.W. Suite 600 • Washington, D.C. 20006  
[REDACTED] • 202.912.8998 • fax 202.912.8999  
[lsimmons@cornerstone.com](mailto:lsimmons@cornerstone.com)

## ACADEMIC BACKGROUND AND CERTIFICATION

- 1992 – 1996 **Kenan-Flagler Business School - The University of North Carolina at Chapel Hill**  
Ph.D., Accounting
- 1991 – 1992 **The University of Houston**  
MBA
- 1982 – 1986 **The University of Texas at Austin**  
BBA in Accounting
- 1989 **Certified Public Accountant**  
Currently licensed in the Commonwealth of Virginia

## PROFESSIONAL EXPERIENCE

- 2008 – Present **Cornerstone Research**  
*Senior Advisor*  
Serve as consulting and/or testifying expert addressing financial and economic issues arising in complex litigation. Primary areas of focus are securities litigation, ERISA litigation, and regulatory matters. Lead firm's published research on securities class action settlements.
- 2008 – 2011 **College of William & Mary**  
*Assistant Professor of Accounting*  
Courses Taught in Masters of Accounting Program: Equity Valuation and Financial Statement Modeling; Financial Statement Analysis
- 2007 – 2008 **Old Dominion University**  
*Adjunct Professor and Visiting Assistant Professor of Accounting*  
Course Taught in MBA Program: Accounting for Managers
- 1996 – 2007 **Cornerstone Research**  
*Principal*  
Managed consulting projects and/or served as testifying expert analyzing financial and economic issues arising in securities litigation, ERISA litigation, financial institution matters, and other business litigation.
- Examples of case experience include:  
Damage and liability analyses for equity and fixed income securities cases.  
Liability analyses for ERISA company stock cases.  
Analysis of accounting and auditing liability issues in various types of litigation.  
Evaluations of board of director performance.  
Forensic accounting analyses for the purpose of determining lost profits.  
Predictions of settlement outcomes in securities lawsuits.

**PROFESSIONAL EXPERIENCE, CON'T.**

**Expert Testimony**

Deposition:

- In re: MIVA, Inc. Securities Litigation, No. 2:05-cv-00201-FtM-29DNF (U.S. District Court for the Middle District of Florida), 2009.
- In re: Cendant Corporation Securities Litigation, No. 98-CV-1664 (WHW) (U.S. District Court for the District of New Jersey), 2007.
- John K. Castle, et al. v. United States of America, No. 90-1291C (United States Court of Federal Claims), 1998.

Arbitration:

- Autopista Concesionada de Venezuela, C.A. v. Republica Bolivariana de Venezuela, ICSID Case No. ARB/00/5, (International Centre for Settlement of Investment Disputes), 2002.

Affidavit:

- In the Matter of Hawaiian Airlines, Inc., United States Securities and Exchange Commission (File No. SF-2694), 2004.
- In re Complete Management Inc. Securities Litigation, No. 99 Civ. 1454 (United States District Court, Southern District of New York), 2002.
- Cypress Semiconductor Corporation v. Kevin J. Yourman, et al., No. CV769275 (Superior Court of the State of California), 1999.

1986 – 1991    **Price Waterhouse**

Conducted audits for public and private firms in various industries including financial institutions, technology, and publishing. Assisted clients with 1933 and 1934 Act filings with the Securities and Exchange Commission. Conducted special service engagements for financial institutions and the FDIC.

**RESEARCH AND PUBLICATIONS**

- The Tenth Anniversary of SOX: Its Impact and Implications for Future Securities Litigation and Regulatory Enforcement Activity, *Bloomberg BNA Corporate Accountability Report*, July 13, 2012, Vol. 10 (28), with Elaine Harwood.
- Securities Class Action Settlements Decline, but Accounting Issues Remain, *Executive Counsel*, June/July 2012, with Matt G. Armstrong.
- What Makes Securities Class Actions with Accounting Allegations Different? *ABA Professional Liability Litigation*, Spring/Summer 2011, Vol. 7 (1), with Elaine Harwood and Adoria Lim.
- The Aftermath of Public Attention on Accounting Improprieties: Effects on Securities Class Action Settlements, *Journal of Accounting and Public Policy*, January/February 2011, 22-49.
- Auditors' Assessment and Incorporation of Expectation Precision in Evidential Analytical Procedures, *Auditing: A Journal of Practice and Theory*, May 2007, with Linda S. McDaniel.
- Expanding Financial Statement Loss Contingency Disclosures: An Examination of Firms' Disclosure Choices under SFAS No. 5, Working Paper.

**RESEARCH AND PUBLICATIONS, CON'T.**

- Securities Class Action Settlements: 2012 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2013.
- Securities Class Action Settlements: 2011 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2012.
- Securities Class Action Settlements: 2010 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2011.
- Securities Class Action Settlements: 2009 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2010.
- Securities Class Action Settlements: 2008 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2009.
- Securities Class Action Settlements: 2007 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2008.
- Securities Class Action Settlements: 2006 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2007.
- Post-Reform Act Securities Settlements: 2005 Review and Analysis, with Ellen M. Ryan, Cornerstone Research, 2006.
- Post-Reform Act Securities Settlements: Updated Through December 2004, with Ellen M. Ryan, Cornerstone Research, 2005.
- Post-Reform Act Securities Lawsuits: Settlements Reported Through December 2003, with Ellen M. Ryan, Cornerstone Research, 2004.
- Post-Reform Act Securities Lawsuits: Settlements Reported Through December 2002, with Ellen M. Ryan, Cornerstone Research, 2003.
- Post-Reform Act Securities Lawsuits: Settlements Reported Through December 2001, Cornerstone Research, 2002
- Securities Lawsuits: Settlement Statistics for Post-Reform Act Cases, Cornerstone Research, 1999.
- Securities Lawsuits: Settlement Statistics for 10b-5 Cases, Cornerstone Research, 1997.
- Doctoral Dissertation: *Rule 10b-5 Litigation: An Examination of Merit and Nonmerit-Based Factors Associated with Litigation Outcomes*

**PUBLIC SUBMISSIONS**

Submission of Comments to the FASB Regarding Exposure Draft: "Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141(R)," August 7, 2008, co-authored with J.A. Grundfest.

**INVITED PRESENTATIONS, HONORS, AND PROFESSIONAL ACTIVITIES**

- Speaker, *2012 Securities Update*, Goodwin Proctor, February 2013, Boston, MA.
- Panelist, *The Tenth Anniversary of SOX: Its Impact and Implications for Future Litigation*, Washington D.C., June 2012
- Panelist, *Forensic Accounting/Accounting Issues in Litigation*, William & Mary, September, 2011.
- Moderator, *Panel on Forensic Accounting/Accounting Issues in Litigation*, William & Mary, September 2010.

**INVITED PRESENTATIONS, HONORS, AND PROFESSIONAL ACTIVITIES, CON'T.**

- Ad hoc reviewer for the AICPA *CPA Expert*, April 2009.
- Panelist, Gibbs Society Forensic Accounting Panel, William & Mary, March 2009.
- Speaker, *Securities Class Action Settlements*, Sullivan & Cromwell, April 2007.
- Speaker, *Securities Class Action Lawsuits, Trends and Statistics*, O'Melveny & Myers LLP, July 2006, Washington D.C.
- Speaker, *Securities Class Actions: Trends and Statistics*, Bingham McCutchen LLP, May 2005, Washington D.C.
- Speaker, *Securities Class Action Lawsuits: Trends and Statistics*, O'Melveny & Myers LLP, June 2004, Washington D.C.
- Speaker, *Report on Securities Litigation*, hosted by Alston & Bird LLP, October 2003, Lake Oconee, Georgia.
- Speaker, *Report on Securities Litigation*, hosted by Alston & Bird LLP, October 2002, Adairsville, Georgia.
- Speaker, *Securities Settlements Research*, Professional Liability Underwriting Society International Conference, November 1999, New York, New York.
- Speaker, Conference on Securities Litigation hosted by Cornerstone Research, November 1998, New York, New York.
- Securities litigation research paper discussant, Allied Social Science Association meetings, January 1998, Chicago, Illinois.
- Research Scholar of Cato Institute for Applied Business Research, University of North Carolina, 1995-1996, Chapel Hill, North Carolina.
- University of North Carolina Representative to the American Accounting Association Doctoral Consortium, June 1994, Tahoe City, California.
- KPMG Peat Marwick Research Opportunities Grant Recipient, 1994.
- KPMG Peat Marwick Doctoral Scholarship Recipient, 1993.
- University of North Carolina Representative to the Southeast Regional American Accounting Association Doctoral Consortium, April 1993, Atlanta, Georgia.
- AICPA Doctoral Fellowship Recipient, 1992-1994.
- Dean's Award for Academic Excellence, University of Houston, 1992.
- Board of Directors, Balcones Council of Camp Fire, Inc., 1991, Austin, Texas.
- American Accounting Association.
- American Institute of Certified Public Accountants.

**SELECTED MEDIA APPEARANCES, PRESS QUOTES AND CITATIONS**

CNBC, Wall Street Journal, Washington Post, National Law Journal, Atlanta Journal Constitution, Dow Jones Newswires, Financial Times, CFO.com, New York Law Journal, American Lawyer, TheStreet.com, Los Angeles Daily Journal, Business Finance Magazine, Wall Street Letter, Cox News Service, Public Citizen Congress Watch, Board Alert, Kansas City Business Journal, Class Action Reporter, Securities Fraud Monitor, The Daily Deal, Corporate Legal Times, and Fortune.

## **Appendix B**

### **Documents Relied Upon**

#### **Academic Literature**

Balsam, S., J. Krishnan, and J. G. S. Yang, "Auditor industry specialization and the earnings response coefficient," *Auditing: A Journal of Practice & Theory*, No. 22 (2003) 71–97.

Barton, Jan. "Who Cares about Auditor Reputation?" *Contemporary Accounting Research*, Vol. 22, No. 3 (2005).

Blouin, Jennifer, Barbara Murray Grein, and Brian R. Rountree. "An analysis of forced auditor change: The case of former Arthur Andersen clients." *The Accounting Review*, Vol. 82, No. 3 (2007).

Bushee, Brian J., and Christian Leuz. "Economic consequences of SEC disclosure regulation: evidence from the OTC bulletin board," *Journal of Accounting and Economics*, Vol. 39, No. 2, (2005) 233–264.

Carson, Elizabeth, "Industry Specialization by Global Audit Firm Networks," *The Accounting Review*, Vol. 84, No. 2 (2009).

Chaney, Paul, Deborah Jeter, and Lakshmanan Shivakumar, "Self-Selection of Auditors and Audit Pricing in Private Firms," *The Accounting Review*, Vol. 79, No. 1, (2004).

Chaney, Paul K., and Kirk L. Philipich. "Shredded reputation: The cost of audit failure," *Journal of Accounting Research*, Vol. 40, No. 4, (2002).

DeAngelo, Linda Elizabeth. "Auditor size and audit quality," *Journal of Accounting and Economics*, Vol. 3, No. 3, (1981).

Francis, Jere R., and Dechun Wang, "The joint effect of investor protection and big 4 audits on earnings quality around the world," *Contemporary Accounting Research*, Vol. 25, No. 1 (2008).

Harris, Jeffrey, Venkatesh Venky Panchapagesan, and Ingrid Werner, "Off but not gone: a study of Nasdaq delistings," *Fisher College of Business Working Paper*, (2008).

Knechel, Robert W., Vic Naiker, and Gail Pacheco, "Does Auditor Industry Specialization Matter? Evidence from Market Reaction to Auditor Switches," *Auditing: A Journal of Practice & Theory*, Vol. 26, No. 1 (2007).

Krishnan, G. V, "Does Big 6 auditor industry expertise constrain earnings management?" *Accounting Horizons*, Vol. 17 (Supplement): 1–16.

Lennox, Clive S. "Audit quality and auditor size: An evaluation of reputation and deep pockets hypotheses," *Journal of Business Finance & Accounting*, Vol. 26, No. 7-8 (1999).

## **Appendix B**

### **Documents Relied Upon**

Leuz, Christian, Alexander Triantis, and Tracy Yue Wang, “Why do firms go dark? Causes and economic consequences of voluntary SEC deregistrations.” *Journal of Accounting and Economics*, Vol. 45, No. 2 (2008): 181-208.

Macey, Jonathan, Maureen O’Hara, and David Pompilio. “Down and out in the stock market: The law and economics of the delisting process,” *Journal of Law and Economics*, Vol. 51, No. 4 (2008).

Maletta, M., and A. Wright, “Audit evidence planning: An examination of industry error characteristics,” *Auditing: A Journal of Practice & Theory*, Vol. 15 (1996) 71–86.

Mansi, Sattar A., William F. Maxwell, and Darius P. Miller. “Does auditor quality and tenure matter to investors? Evidence from the bond market,” *Journal of Accounting Research*, Vol. 42, No. 4 (2004).

Mayhew, Brian and Michael Wilkins, “Audit Firm Industry Specialization as a Differentiation Strategy: Evidence from Fees Charged to Firms Going Public,” *Auditing: A Journal of Practice & Theory*, Vol. 22, No. 2 (2003).

Owhoso, V. E., W. F. Messier Jr., and J. G. Lynch Jr, “Error detection by industry-specialized teams during sequential audit review,” *Journal of Accounting Research*, 40(3) 883–900 (2002).

Pittman, Jeffrey A., and Steve Fortin. “Auditor choice and the cost of debt capital for newly public firms,” *Journal of Accounting and Economics*, Vol. 37, No. 1 (2004).

Teoh, Siew Hong, and T. J. Wong. “Perceived auditor quality and the earnings response coefficient,” *Accounting Review* (1993).

#### **Data**

Capital IQ

Bloomberg

PCAOB Website

SEC filings

## **Appendix B**

### **Documents Relied Upon**

#### **Other**

U.S. General Accounting Office (GAO), 2003, Accounting Firm Consolidation, Selected Large Public Company Views on Audit Fees, Quality, Independence, and Choice, GAO-03-1158, Washington, DC: GAO.

U.S. General Accounting Office (GAO), 2003, Mandatory Audit Firm Rotation Study, Study Questionnaires, Responses, and Summary of Respondents Comments, GAO-04-217, Washington, DC: GAO. Fortune U.S. 500 (Retrieved on June 28, 2013):

U.S. General Accounting Office, Mandatory Audit Firm Rotation Study, Study Questionnaires, Responses, and Summary of Respondents' Comments, February 2004.

[www.gao.gov/cgi-bin/getrpt?GAO-04-216](http://www.gao.gov/cgi-bin/getrpt?GAO-04-216)

Fortune U.S. 500:

[http://money.cnn.com/magazines/fortune/fortune500/2013/full\\_list/index.html?iid=F500\\_sp\\_full](http://money.cnn.com/magazines/fortune/fortune500/2013/full_list/index.html?iid=F500_sp_full)

Fortune Global 500:

[http://money.cnn.com/magazines/fortune/global500/2012/full\\_list/](http://money.cnn.com/magazines/fortune/global500/2012/full_list/)

# Appendix C

## Summary of Methodology and Data Sources

### Exhibits 1, 2, and 3 – PCAOB-Registered Firms Located in China

- Used the PCAOB’s website to identify PCAOB-registered firms located in China. Excluded accounting firms for which the reported country was China but the reported city and state were Hong Kong (Anthony Kam & Associates Limited, KPMG [Hong Kong], and Zhen Hui Certified Public Accountants).
- Collected information from the PCAOB’s website, including the PCAOB’s categorization of each firm (*i.e.*, A, B, C, D, or E) per the website as of June 30, 2013. For purposes of the analysis, PCAOB-Registered firms were assigned the current category as of June 30, 2013 and that category was used in the exhibits for all years.
  - A – Issued an audit report for at least one issuer
  - B – Issued no audit reports for issuers but played a substantial role in the audit of at least one issuer
  - C – Issued no audit reports for issuers, and did not play a substantial role in any issuer audits, but issued a report on the financial statements of at least one broker-dealer
  - D – None of the above
  - E – Has not yet filed a Form 2 Annual Report
- Collected registration date from the online summary page on the PCAOB’s website for the registered firm and additional data (affirmation of consent, number of audit reports issued, number of audits in which the firm played a substantial role, and total number of CPAs) from the Form 1 application for registration or Form 2 annual reports for each firm for the PCAOB reporting year ends of March 31, 2012, March 31, 2011 and March 31, 2010.
- Collected market capitalization as of the end of the PCAOB reporting year (3/31/12, 3/31/11, or 3/31/10), as calculated by Capital IQ. Items marked with dashes (“-”) represent information that is unavailable (*e.g.*, the firm was delisted).

### Exhibit 4 – PCAOB-Registered Firms Located in China: 2010–2012

- For the set of firms listed in Exhibits 1, 2, and 3, this exhibit aggregates and presents the information for the following groups:
  - the Respondents;
  - Other Non-Consenting Firms: PCAOB-registered firms that had not provided consent to comply with PCAOB guidelines in Item 9 on their most-recent Form 2 or in Item 8 on their Form 1; and
  - Potential Substitutes: all other PCAOB-registered firms that consented to comply with the PCAOB guidelines in Item 9 on their most recent Form 2 or in Item 8 on



## **Appendix C**

### **Summary of Methodology and Data Sources**

their Form 1.

#### **Exhibit 5 – Summary of PCAOB-Registered Firms Located in China: 2010–2012**

- Aggregated the information in Exhibit 4 for the three categories of firms (Respondents, Other Non-Consenting Firms, and Potential Substitutes by Category as of June 30, 2013). For the number of Certified Public Accountants, calculated the median of the numbers reported by the firms in each group as reported in the 2012 Form 2's.

#### **Exhibit 6 – Summary of PCAOB-Registered Firms Located in China - Number of Audit Reports Issued**

- Charted the total number of audit reports issued by Category A Respondents and Potential Substitutes included in Exhibit 5.

#### **Exhibit 7 – Summary of PCAOB-Registered Firms Located in China –Market Capitalization of Issuers**

- Charted the aggregate market capitalization of issuers audited by of Category A Respondents and Category A Potential Substitutes as included in Exhibit 5.

#### **Exhibits 8 and 9 – U.S. Traded Companies Incorporated in China or with 100% Revenues or Assets in China; U.S. Traded Companies Incorporated Outside China with at Least 50% but Less than 100% Revenues or Assets in China**

- Used Capital IQ's Equity Screening function to search for companies traded in the U.S. as of the date of the search (June 14, 2013) that reported positive revenues or assets for a China geographic segment for calendar year 2012. The sample excluded companies traded only through pink sheets.
- For purposes of the calculations of the percentage of assets and revenues in China, amounts for China alone were used whenever available. For a few firms, Capital IQ reported China revenues and assets combined with Hong Kong, Taiwan, and Macau; in those instances, the combined amounts were used.
  - In instances where Capital IQ reported an amount for a less specific geographic segment (for example, "Asia-Pacific"), no amount was included as China revenue or assets.
  - In the Capital IQ data, the amount of company assets reflects total assets, while

## **Appendix C**

### **Summary of Methodology and Data Sources**

the amount of geographic segment assets (*e.g.*, China assets) may reflect only long-lived assets. The latter occurs if the underlying financial report provides a geographic segment breakdown for long-lived assets but not total assets.

- Note that in the Capital IQ data, the amount of revenue or assets for a company may include adjustments that are not included in geographic segment amounts; as a result, there are a few instances where the calculated percentage of assets or revenues in China is greater than 100%.
- Market Capitalization is as of 12/31/12 and is as calculated by Capital IQ. Items marked with dashes (“-”) represent information that is unavailable (*e.g.*, the firm was delisted).
- % Shares Held by Institutions is based on information from institutions' most recent filings as of 6/27/13, as reported by Capital IQ.
- Accounting Firm is identified as follows:
  - Capital IQ provides the auditor who issued the company's most recent annual audit report, as of 6/14/13. In instances where the auditor provided by Capital IQ is “KPMG LLP,” “Ernst & Young LLP,” “PricewaterhouseCoopers LLP” or “Deloitte & Touche LLP,” the Accounting Firm is identified as the auditor who issued the most recent annual audit report, based on SEC filing. This process was used to confirm that the correct network firm who issued the audit report is identified for these observations.
  - In instances where the auditor provided by Capital IQ is not “KPMG LLP,” “Ernst & Young LLP,” “PricewaterhouseCoopers LLP” or “Deloitte & Touche LLP,” the Accounting Firm is identified as the auditor reported by Capital IQ.

#### **Exhibit 10 – U.S. Traded Companies Incorporated in China or with at Least 50% Revenues or Assets in China (Summary)**

- For the set of companies listed in Exhibit 8 and Exhibit 9, this exhibit breaks out the number of companies and total market capitalization based on the Accounting Firm for the following groups:
  - Respondents: companies for which the Accounting Firm is one of the five Respondents;
  - Other Affiliates of Respondents in their International Networks: companies for which the Accounting Firm is an affiliate of one of the Respondents; or
  - Other Accounting Firms: all other companies.

## **Appendix C**

### **Summary of Methodology and Data Sources**

#### **Exhibit 11 – Market Capitalization of U.S. Traded Companies Incorporated in China or with at Least 50% Revenues or Assets in China**

- This exhibit presents the information of total market capitalization tabulated in Exhibit 10, for Respondents, Other Affiliates of Respondents in Their International Networks, and Other Accounting Firms.

#### **Exhibit 12 – U. S. Traded Companies Incorporated in China or with at Least 50% Revenues or Assets in China: Companies Primarily Traded in the U.S.**

- This exhibit lists the subset of Chinese Issuers and Multinational Corporations in Exhibits 8 and 9 that are primarily traded in the U.S.
- Companies primarily traded in the U.S. are identified using the primary exchange as provided by Capital IQ. Capital IQ identifies the primary exchange “based on exchange volume and several related factors.”
- Companies traded only in the U.S. are identified using the list of exchanges associated with each company as provided by Capital IQ.

#### **Exhibit 13 – Examples of Equity Offerings by Chinese Issuers During 2012 and the First Half of 2013**

- This exhibit provides information about equity offerings during 2012 and the first half of 2013 by three companies listed in Exhibit 8. Such information is provided by SEC Filings and Bloomberg.
- Date of First Registration Statement is the filing date of the first Form F-1 (Registration Statement for Certain Foreign Private Issuers) for each offering.
- Effective Date is provided in Form EFFECT (Notice of Effectiveness) for each offering.
- Offer Date is provided by Bloomberg.
- PCAOB-Registered Firm is the independent registered public accounting firm as provided in the first Form F-1 (Registration Statement for Certain Foreign Private Issuers) for each offering.

#### **Exhibit 14 – Experience Issuing Audit Reports by Industry Category A Respondents and Potential Substitutes**

- Collected SIC industry classifications from Capital IQ for issuers identified in Form 2’s for 2010 through 2012 for all Category A Respondents and Potential Substitutes.

## **Appendix C**

### **Summary of Methodology and Data Sources**

- Used the Capital IQ SIC code classification tree to identify the 10 major industry categories.
  - Of the 191 issuers, the SIC codes of 82 were not an exact match for the SIC codes listed by Capital IQ. Based on a manual examination of the SIC codes and the Capital IQ website for each of these issuers, each firm was classified in the appropriate major industry category.
  - Aggregated and counted all issuer SIC codes by category. Some companies did not have either issuer information or industry information and have been included in the column, “Issuer Industries Not Available.”

**Exhibit 1**  
**PCAOB-Registered Firms Located in China**  
**2012**  
*(\$ in millions)*

| PCAOB-Registered Firm                                     | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2012 | Market Capitalization of Audited Issuers as of March 31, 2012 | Number of Audit Reports in which Played a Substantial Role in 2012 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2012 | Total Number of Certified Public Accountants |
|---|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Deloitte Touche Tohmatsu Certified Public Accountants LLP | 6/2/04            | A                                  | No                              | 45                                     | \$26,903  | -  | -   | 974  |
| PricewaterhouseCoopers Zhong Tian CPAs Limited Company    | 7/13/04           | A                                  | No                              | 31                                     | \$28,790  | -  | -   | 2,428  |
| Ernst & Young Hua Ming LLP                                | 7/8/04            | A                                  | No                              | 21                                     | \$59,900  | -  | -   | 998  |
| Grant Thornton  | 8/17/04           | A                                  | No                              | 4                                      | \$14,913  | -  | -   | 720  |
| BDO China Shu Lun Pan Certified Public Accountants LLP    | 8/17/04           | A                                  | No                              | 4                                      | \$671   | -  | -   | 1,380  |
| BDO China Dahua CPA Co.,Ltd.                              | 1/26/06           | A                                  | No                              | 3                                      | \$80  | -  | -   | 868  |
| Gansu Hongxin Accountants Ltd                             | 9/26/06           | A                                  | Yes                             | 2                                      | \$106   | -  | -   | 24   |
| JTC Fair Song CPA Firm                                    | 7/25/06           | A                                  | Yes                             | 1                                      | -   | -  | -   | 3  |
| AGN China Regal CPAs Co., Ltd.                            | 1/9/07            | A                                  | Yes                             | 0                                      | -   | 0  | -   | 205  |
| KPMG Huazhen (Special General Partnership)                | 7/13/04           | B                                  | No                              | 0                                      | -   | 25   | \$437,394   | 587  |
| Shanghai Mazars Certified Public Accountants              | 1/7/09            | B                                  | No                              | 0                                      | -   | 0  | -   | 19   |
| Beijing AnShun International CPAs Co., Ltd.               | 3/18/08           | B                                  | Yes                             | 0                                      | -   | 7  | \$98  | 9  |
| Beijing Ever Trust CPAs Co., Ltd.                         | 8/10/06           | B                                  | Yes                             | 0                                      | -   | 5  | \$37  | 12   |
| Shanghai Linfang Certified Public Accountants Co.,Ltd     | 12/18/06          | B                                  | Yes                             | 0                                      | -   | 3  | \$90,991  | 85   |
| ShineWing Certified Public Accountants                    | 10/21/08          | B                                  | Yes                             | 0                                      | -   | 1  | \$14,681  | 1,076  |
| Shenzhen Chengxin Certified Public Accountants            | 6/10/08           | B                                  | Yes                             | 0                                      | -   | 1  | -   | 12   |
| Shandong Haoxin Certified Public Accountants Co., Ltd     | 6/30/10           | B                                  | Yes                             | 0                                      | -   | 1  | -   | 12   |
| Beijing Yongtuo Certified Public Accountants Co., Ltd.    | 10/26/04          | B                                  | Yes                             | 0                                      | -   | 0  | -   | 293  |

**Exhibit 1**  
**PCAOB-Registered Firms Located in China**  
**2012**  
*(\$ in millions)*

| PCAOB-Registered Firm                                    | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2012 | Market Capitalization of Audited Issuers as of March 31, 2012 | Number of Audit Reports in which Played a Substantial Role in 2012 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2012 | Total Number of Certified Public Accountants |
|--|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Fortune Certified Public Accountants Ltd.                | 7/9/09            | C                                  | Yes                             | 0                                      | -   | 0  | -   | 19   |
| Guangzhou Zhongxincheng CPA Ltd.                         | 5/14/10           | C                                  | Yes                             | 0                                      | -   | 0  | -   | 17   |
| LehmanBrown Lu Hua CPA Firm                              | 9/26/06           | D                                  | No                              | 0                                      | -   | 0  | -   | 25   |
| RSM China CPAs   | 6/8/10            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 1,272  |
| Pan-China Certified Public Accountants LLP               | 8/11/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 1,047  |
| Crowe Horwath China Certified Public Accountants Co.,Ltd | 5/25/10           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 900  |
| Baker Tilly China Certified Public Accountants           | 10/16/07          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 707  |
| Reanda CPAs Co., Ltd                                     | 11/1/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 676  |
| Zhonglei Certified Public Accountants                    | 3/4/09            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 472  |
| Zhonghuan Certified Public Accountant Co.,Ltd            | 10/25/05          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 335  |
| Shanghai Zhonghua Certified Public Accountants           | 8/27/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 250  |
| Shenzhen Kung Ming Certified Public Accountants Co.Ltd.  | 1/10/06           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 32   |
| Beijing Topson Certified Public Accountants Co., Ltd.    | 9/15/05           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 26   |
| Beijing Zhongxuanyu CPA Co.,Ltd.                         | 8/11/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 26   |
| Hua-Ander Certified Public Accountants                   | 12/18/08          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 21   |
| Shanghai RISMO C.P.A. LTD                                | 10/20/09          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 14   |
| Guangzhou Good Faith CPA LTD                             | 8/10/06           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 8  |
| Moore Rowland Beijing Certified Public Accountants       | 7/9/09            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 8  |

**Exhibit 1**  
**PCAOB-Registered Firms Located in China**  
**2012**  
*(\$ in millions)*

| PCAOB-Registered Firm                                    | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2012 | Market Capitalization of Audited Issuers as of March 31, 2012 | Number of Audit Reports in which Played a Substantial Role in 2012 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2012 | Total Number of Certified Public Accountants |
|--|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Shanghai LVR Financial Consulting Co., Ltd.              | 1/28/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 6  |
| Shanghai J&J Certified Public Accountants Firm           | 9/15/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 5  |
| Shanghai Perfect C.P.A Partnership                       | 10/21/08          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 5  |
| Kabani International (Consulting) Beijing Co., Ltd.      | 4/4/08            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 2  |
| BDO China Zhonglian Mindu Shu Lun Pan CPAs Co., Ltd.     | 7/20/10           | D                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Huaweixin Certified Public Accountants Co. Ltd   | 2/12/08           | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Senheguang Certified Public Accountants Co., Ltd | 12/13/07          | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Zhongxingyu Certified Public Accountants         | 4/26/05           | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Zhong Cai Accountants Company                            | 11/15/04          | E                                  | -                               | -                                      | -   | -  | -   | -  |

Source: PCAOB; Capital IQ

Note: See Appendix C for methodology.

**Exhibit 2**  
**PCAOB-Registered Firms Located in China**  
**2011**  
*(\$ in millions)*

| PCAOB-Registered Firm                                     | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2011 | Market Capitalization of Audited Issuers as of March 31, 2011 | Number of Audit Reports in which Played a Substantial Role in 2011 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2011 | Total Number of Certified Public Accountants |
|---|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Deloitte Touche Tohmatsu Certified Public Accountants LLP | 6/2/04            | A                                  | No                              | 45                                     | \$40,010  | -  | -   | 1,014  |
| PricewaterhouseCoopers Zhong Tian CPAs Limited Company    | 7/13/04           | A                                  | No                              | 27                                     | \$37,928  | -  | -   | 1,962  |
| Ernst & Young Hua Ming LLP                                | 7/8/04            | A                                  | No                              | 24                                     | \$62,493  | -  | -   | 965  |
| BDO China Dahua CPA Co., Ltd.                             | 1/26/06           | A                                  | No                              | 9                                      | \$1,414   | -  | -   | 662  |
| Grant Thornton  | 8/17/04           | A                                  | No                              | 1                                      | \$102   | -  | -   | 495  |
| AGN China Regal CPAs Co., Ltd.                            | 1/9/07            | A                                  | No                              | 1                                      | -   | -  | -   | 205  |
| BDO China Shu Lun Pan Certified Public Accountants LLP    | 8/17/04           | A                                  | No                              | 0                                      | -   | 0  | -   | 842  |
| Gansu Hongxin Accountants Ltd                             | 9/26/06           | A                                  | Yes                             | 1                                      | \$299   | -  | -   | 24   |
| JTC Fair Song CPA Firm                                    | 7/25/06           | A                                  | Yes                             | 1                                      | -   | -  | -   | 5  |
| KPMG Huazhen (Special General Partnership)                | 7/13/04           | B                                  | No                              | 0                                      | -   | 23   | \$413,288   | 736  |
| ShineWing Certified Public Accountants                    | 10/21/08          | B                                  | No                              | 0                                      | -   | 1  | \$22,722  | 1,053  |
| Shanghai Mazars Certified Public Accountants              | 1/7/09            | B                                  | No                              | 0                                      | -   | 0  | -   | 16   |
| Beijing AnShun International CPAs Co., Ltd.               | 3/18/08           | B                                  | Yes                             | 0                                      | -   | 9  | \$344   | 9  |
| Beijing Ever Trust CPAs Co., Ltd.                         | 8/10/06           | B                                  | Yes                             | 0                                      | -   | 5  | \$459   | 12   |
| Shanghai Linfang Certified Public Accountants Co., Ltd    | 12/18/06          | B                                  | Yes                             | 0                                      | -   | 3  | \$137,158   | 78   |
| Shenzhen Chengxin Certified Public Accountants            | 6/10/08           | B                                  | Yes                             | 0                                      | -   | 3  | \$1   | 14   |
| Beijing Yongtuo Certified Public Accountants Co., Ltd.    | 10/26/04          | B                                  | Yes                             | 0                                      | -   | 0  | -   | 305  |



**Exhibit 2**  
**PCAOB-Registered Firms Located in China**  
**2011**  
*(\$ in millions)*

| PCAOB-Registered Firm                                    | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2011 | Market Capitalization of Audited Issuers as of March 31, 2011 | Number of Audit Reports in which Played a Substantial Role in 2011 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2011 | Total Number of Certified Public Accountants |
|--|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Shandong Haoxin Certified Public Accountants Co., Ltd    | 6/30/10           | B                                  | Yes                             | 0                                      | -   | 0  | -   | 20   |
| Fortune Certified Public Accountants Ltd.                | 7/9/09            | C                                  | Yes                             | 0                                      | -   | 0  | -   | 19   |
| Guangzhou Zhongxincheng CPA Ltd.                         | 5/14/10           | C                                  | Yes                             | 0                                      | -   | 0  | -   | 16   |
| RSM China CPAs   | 6/8/10            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 1,311  |
| Crowe Horwath China Certified Public Accountants Co.,Ltd | 5/25/10           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 900  |
| Pan-China Certified Public Accountants LLP               | 8/11/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 884  |
| Baker Tilly China Certified Public Accountants           | 10/16/07          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 676  |
| Reanda CPAs Co., Ltd                                     | 11/1/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 643  |
| Zhonglei Certified Public Accountants                    | 3/4/09            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 447  |
| BDO China Zhonglian Mindu Shu Lun Pan CPAs Co., Ltd.     | 7/20/10           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 180  |
| Zhonghuan Certified Public Accountant Co.,Ltd            | 10/25/05          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 161  |
| Shanghai Zhonghua Certified Public Accountants           | 8/27/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 125  |
| LehmanBrown Lu Hua CPA Firm                              | 9/26/06           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 50   |
| Shenzhen Kung Ming Certified Public Accountants Co.Ltd.  | 1/10/06           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 32   |
| Beijing Zhongxuanyu CPA Co.,Ltd.                         | 8/11/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 26   |
| Beijing Topson Certified Public Accountants Co., Ltd.    | 9/15/05           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 22   |
| Hua-Ander Certified Public Accountants                   | 12/18/08          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 21   |
| Shanghai RISMO C.P.A. LTD                                | 10/20/09          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 14   |

**Exhibit 2**  
**PCAOB-Registered Firms Located in China**  
**2011**  
*(\$ in millions)*

| PCAOB-Registered Firm                                    | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2011 | Market Capitalization of Audited Issuers as of March 31, 2011 | Number of Audit Reports in which Played a Substantial Role in 2011 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2011 | Total Number of Certified Public Accountants |
|--|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Moore's Rowland Beijing Certified Public Accountants     | 7/9/09            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 8  |
| Guangzhou Good Faith CPA LTD                             | 8/10/06           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 7  |
| Shanghai LVR Financial Consulting Co., Ltd.              | 1/28/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 6  |
| Shanghai J&J Certified Public Accountants Firm           | 9/15/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 5  |
| Shanghai Perfect C.P.A Partnership                       | 10/21/08          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 5  |
| Kabani International (Consulting) Beijing, Co., Ltd.     | 4/4/08            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 3  |
| Beijing Huaweixin Certified Public Accountants Co. Ltd   | 2/12/08           | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Senheguang Certified Public Accountants Co., Ltd | 12/13/07          | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Zhongxingyu Certified Public Accountants         | 4/26/05           | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Zhong Cai Accountants Company                            | 11/15/04          | E                                  | -                               | -                                      | -   | -  | -   | -  |

Source: PCAOB; Capital IQ

Note: See Appendix C for methodology.

**Exhibit 3**  
**PCAOB-Registered Firms Located in China**  
**2010**  
*(\$ in millions)*

| PCAOB-Registered Firm                                     | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2010 | Market Capitalization of Audited Issuers as of March 31, 2010 | Number of Audit Reports in which Played a Substantial Role in 2010 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2010 | Total Number of Certified Public Accountants |
|---|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Deloitte Touche Tohmatsu Certified Public Accountants LLP | 6/2/04            | A                                  | No                              | 32                                     | \$28,870  | -  | -   | 838  |
| PricewaterhouseCoopers Zhong Tian CPAs Limited Company    | 7/13/04           | A                                  | No                              | 17                                     | \$26,450  | -  | -   | 1,648  |
| Ernst & Young Hua Ming LLP                                | 7/8/04            | A                                  | No                              | 11                                     | \$24,681  | -  | -   | 846  |
| BDO China Dahua CPA Co., Ltd.                             | 1/26/06           | A                                  | No                              | 3                                      | \$610   | -  | -   | 644  |
| Grant Thornton  | 8/17/04           | A                                  | No                              | 1                                      | \$81  | -  | -   | 484  |
| AGN China Regal CPAs Co., Ltd.                            | 1/9/07            | A                                  | No                              | 1                                      | -   | -  | -   | 172  |
| BDO China Shu Lun Pan Certified Public Accountants LLP    | 8/17/04           | A                                  | No                              | 0                                      | -   | 0  | -   | 729  |
| Gansu Hongxin Accountants Ltd                             | 9/26/06           | A                                  | Yes                             | 1                                      | \$98  | -  | -   | 24   |
| JTC Fair Song CPA Firm                                    | 7/25/06           | A                                  | Yes                             | 1                                      | -   | -  | -   | 5  |
| KPMG Huazhen (Special General Partnership)                | 7/13/04           | B                                  | No                              | 0                                      | -   | 24   | \$428,067   | 653  |
| ShineWing Certified Public Accountants                    | 10/21/08          | B                                  | No                              | 0                                      | -   | 1  | \$13,725  | 1,067  |
| Shanghai Mazars Certified Public Accountants              | 1/7/09            | B                                  | No                              | 0                                      | -   | 0  | -   | 7  |
| Shanghai Linfang Certified Public Accountants Co., Ltd    | 12/18/06          | B                                  | Yes                             | 0                                      | -   | 5  | \$160,058   | 52   |
| Beijing Ever Trust CPAs Co., Ltd.                         | 8/10/06           | B                                  | Yes                             | 0                                      | -   | 4  | \$980   | 12   |
| Beijing AnShun International CPAs Co., Ltd.               | 3/18/08           | B                                  | Yes                             | 0                                      | -   | 4  | \$296   | 8  |
| Shenzhen Chengxin Certified Public Accountants            | 6/10/08           | B                                  | Yes                             | 0                                      | -   | 1  | \$1   | 13   |
| Beijing Yongtuo Certified Public Accountants Co., Ltd.    | 10/26/04          | B                                  | Yes                             | 0                                      | -   | 0  | -   | 290  |
| Shandong Haoxin Certified Public Accountants Co., Ltd     | 6/30/10           | B                                  | -                               | -                                      | -   | -  | -   | -  |

**Exhibit 3**  
**PCAOB-Registered Firms Located in China**  
**2010**  
*(\$ in millions)*

| PCAOB-Registered Firm                                    | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2010 | Market Capitalization of Audited Issuers as of March 31, 2010 | Number of Audit Reports in which Played a Substantial Role in 2010 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2010 | Total Number of Certified Public Accountants |
|--|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Fortune Certified Public Accountants Ltd.                | 7/9/09            | C                                  | Yes                             | 0                                      | -   | 0  | -   | 19   |
| Guangzhou Zhongxincheng CPA Ltd.                         | 5/14/10           | C                                  | -                               | -                                      | -   | -  | -   | -  |
| Shanghai Zhonghua Certified Public Accountants           | 8/27/04           | D                                  | Yes                             | 4                                      | -   | -  | -   | 118  |
| Shanghai Perfect C.P.A Partnership                       | 10/21/08          | D                                  | Yes                             | 1                                      | -   | -  | -   | 9  |
| LehmanBrown Lu Hua CPA Firm                              | 9/26/06           | D                                  | Yes                             | 0                                      | -   | 1  | \$92  | 30   |
| Crowe Horwath China Certified Public Accountants Co.,Ltd | 5/25/10           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 863  |
| Reanda CPAs Co., Ltd                                     | 11/1/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 700  |
| Baker Tilly China Certified Public Accountants           | 10/16/07          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 628  |
| Pan-China Certified Public Accountants LLP               | 8/11/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 435  |
| Zhonglei Certified Public Accountants                    | 3/4/09            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 376  |
| Zhonghuan Certified Public Accountant Co.,Ltd            | 10/25/05          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 143  |
| Shenzhen Kung Ming Certified Public Accountants Co.Ltd.  | 1/10/06           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 32   |
| Beijing Zhongxuanyu CPA Co.,Ltd.                         | 8/11/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 26   |
| Hua-Ander Certified Public Accountants                   | 12/18/08          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 23   |
| Beijing Topson Certified Public Accountants Co., Ltd.    | 9/15/05           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 20   |
| Shanghai RISMO C.P.A. LTD                                | 10/20/09          | D                                  | Yes                             | 0                                      | -   | 0  | -   | 14   |
| Moores Rowland Beijing Certified Public Accountants      | 7/9/09            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 8  |
| Guangzhou Good Faith CPA LTD                             | 8/10/06           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 7  |

**Exhibit 3**  
**PCAOB-Registered Firms Located in China**  
**2010**  
*(\$ in millions)*

| PCAOB-Registered Firm                                    | Registration Date | PCAOB Category as of June 30, 2013 | Affirmation of Consent Provided | Number of Audit Reports Issued in 2010 | Market Capitalization of Audited Issuers as of March 31, 2010 | Number of Audit Reports in which Played a Substantial Role in 2010 | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report as of March 31, 2010 | Total Number of Certified Public Accountants |
|--|-------------------|------------------------------------|---------------------------------|--|---|--|---|--|
| Shanghai LVR Financial Consulting Co., Ltd.              | 1/28/09           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 6  |
| Shanghai J&J Certified Public Accountants Firm           | 9/15/04           | D                                  | Yes                             | 0                                      | -   | 0  | -   | 5  |
| Kabani International (Consulting) Beijing, Co., Ltd.     | 4/4/08            | D                                  | Yes                             | 0                                      | -   | 0  | -   | 2  |
| BDO China Zhonglian Mindu Shu Lun Pan CPAs Co., Ltd.     | 7/20/10           | D                                  | -                               | -                                      | -   | -  | -   | -  |
| RSM China CPAs   | 6/8/10            | D                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Huaweixin Certified Public Accountants Co. Ltd   | 2/12/08           | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Senheguang Certified Public Accountants Co., Ltd | 12/13/07          | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Beijing Zhongxingyu Certified Public Accountants         | 4/26/05           | E                                  | -                               | -                                      | -   | -  | -   | -  |
| Zhong Cai Accountants Company                            | 11/15/04          | E                                  | -                               | -                                      | -   | -  | -   | -  |

Source: PCAOB; Capital IQ

Note: See Appendix C for methodology.

**Exhibit 4**  
**PCAOB-Registered Firms Located in China**  
**2010 – 2012**  
*(\$ in millions)*

|   | PCAOB<br>Category<br>as of June<br>30, 2013 | Affirmation<br>of Consent<br>Provided | Number of Audit<br>Reports Issued |      |      | Market Capitalization<br>of Audited Issuers |          |          | Number of Audit<br>Reports in which<br>Played a<br>Substantial Role |      |      | Market Capitalization<br>of Issuers for which<br>Played a Substantial<br>Role in Audit Report |           |           | Total Number of<br>Certified Public<br>Accountants |
|---|---|---------------------------------------|-----------------------------------|------|------|---|----------|----------|---|------|------|---|-----------|-----------|--|
|   |   |                                       | 2010                              | 2011 | 2012 | 2010  | 2011     | 2012     | 2010  | 2011 | 2012 | 2010  | 2011      | 2012      | 2012   |
| <b>Respondents</b>  |   |                                       |                                   |      |      |   |          |          |   |      |      |   |           |           |  |
| Deloitte Touche Tohmatsu Certified Public Accountants LLP                                     | A   | No                                    | 32                                | 45   | 45   | \$28,870                                    | \$40,010 | \$26,903 | -   | -    | -    | -   | -         | -         | 974  |
| PricewaterhouseCoopers Zhong Tian CPAs Limited Company  | A   | No                                    | 17                                | 27   | 31   | \$26,450                                    | \$37,928 | \$28,790 | -   | -    | -    | -   | -         | -         | 2,428  |
| Ernst & Young Hua Ming LLP  | A   | No                                    | 11                                | 24   | 21   | \$24,681                                    | \$62,493 | \$59,900 | -   | -    | -    | -   | -         | -         | 998  |
| BDO China Dahua CPA Co., Ltd.   | A   | No                                    | 3                                 | 9    | 3    | \$610                                       | \$1,414  | \$80     | -   | -    | -    | -   | -         | -         | 868  |
| KPMG Huazhen (Special General Partnership)  | B   | No                                    | 0                                 | 0    | 0    | -   | -        | -        | 24  | 23   | 25   | \$428,067   | \$413,288 | \$437,394 | 587  |
| <b>Other Non-Consenting Firms</b>   |   |                                       |                                   |      |      |   |          |          |   |      |      |   |           |           |  |
| Grant Thornton  | A   | No                                    | 1                                 | 1    | 4    | \$81  | \$102    | \$14,913 | -   | -    | -    | -   | -         | -         | 720  |
| BDO China Shu Lun Pan Certified Public Accountants LLP  | A   | No                                    | 0                                 | 0    | 4    | -   | -        | \$671    | 0   | 0    | -    | -   | -         | -         | 1,380  |
| Shanghai Mazars Certified Public Accountants  | B   | No                                    | 0                                 | 0    | 0    | -   | -        | -        | 0   | 0    | 0    | -   | -         | -         | 19   |
| LehmanBrown Lu Hua CPA Firm   | D   | No                                    | 0                                 | 0    | 0    | -   | -        | -        | 1   | 0    | 0    | \$92  | -         | -         | 25   |
| <b>Potential Substitute Firms</b>   |   |                                       |                                   |      |      |   |          |          |   |      |      |   |           |           |  |
| <b>Category A - Issued an audit report for at least one issuer</b>                            |   |                                       |                                   |      |      |   |          |          |   |      |      |   |           |           |  |
| Gansu Hongxin Accountants Ltd   | A   | Yes                                   | 1                                 | 1    | 2    | \$98  | \$299    | \$106    | -   | -    | -    | -   | -         | -         | 24   |
| JTC Fair Song CPA Firm  | A   | Yes                                   | 1                                 | 1    | 1    | -   | -        | -        | -   | -    | -    | -   | -         | -         | 3  |
| AGN China Regal CPAs Co., Ltd.  | A   | Yes                                   | 1                                 | 1    | 0    | -   | -        | -        | -   | -    | 0    | -   | -         | -         | 205  |
| <b>Category B - Played a substantial role in the audit of at least one issuer</b>             |   |                                       |                                   |      |      |   |          |          |   |      |      |   |           |           |  |
| Beijing AnShun International CPAs Co., Ltd.   | B   | Yes                                   | 0                                 | 0    | 0    | -   | -        | -        | 4   | 9    | 7    | \$296   | \$344     | \$98      | 9  |
| Beijing Ever Trust CPAs Co., Ltd.   | B   | Yes                                   | 0                                 | 0    | 0    | -   | -        | -        | 4   | 5    | 5    | \$980   | \$459     | \$37      | 12   |
| Shanghai Linfang Certified Public Accountants Co., Ltd.                                       | B   | Yes                                   | 0                                 | 0    | 0    | -   | -        | -        | 5   | 3    | 3    | \$160,058   | \$137,158 | \$90,991  | 85   |
| ShineWing Certified Public Accountants  | B   | Yes                                   | 0                                 | 0    | 0    | -   | -        | -        | 1   | 1    | 1    | \$13,725  | \$22,722  | \$14,681  | 1,076  |
| Shenzhen Chengxin Certified Public Accountants  | B   | Yes                                   | 0                                 | 0    | 0    | -   | -        | -        | 1   | 3    | 1    | \$1   | \$1       | -         | 12   |
| Shandong Haoxin Certified Public Accountants Co., Ltd.  | B   | Yes                                   | -                                 | 0    | 0    | -   | -        | -        | -   | 0    | 1    | -   | -         | -         | 12   |
| Beijing Yongtuo Certified Public Accountants Co., Ltd.  | B   | Yes                                   | 0                                 | 0    | 0    | -   | -        | -        | 0   | 0    | 0    | -   | -         | -         | 293  |
| <b>Category C - Issued a report on the financial statements of at least one broker-dealer</b> |   |                                       |                                   |      |      |   |          |          |   |      |      |   |           |           |  |
| Fortune Certified Public Accountants Ltd.   | C   | Yes                                   | 0                                 | 0    | 0    | -   | -        | -        | 0   | 0    | 0    | -   | -         | -         | 19   |
| Guangzhou Zhongxincheng CPA Ltd.  | C   | Yes                                   | -                                 | 0    | 0    | -   | -        | -        | -   | 0    | 0    | -   | -         | -         | 17   |

**Exhibit 4**  
**PCAOB-Registered Firms Located in China**  
**2010 – 2012**  
*(\$ in millions)*

|  | PCAOB<br>Category<br>as of June<br>30, 2013 | Affirmation<br>of Consent<br>Provided | Number of Audit<br>Reports Issued |      |      | Market Capitalization<br>of Audited Issuers |      |      | Number of Audit<br>Reports in which<br>Played a<br>Substantial Role |      |      | Market Capitalization<br>of Issuers for which<br>Played a Substantial<br>Role in Audit Report |      |      | Total Number of<br>Certified Public<br>Accountants |
|--|---|---------------------------------------|-----------------------------------|------|------|---|------|------|---|------|------|---|------|------|--|
|  |   |                                       | 2010                              | 2011 | 2012 | 2010  | 2011 | 2012 | 2010  | 2011 | 2012 | 2010  | 2011 | 2012 | 2012   |
| <b>Category D - None of the above</b>                        |   |                                       |                                   |      |      |   |      |      |   |      |      |   |      |      |  |
| Shanghai Zhonghua Certified Public Accountants               | D   | Yes                                   | 4                                 | 0    | 0    | -   | -    | -    | -   | 0    | 0    | -   | -    | -    | 250  |
| Shanghai Perfect C.P.A Partnership                           | D   | Yes                                   | 1                                 | 0    | 0    | -   | -    | -    | -   | 0    | 0    | -   | -    | -    | 5  |
| RSM China CPAs   | D   | Yes                                   | -                                 | 0    | 0    | -   | -    | -    | -   | 0    | 0    | -   | -    | -    | 1,272  |
| Pan-China Certified Public Accountants LLP                   | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 1,047  |
| Crowe Horwath China Certified Public Accountants Co.,Ltd     | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 900  |
| Baker Tilly China Certified Public Accountants               | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 707  |
| Reanda CPAs Co., Ltd   | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 676  |
| Zhonglei Certified Public Accountants                        | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 472  |
| Zhonghuan Certified Public Accountant Co.,Ltd                | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 335  |
| Shenzhen Kung Ming Certified Public Accountants Co.Ltd.      | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 32   |
| Beijing Topson Certified Public Accountants Co., Ltd.        | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 26   |
| Beijing Zhongxuanyu CPA Co.,Ltd.                             | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 26   |
| Hua-Ander Certified Public Accountants                       | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 21   |
| Shanghai RISMO C.P.A. LTD                                    | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 14   |
| Guangzhou Good Faith CPA LTD                                 | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 8  |
| Moore Rowland Beijing Certified Public Accountants           | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 8  |
| Shanghai LVR Financial Consulting Co., Ltd.                  | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 6  |
| Shanghai J&J Certified Public Accountants Firm               | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 5  |
| Kabani International (Consulting) Beijing,Co.,Ltd.           | D   | Yes                                   | 0                                 | 0    | 0    | -   | -    | -    | 0   | 0    | 0    | -   | -    | -    | 2  |
| BDO China Zhonglian Mindu Shu Lun Pan CPAs Co., Ltd.         | D   | Yes                                   | -                                 | 0    | -    | -   | -    | -    | -   | 0    | -    | -   | -    | -    | -  |
| <b>Category E - Has not yet filed a Form 2 Annual Report</b> |   |                                       |                                   |      |      |   |      |      |   |      |      |   |      |      |  |
| Beijing Huaweixin Certified Public Accountants Co. Ltd       | E   | Yes                                   | -                                 | -    | -    | -   | -    | -    | -   | -    | -    | -   | -    | -    | -  |
| Beijing Senheguang Certified Public Accountants Co.,Ltd      | E   | Yes                                   | -                                 | -    | -    | -   | -    | -    | -   | -    | -    | -   | -    | -    | -  |
| Beijing Zhongxingyu Certified Public Accountants             | E   | Yes                                   | -                                 | -    | -    | -   | -    | -    | -   | -    | -    | -   | -    | -    | -  |
| Zhong Cai Accountants Company                                | E   | Yes                                   | -                                 | -    | -    | -   | -    | -    | -   | -    | -    | -   | -    | -    | -  |

Source: PCAOB; Capital IQ

Note: See Appendix C for methodology.

**Exhibit 5**  
**Summary of PCAOB-Registered Firms Located in China**  
**2010 – 2012**  
*(\$ in millions)*

| Category                   | Number of Firms | Number of Audit Reports Issued |      |      | Market Capitalization of Audited Issuers |           |           | Number of Audit Reports in which Played a Substantial Role |      |      | Market Capitalization of Issuers for which Played a Substantial Role in Audit Report |           |           | Median Number of Certified Public Accountants |
|----------------------------|-----------------|--------------------------------|------|------|--|-----------|-----------|--|------|------|--|-----------|-----------|---|
|                            |                 | 2010                           | 2011 | 2012 | 2010                                     | 2011      | 2012      | 2010   | 2011 | 2012 | 2010   | 2011      | 2012      | 2012  |
| Respondents                | 5               | 63                             | 105  | 100  | \$80,610                                 | \$141,845 | \$115,672 | 24   | 23   | 25   | \$428,067  | \$413,288 | \$437,394 | 974   |
| Other Non-Consenting Firms | 4               | 1                              | 1    | 8    | \$81                                     | \$102     | \$15,584  | 1  | 0    | 0    | \$92   | -         | -         | 373   |
| Potential Substitutes      |                 |                                |      |      |  |           |           |  |      |      |  |           |           |   |
| A                          | 3               | 3                              | 3    | 3    | \$98                                     | \$299     | \$106     | -  | -    | -    | -  | -         | -         | 24  |
| B                          | 7               | 0                              | 0    | 0    | -  | -         | -         | 15   | 21   | 18   | \$175,060  | \$160,684 | \$105,807 | 12  |
| C                          | 2               | 0                              | 0    | 0    | -  | -         | -         | 0  | 0    | 0    | -  | -         | -         | 18  |
| D                          | 20              | 5                              | 0    | 0    | -  | -         | -         | 0  | 0    | 0    | -  | -         | -         | 26  |
| E                          | 4               | 0                              | 0    | 0    | -  | -         | -         | 0  | 0    | 0    | -  | -         | -         | -   |

Source: PCAOB; Capital IQ

Note: See Appendix C for Methodology.

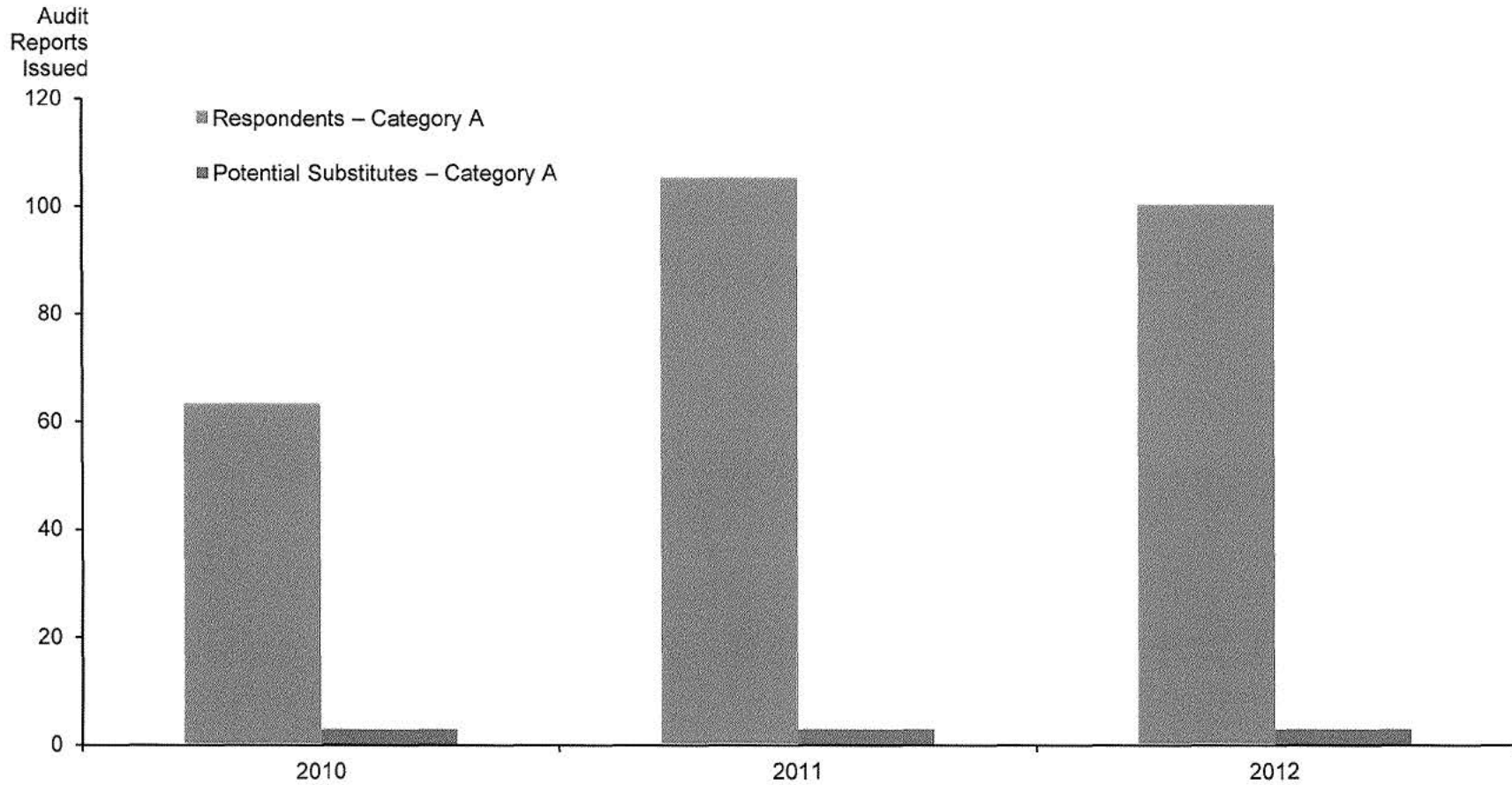


## Exhibit 6

### Summary of PCAOB-Registered Firms Located in China

#### Number of Audit Reports Issued

2010 – 2012



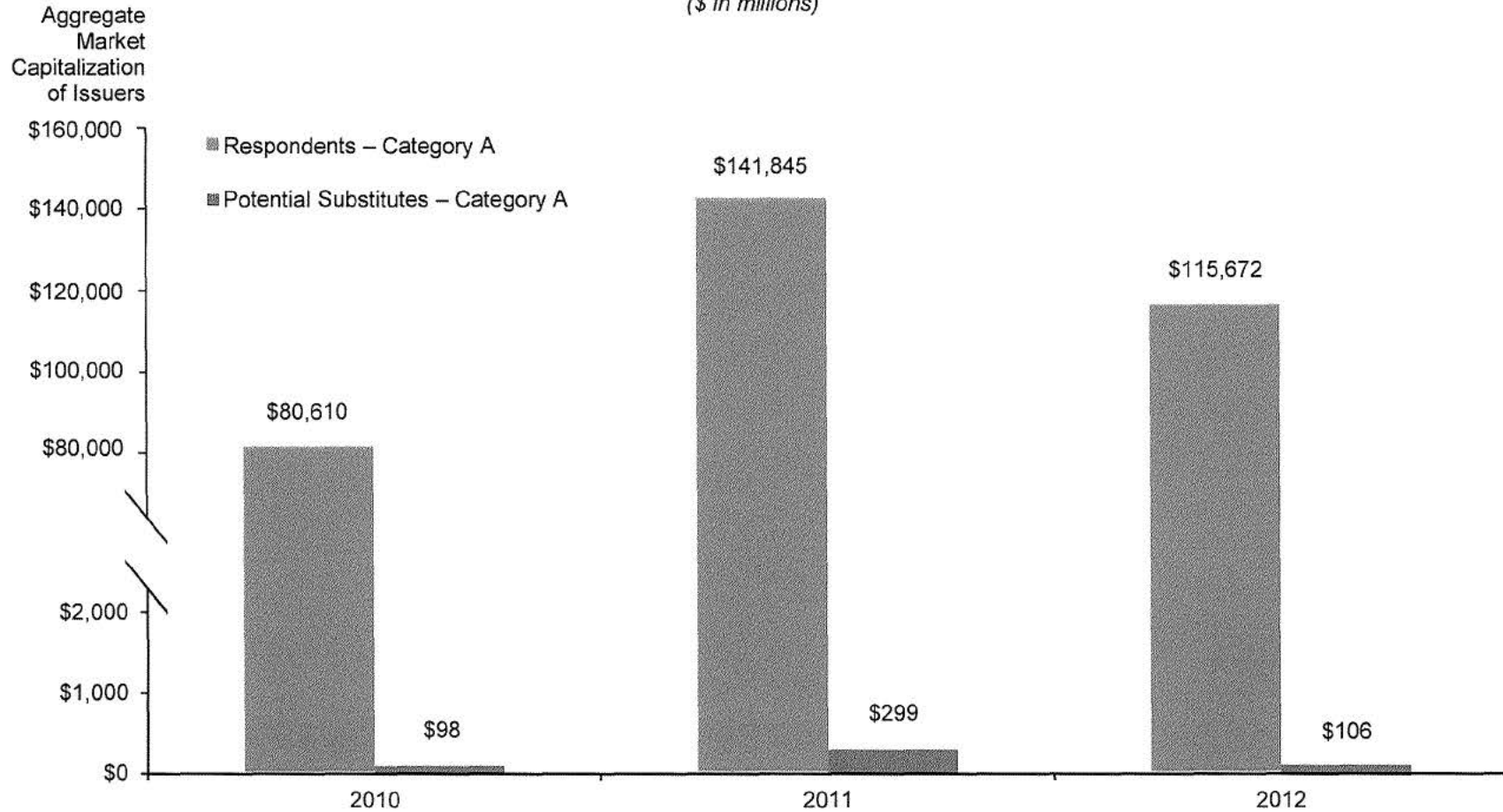
Source: PCAOB; Capital IQ

Note: See Appendix C for methodology.

## Exhibit 7

### Summary of PCAOB-Registered Firms Located in China Market Capitalization of Issuers 2010 – 2012

(\$ in millions)



Source: PCAOB; Capital IQ

Note: See Appendix C for methodology.

**Exhibit 8**  
**U.S. Traded Companies Incorporated in China or with 100% Revenues or Assets in China**  
(\$ in millions)

| Company                                       | Country of Incorporation | Country of Headquarters | U.S. Tickers              | Revenues    |             |         | Assets      |             |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm  |
|---|--------------------------|-------------------------|---------------------------|-------------|-------------|---------|-------------|-------------|---------|--------------------------------------|-------------------------------|--|
|   |                          |                         |                           | China       | Total       | % China | China       | Total       | % China |                                      |                               |  |
| 1. PetroChina Co. Ltd.                        | China                    | China                   | NYSE:PTR;<br>OTCPK:PCCY.F | \$239,461.6 | \$352,188.4 | 68.0%   | \$250,114.4 | \$347,953.1 | 71.9%   | \$264,720.7                          | 6.27%                         | PricewaterhouseCoopers                                       |
| 2. China Life Insurance Co. Ltd.              | China                    | China                   | NYSE:LFC;<br>OTCPK:CILJ.F | \$65,034.4  | \$59,935.5  | 108.5%  | \$304,640.6 | \$304,640.6 | 100.0%  | \$95,780.2                           | 9.70%                         | PricewaterhouseCoopers                                       |
| 3. China Petroleum & Chemical Corp.           | China                    | China                   | NYSE:SNP;<br>OTCPK:SNPM.F | \$334,982.0 | \$446,879.8 | 75.0%   | \$138,296.6 | \$203,213.9 | 68.1%   | \$83,805.2                           | 10.53%                        | KPMG   |
| 4. China Telecom Corp. Ltd.                   | China                    | China                   | NYSE:CHA;<br>OTCPK:CHJH.F | \$45,413.0  | \$45,413.0  | 100.0%  | \$87,445.2  | \$87,445.2  | 100.0%  | \$45,004.4                           | 11.90%                        | KPMG   |
| 5. China Unicom (Hong Kong) Limited           | Hong Kong                | Hong Kong               | NYSE:CHU;<br>OTCPK:CHUF.F | \$39,934.9  | \$39,934.9  | 100.0%  | \$82,801.1  | \$82,801.1  | 100.0%  | \$37,761.3                           | 10.22%                        | PricewaterhouseCoopers                                       |
| 6. Huaneng Power International, Inc.          | China                    | China                   | NYSE:HNP;<br>OTCPK:HUNG.F | \$18,309.0  | \$21,384.3  | 85.6%   | \$30,847.5  | \$41,567.1  | 74.2%   | \$15,316.3                           | 25.70%                        | KPMG   |
| 7. Yanzhou Coal Mining Co. Ltd.               | China                    | China                   | NYSE:YZC;<br>OTCPK:YZCH.F | \$7,783.8   | \$9,328.3   | 83.4%   | \$5,934.5   | \$19,685.0  | 30.1%   | \$11,896.1                           | 27.93%                        | Grant Thornton LLP   |
| 8. Aluminum Corporation Of China Limited      | China                    | China                   | NYSE:ACH;<br>OTCPK:ALMM.F | \$23,402.0  | \$23,980.7  | 97.6%   | \$17,923.9  | \$28,077.7  | 63.8%   | \$9,691.2                            | 22.55%                        | Ernst & Young  |
| 9. Advanced Semiconductor Engineering Inc.    | China                    | Taiwan                  | NYSE:ASX                  | -           | \$6,671.7   | -       | \$1,375.6   | \$8,478.5   | 16.2%   | \$6,455.8                            | 28.45%                        | Deloitte & Touche  |
| 10. China Southern Airlines Co. Ltd.          | China                    | China                   | NYSE:ZNH;<br>OTCPK:CHKI.F | \$13,046.4  | \$15,964.9  | 81.7%   | -           | \$22,853.7  | -       | \$5,815.1                            | 21.23%                        | KPMG   |
| 11. China Eastern Airlines Corp. Ltd.         | China                    | China                   | NYSE:CEA;<br>OTCPK:CHEA.F | \$9,242.7   | \$13,953.0  | 66.2%   | \$19,864.0  | \$19,864.0  | 100.0%  | \$5,775.3                            | 13.15%                        | PricewaterhouseCoopers                                       |
| 12. NetEase, Inc.                             | Cayman Islands           | China                   | NasdaqGS:NTES             | \$1,315.7   | \$1,315.7   | 100.0%  | \$3,092.7   | \$3,092.7   | 100.0%  | \$5,569.6                            | 55.07%                        | PricewaterhouseCoopers<br>Zhong Tian CPAs Limited Company    |
| 13. Sinopec Shanghai Petrochemical Co. Ltd.   | China                    | China                   | NYSE:SHI;<br>OTCPK:SPTJ.F | \$13,992.2  | \$13,992.2  | 100.0%  | \$5,849.6   | \$5,849.6   | 100.0%  | \$4,962.7                            | 15.81%                        | KPMG   |
| 14. AU Optronics Corp.                        | China                    | Taiwan                  | NYSE:AUX                  | \$3,937.2   | \$13,017.5  | 30.2%   | \$1,475.3   | \$18,566.5  | 7.9%    | \$3,946.9                            | 19.32%                        | KPMG   |
| 15. Qihoo 360 Technology Co. Ltd.             | Cayman Islands           | China                   | NYSE:QIHU                 | \$329.0     | \$329.0     | 100.0%  | \$689.5     | \$689.5     | 100.0%  | \$3,543.6                            | 39.86%                        | Deloitte Touche Tohmatsu<br>Certified Public Accountants LLP |
| 16. Guangshen Railway Co. Ltd.                | China                    | China                   | NYSE:GSH;<br>OTCPK:GNGY.F | \$2,421.2   | \$2,421.2   | 100.0%  | \$5,272.8   | \$5,272.8   | 100.0%  | \$3,216.6                            | 20.77%                        | PricewaterhouseCoopers                                       |
| 17. Ctrip.com International Ltd.              | Cayman Islands           | China                   | NasdaqGS:CTRP             | \$667.2     | \$667.2     | 100.0%  | \$1,872.2   | \$1,872.2   | 100.0%  | \$3,145.8                            | 101.94%                       | PricewaterhouseCoopers<br>Zhong Tian CPAs Limited Company    |
| 18. New Oriental Education & Technology Group | Cayman Islands           | China                   | NYSE:EDU                  | \$879.4     | \$879.4     | 100.0%  | \$1,209.7   | \$1,209.7   | 100.0%  | \$3,077.3                            | 72.47%                        | Deloitte Touche Tohmatsu<br>Certified Public Accountants LLP |
| 19. Youku Tudou Inc.                          | Cayman Islands           | China                   | NYSE:YOKU                 | \$288.1     | \$288.1     | 100.0%  | \$1,731.5   | \$1,731.5   | 100.0%  | \$2,982.6                            | 55.51%                        | Ernst & Young Hua Ming                                       |
| 20. SouFun Holdings Ltd.                      | Cayman Islands           | China                   | NYSE:SFUN                 | \$430.3     | \$430.3     | 100.0%  | \$742.8     | \$801.2     | 92.7%   | \$1,976.1                            | 16.45%                        | Ernst & Young Hua Ming                                       |
| 21. Sohu.com Inc.                             | United States            | China                   | NasdaqGS:SOHU             | \$1,067.2   | \$1,067.2   | 100.0%  | \$2,076.1   | \$2,076.1   | 100.0%  | \$1,800.4                            | 66.70%                        | PricewaterhouseCoopers<br>Zhong Tian CPAs Limited Company    |
| 22. Changyou.com Limited                      | Cayman Islands           | China                   | NasdaqGS:CYOU             | \$623.4     | \$623.4     | 100.0%  | \$1,114.5   | \$1,114.5   | 100.0%  | \$1,390.0                            | 12.64%                        | PricewaterhouseCoopers<br>Zhong Tian CPAs Limited Company    |

**Exhibit 8**  
**U.S. Traded Companies Incorporated in China or with 100% Revenues or Assets in China**  
*(\$ in millions)*

| Company                                | Country of Incorporation | Country of Headquarters | U.S. Tickers  | Revenues |         |         | Assets    |           |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm   |
|--|--------------------------|-------------------------|---------------|----------|---------|---------|-----------|-----------|---------|--------------------------------------|-------------------------------|---|
|  |                          |                         |               | China    | Total   | % China | China     | Total     | % China |                                      |                               |   |
| 23. 51job Inc.                         | Cayman Islands           | China                   | NasdaqGS:JOBS | \$232.2  | \$232.2 | 100.0%  | \$520.0   | \$520.0   | 100.0%  | \$1,347.9                            | 24.72%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 24. Home Inns & Hotels Management Inc. | Cayman Islands           | China                   | NasdaqGS:HMIN | \$868.9  | \$925.3 | 93.9%   | \$1,436.5 | \$1,436.5 | 100.0%  | \$1,312.2                            | 63.69%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 25. Renren Inc.                        | Cayman Islands           | China                   | NYSE:RENN     | \$176.1  | \$176.1 | 100.0%  | \$1,201.8 | \$1,201.8 | 100.0%  | \$1,298.1                            | 2.07%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 26. Giant Interactive Group, Inc.      | Cayman Islands           | China                   | NYSE:GA       | \$345.2  | \$345.2 | 100.0%  | \$693.4   | \$693.4   | 100.0%  | \$1,279.4                            | 18.11%                        | Ernst & Young Hua Ming                                    |
| 27. China Lodging Group, Limited       | Cayman Islands           | China                   | NasdaqGS:HTHT | \$517.3  | \$517.3 | 100.0%  | \$694.7   | \$694.7   | 100.0%  | \$1,034.9                            | 25.58%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 28. Vipshop Holdings Limited           | Cayman Islands           | China                   | NYSE:VIPS     | \$692.1  | \$692.1 | 100.0%  | \$398.9   | \$398.9   | 100.0%  | \$902.3                              | 20.02%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 29. Shanda Games Limited               | Cayman Islands           | China                   | NasdaqGS:GAME | \$751.2  | \$751.2 | 100.0%  | \$1,301.8 | \$1,301.8 | 100.0%  | \$832.8                              | 11.48%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 30. AsiaInfo-Linkage, Inc.             | United States            | China                   | NasdaqGS:ASIA | \$547.9  | \$547.9 | 100.0%  | \$1,282.3 | \$1,282.3 | 100.0%  | \$788.7                              | 39.97%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 31. YY Inc.                            | Cayman Islands           | China                   | NasdaqGM:YY   | \$131.6  | \$131.6 | 100.0%  | \$272.1   | \$272.1   | 100.0%  | \$758.5                              | 10.45%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 32. TAL Education Group                | Cayman Islands           | China                   | NYSE:XRS      | \$218.5  | \$218.5 | 100.0%  | \$351.8   | \$351.8   | 100.0%  | \$744.0                              | 23.22%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 33. 7 Days Group Holdings Limited      | Cayman Islands           | China                   | NYSE:SVN      | \$410.2  | \$410.2 | 100.0%  | \$487.2   | \$487.2   | 100.0%  | \$602.7                              | 20.37%                        | KPMG  |
| 34. 21Vianet Group, Inc.               | Cayman Islands           | China                   | NasdaqGM:VNET | \$244.5  | \$244.5 | 100.0%  | \$477.6   | \$477.6   | 100.0%  | \$554.8                              | 59.97%                        | Ernst & Young Hua Ming                                    |
| 35. AutoNavi Holdings Limited          | Cayman Islands           | China                   | NasdaqGS:AMAP | \$159.7  | \$159.7 | 100.0%  | \$351.8   | \$351.8   | 100.0%  | \$545.9                              | 16.81%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 36. Perfect World Co., Ltd.            | Cayman Islands           | China                   | NasdaqGS:PWRD | \$308.9  | \$444.5 | 69.5%   | \$930.0   | \$930.0   | 100.0%  | \$516.3                              | 33.60%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 37. eLong Inc.                         | Cayman Islands           | China                   | NasdaqGM:LONG | \$119.4  | \$119.4 | 100.0%  | \$396.4   | \$396.4   | 100.0%  | \$509.0                              | 6.60%                         | Ernst & Young Hua Ming                                    |
| 38. AutoChina International Ltd.       | Cayman Islands           | China                   | OTCBB:AUTC.F  | \$333.1  | \$333.1 | 100.0%  | \$439.3   | \$439.3   | 100.0%  | \$494.3                              | 0.00%                         | Marcum Bernstein & Pinchuk LLP                            |
| 39. E-House (China) Holdings Limited   | Cayman Islands           | China                   | NYSE:EJ       | \$462.4  | \$462.4 | 100.0%  | \$1,012.0 | \$1,012.0 | 100.0%  | \$483.9                              | 31.92%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 40. Multi-Fineline Electronix, Inc.    | United States            | United States           | NasdaqGS:MFLX | \$894.8  | \$869.2 | 102.9%  | \$441.8   | \$734.6   | 60.1%   | \$480.3                              | 33.27%                        | PricewaterhouseCoopers LLP                                |

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*(\$ in millions)*

| Company  | Country of Incorporation | Country of Headquarters | U.S. Tickers  | Revenues  |           |         | Assets    |           |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm   |
|--|--------------------------|-------------------------|---------------|-----------|-----------|---------|-----------|-----------|---------|--------------------------------------|-------------------------------|---|
|  |                          |                         |               | China     | Total     | % China | China     | Total     | % China |                                      |                               |   |
| 41. Zhongpin, Inc.                                   | United States            | China                   | NasdaqGS:HOGS | \$1,639.6 | \$1,639.6 | 100.0%  | \$1,218.6 | \$1,218.6 | 100.0%  | \$477.8                              | 40.14%                        | BDO China Shu Lun Pan CPAs Co., Ltd.                      |
| 42. China United Insurance Service, Inc.             | United States            | China                   | OTCBB:CUII    | \$3.0     | \$17.5    | 17.4%   | \$22.5    | \$22.5    | 100.0%  | \$436.5                              | 0.00%                         | Goldman Parks Kurland Mohidin, LLP                        |
| 43. China Biologic Products, Inc.                    | United States            | China                   | NasdaqGS:CBPO | \$184.8   | \$184.8   | 100.0%  | \$311.0   | \$311.0   | 100.0%  | \$433.3                              | 2.83%                         | KPMG  |
| 44. Simcere Pharmaceutical Group.                    | Cayman Islands           | China                   | NYSE:SCR      | \$334.2   | \$334.2   | 100.0%  | \$541.1   | \$541.1   | 100.0%  | \$423.2                              | 2.59%                         | KPMG  |
| 45. Trina Solar Limited                              | Cayman Islands           | China                   | NYSE:TSL      | \$168.0   | \$1,296.7 | 13.0%   | \$2,864.9 | \$2,864.9 | 100.0%  | \$353.1                              | 65.86%                        | KPMG  |
| 46. E-Commerce China Dangdang Inc.                   | Cayman Islands           | China                   | NYSE:DANG     | \$833.2   | \$833.2   | 100.0%  | \$574.8   | \$574.8   | 100.0%  | \$332.7                              | 7.49%                         | Ernst & Young Hua Ming                                    |
| 47. Cninsure Inc.                                    | Cayman Islands           | China                   | NasdaqGS:CISG | \$254.5   | \$254.5   | 100.0%  | \$545.6   | \$545.6   | 100.0%  | \$328.6                              | 30.47%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 48. Noah Holdings Limited                            | Cayman Islands           | China                   | NYSE:NOAH     | \$86.7    | \$86.7    | 100.0%  | \$205.4   | \$205.4   | 100.0%  | \$327.1                              | 4.62%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 49. Bitauto Holdings Limited                         | Cayman Islands           | China                   | NYSE:BITA     | \$169.6   | \$169.6   | 100.0%  | \$228.4   | \$228.4   | 100.0%  | \$300.7                              | 24.11%                        | Ernst & Young Hua Ming                                    |
| 50. Yongye International, Inc.                       | United States            | China                   | NasdaqGS:YONG | \$443.0   | \$443.0   | 100.0%  | \$623.8   | \$623.8   | 100.0%  | \$294.6                              | 34.50%                        | KPMG  |
| 51. Bona Film Group Limited                          | Cayman Islands           | China                   | NasdaqGS:BOA  | \$131.6   | \$142.3   | 92.5%   | \$316.6   | \$316.6   | 100.0%  | \$291.2                              | 17.98%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 52. Phoenix New Media Limited                        | Cayman Islands           | China                   | NYSE:FENG     | \$178.2   | \$178.2   | 100.0%  | \$269.7   | \$269.7   | 100.0%  | \$283.7                              | 15.35%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 53. NQ Mobile Inc.                                   | Cayman Islands           | China                   | NYSE:NQ       | \$55.2    | \$91.8    | 60.1%   | \$247.7   | \$247.7   | 100.0%  | \$265.4                              | 21.50%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 54. Synutra International Inc.                       | United States            | United States           | NasdaqGS:SYUT | \$278.3   | \$278.3   | 100.0%  | \$418.3   | \$418.3   | 100.0%  | \$265.3                              | 6.86%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 55. Kongzhong Corp.                                  | Cayman Islands           | China                   | NasdaqGS:KONG | \$176.5   | \$180.6   | 97.7%   | \$372.8   | \$372.8   | 100.0%  | \$234.8                              | 8.54%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 56. Concord Medical Services Holdings Limited        | Cayman Islands           | China                   | NYSE:CCM      | \$106.3   | \$106.3   | 100.0%  | \$588.0   | \$588.0   | 100.0%  | \$192.3                              | 9.78%                         | Ernst & Young Hua Ming                                    |
| 57. China Cord Blood Corporation                     | Cayman Islands           | Hong Kong               | NYSE:CO       | \$79.1    | \$79.1    | 100.0%  | \$455.8   | \$455.8   | 100.0%  | \$190.5                              | 17.13%                        | KPMG  |
| 58. Country Style Cooking Restaurant Chain Co., Ltd. | Cayman Islands           | China                   | NYSE:CCSC     | \$190.7   | \$190.7   | 100.0%  | \$164.6   | \$164.6   | 100.0%  | \$186.7                              | 5.42%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 59. China XD Plastics Company Ltd.                   | United States            | China                   | NasdaqGM:CXDC | \$599.8   | \$599.8   | 100.0%  | \$611.6   | \$611.6   | 100.0%  | \$181.7                              | 10.21%                        | KPMG  |

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(\$ in millions)

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|--|--------------------------|-------------------------|---------------|----------|-----------|---------|-----------|-----------|---------|--------------------------------------|-------------------------------|---|
|  |                          |                         |               | China    | Total     | % China | China     | Total     | % China |                                      |                               |   |
| 60. China Mobile Games and Entertainment Group Limited | Cayman Islands           | China                   | NasdaqGM:CMGE | \$30.1   | \$30.1    | 100.0%  | \$143.9   | \$143.9   | 100.0%  | \$176.9                              | 3.59%                         | Ernst & Young Hua Ming                                    |
| 61. Jiayuan.com International Ltd.                     | Cayman Islands           | China                   | NasdaqGS:DATE | \$65.9   | \$65.9    | 100.0%  | \$111.5   | \$111.5   | 100.0%  | \$175.7                              | 5.60%                         | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 62. Le Gaga Holdings Ltd                               | Cayman Islands           | Hong Kong               | NasdaqGS:GAGA | -        | \$73.0    | -       | \$289.6   | \$289.6   | 100.0%  | \$172.9                              | 8.78%                         | KPMG  |
| 63. JA Solar Holdings Co., Ltd.                        | Cayman Islands           | China                   | NasdaqGS:JASO | \$495.2  | \$1,077.9 | 45.9%   | \$2,106.8 | \$2,106.8 | 100.0%  | \$172.7                              | 11.68%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 64. Chindex International Inc.                         | United States            | United States           | NasdaqGS:CHDX | \$152.4  | \$152.4   | 100.0%  | \$222.5   | \$222.5   | 100.0%  | \$172.4                              | 48.20%                        | BDO Seidman, LLP  |
| 65. Xueda Education Group                              | Cayman Islands           | China                   | NYSE:XUE      | \$293.2  | \$293.2   | 100.0%  | \$316.3   | \$316.3   | 100.0%  | \$161.3                              | 11.56%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 66. Charm Communications Inc.                          | Cayman Islands           | China                   | NasdaqGM:CHRM | \$165.5  | \$165.5   | 100.0%  | \$358.6   | \$358.6   | 100.0%  | \$157.3                              | 13.88%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 67. ATA, Inc.  | Cayman Islands           | China                   | NasdaqGM:ATAI | \$60.1   | \$60.1    | 100.0%  | \$76.8    | \$76.8    | 100.0%  | \$156.8                              | 31.00%                        | KPMG  |
| 68. China Nepstar Chain Drugstore Ltd.                 | Cayman Islands           | China                   | NYSE:NPD      | \$409.1  | \$409.1   | 100.0%  | \$263.7   | \$263.7   | 100.0%  | \$150.0                              | 26.13%                        | KPMG  |
| 69. Canadian Solar Inc.                                | Canada                   | Canada                  | NasdaqGS:CSIQ | \$89.1   | \$1,294.8 | 6.9%    | \$2,259.3 | \$2,259.3 | 100.0%  | \$147.0                              | 17.27%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 70. ReneSola Ltd.                                      | British Virgin Islands   | China                   | NYSE:SOL      | \$423.9  | \$969.1   | 43.7%   | \$2,058.3 | \$2,058.3 | 100.0%  | \$132.9                              | 11.33%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 71. China Distance Education Holdings Limited          | Cayman Islands           | China                   | NYSE:DL       | \$55.2   | \$55.2    | 100.0%  | \$80.3    | \$80.3    | 100.0%  | \$132.7                              | 0.67%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 72. Lihua International, Inc.                          | United States            | China                   | NasdaqCM:LIWA | \$853.8  | \$853.8   | 100.0%  | \$293.9   | \$293.9   | 100.0%  | \$132.1                              | 19.86%                        | Crowe Horwath (HK) CPA Limited                            |
| 73. China HGS Real Estate Inc.                         | United States            | China                   | NasdaqCM:HGSB | \$25.6   | \$25.6    | 100.0%  | \$128.5   | \$128.5   | 100.0%  | \$132.0                              | 0.46%                         | Friedman LLP  |
| 74. Taomee Holdings Ltd.                               | Cayman Islands           | China                   | NYSE:TAOM     | \$40.2   | \$40.2    | 100.0%  | \$139.8   | \$139.8   | 100.0%  | \$131.2                              | 3.23%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 75. Feihe International, Inc.                          | United States            | China                   | NYSE:ADY      | \$267.9  | \$267.9   | 100.0%  | \$476.3   | \$476.3   | 100.0%  | \$130.6                              | 14.70%                        | Crowe Horwath (HK) CPA Limited                            |
| 76. AirMedia Group Inc.                                | Cayman Islands           | China                   | NasdaqGS:AMCN | \$286.7  | \$286.7   | 100.0%  | \$343.9   | \$343.9   | 100.0%  | \$120.2                              | 29.31%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 77. Actions Semiconductor Co., Ltd.                    | Cayman Islands           | China                   | NasdaqGS:ACTS | \$54.3   | \$54.3    | 100.0%  | \$322.2   | \$322.2   | 100.0%  | \$111.1                              | 5.10%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 78. China Natural Resources Inc.                       | British Virgin Islands   | Hong Kong               | NasdaqCM:CHNR | \$25.1   | \$25.1    | 100.0%  | \$457.9   | \$457.9   | 100.0%  | \$107.1                              | 0.07%                         | Ernst & Young   |

## Exhibit 8

### U.S. Traded Companies Incorporated in China or with 100% Revenues or Assets in China

(\$ in millions)

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|---|--------------------------|-------------------------|---------------|----------|---------|---------|-----------|-----------|---------|--------------------------------------|-------------------------------|---|
|   |                          |                         |               | China    | Total   | % China | China     | Total     | % China |                                      |                               |   |
| 79. China Gerui Advanced Materials Group Ltd.           | British Virgin Islands   | China                   | NasdaqGS:CHOP | \$265.5  | \$265.5 | 100.0%  | \$673.4   | \$673.4   | 100.0%  | \$103.3                              | 4.02%                         | UHY Vocation HK CPA Limited                               |
| 80. China Digital TV Holding Co., Ltd.                  | Cayman Islands           | China                   | NYSE:STV      | \$88.7   | \$88.7  | 100.0%  | \$193.6   | \$193.6   | 100.0%  | \$99.1                               | 24.00%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 81. Zuoan Fashion Limited                               | Cayman Islands           | China                   | NYSE:ZA       | \$229.0  | \$229.0 | 100.0%  | \$251.2   | \$251.2   | 100.0%  | \$94.6                               | 2.90%                         | GHP Horwath, P.C.   |
| 82. China Hydroelectric Corporation                     | Cayman Islands           | China                   | NYSE:CHC      | \$85.4   | \$85.4  | 100.0%  | \$850.3   | \$754.3   | 112.7%  | \$92.9                               | 62.58%                        | Ernst & Young Hua Ming                                    |
| 83. China Green Agriculture, Inc.                       | United States            | China                   | NYSE:CGA      | \$198.6  | \$198.6 | 100.0%  | \$314.6   | \$314.6   | 100.0%  | \$91.6                               | 6.20%                         | Kabani & Co   |
| 84. ChinaEdu Corporation                                | Cayman Islands           | China                   | NasdaqGM:CEDU | \$78.3   | \$78.3  | 100.0%  | \$199.3   | \$199.3   | 100.0%  | \$91.4                               | 9.19%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 85. Noah Education Holdings Ltd.                        | Cayman Islands           | China                   | NYSE:NED      | \$29.8   | \$29.8  | 100.0%  | \$143.2   | \$143.2   | 100.0%  | \$86.5                               | 1.79%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 86. ChinaCache International Holdings Ltd.              | Cayman Islands           | China                   | NasdaqGM:CCIH | \$130.5  | \$130.5 | 100.0%  | \$144.5   | \$144.5   | 100.0%  | \$84.8                               | 13.21%                        | Ernst & Young Hua Ming                                    |
| 87. Hanwha SolarOne Co., Ltd                            | Cayman Islands           | China                   | NasdaqGS:HSOL | \$61.4   | \$590.1 | 10.4%   | \$1,468.1 | \$1,468.1 | 100.0%  | \$84.6                               | 4.58%                         | Ernst & Young Hua Ming                                    |
| 88. Acorn International, Inc.                           | Cayman Islands           | China                   | NYSE:ATV      | \$242.6  | \$242.6 | 100.0%  | \$207.4   | \$207.4   | 100.0%  | \$75.9                               | 0.77%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 89. Cogo Group, Inc.                                    | Cayman Islands           | China                   | NasdaqGS:COGO | \$784.6  | \$784.6 | 100.0%  | \$380.5   | \$380.5   | 100.0%  | \$73.8                               | 15.95%                        | KPMG  |
| 90. The9 Limited  | Cayman Islands           | China                   | NasdaqGS:NCTY | \$24.8   | \$24.8  | 100.0%  | \$178.5   | \$178.5   | 100.0%  | \$72.2                               | 9.76%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 91. L & L Energy, Inc.                                  | United States            | United States           | NasdaqGS:LLEN | \$210.0  | \$210.0 | 100.0%  | \$303.4   | \$303.4   | 100.0%  | \$71.2                               | 2.61%                         | Kabani & Co   |
| 92. China Xiniya Fashion Limited                        | Cayman Islands           | China                   | NYSE:XNY      | \$222.0  | \$222.0 | 100.0%  | -         | \$264.4   | -       | \$67.0                               | 2.46%                         | GHP Horwath, P.C.   |
| 93. Ninetowns Internet Technology Group Company Limited | Cayman Islands           | China                   | NasdaqGM:NINE | \$14.5   | \$14.5  | 100.0%  | \$224.0   | \$224.0   | 100.0%  | \$65.3                               | 6.99%                         | GHP Horwath, P.C.   |
| 94. Sky-mobi Limited                                    | Cayman Islands           | China                   | NasdaqGM:MOBI | \$97.2   | \$99.3  | 97.9%   | \$116.8   | \$116.8   | 100.0%  | \$64.2                               | 3.28%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 95. Kingold Jewelry, Inc.                               | United States            | China                   | NasdaqCM:KGJI | \$915.7  | \$915.7 | 100.0%  | \$172.8   | \$172.8   | 100.0%  | \$62.7                               | 0.48%                         | Friedman LLP  |
| 96. Daqo New Energy Corp.                               | Cayman Islands           | China                   | NYSE:DQ       | \$86.9   | \$86.9  | 100.0%  | \$816.3   | \$816.3   | 100.0%  | \$55.9                               | 8.69%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 97. China Ginseng Holdings, Inc.                        | United States            | China                   | OTCBB:CSNG    | \$4.3    | \$4.3   | 100.0%  | \$7.6     | \$7.6     | 100.0%  | \$52.4                               | 0.00%                         | Meyler & Company LLC                                      |
| 98. Sino Agro Foods, Inc.                               | United States            | China                   | OTCBB:SIAF    | \$138.6  | \$138.6 | 100.0%  | \$243.1   | \$243.1   | 100.0%  | \$51.5                               | 27.90%                        | Madsen & Associates CPA's Inc.                            |
| 99. Ku6 Media Co., Ltd.                                 | Cayman Islands           | China                   | NasdaqGM:KUTV | \$14.1   | \$14.1  | 100.0%  | \$56.2    | \$56.2    | 100.0%  | \$50.3                               | 0.60%                         | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |

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|---|--------------------------|-------------------------|-----------------------------------|----------|---------|---------|-----------|-----------|---------|--------------------------------------|-------------------------------|---|
|   |                          |                         |                                   | China    | Total   | % China | China     | Total     | % China |                                      |                               |   |
| 100. China Recycling Energy Corporation       | United States            | China                   | NasdaqGM:CREG                     | \$1.3    | \$1.3   | 100.0%  | \$202.3   | \$202.3   | 100.0%  | \$49.8                               | 8.16%                         | Goldman Parks Kurland Mohidin, LLP                        |
| 101. Prime Acquisition Corp.                  | Cayman Islands           | China                   | NasdaqCM:PACQ.U;<br>NasdaqCM:PACQ | -        | -       | -       | \$36.6    | \$36.6    | 100.0%  | \$48.6                               | 24.46%                        | Marcum Bernstein & Pinchuk LLP                            |
| 102. SORL Auto Parts, Inc.                    | United States            | China                   | NasdaqGM:SORL                     | \$139.3  | \$192.2 | 72.5%   | \$243.6   | \$243.6   | 100.0%  | \$47.1                               | 10.14%                        | EFP Rotenberg, LLP  |
| 103. Trunkbow International Holdings, Ltd.    | United States            | China                   | NasdaqGM:TBOW                     | \$34.8   | \$34.8  | 100.0%  | \$121.7   | \$121.7   | 100.0%  | \$46.0                               | 2.32%                         | Marcum Bernstein & Pinchuk LLP                            |
| 104. China Housing and Land Development, Inc. | United States            | China                   | NasdaqCM:CHLN                     | \$141.8  | \$141.8 | 100.0%  | \$524.6   | \$524.6   | 100.0%  | \$45.8                               | 0.03%                         | Moore Stephens Cooper Molyneux LLP                        |
| 105. China Shengda Packaging Group Inc.       | United States            | China                   | NasdaqGM:CPGI                     | \$125.3  | \$125.3 | 100.0%  | \$167.1   | \$167.1   | 100.0%  | \$44.6                               | 1.57%                         | Marcum Bernstein & Pinchuk LLP                            |
| 106. Gulf Resources, Inc.                     | United States            | China                   | NasdaqGS:GURE                     | \$101.7  | \$101.7 | 100.0%  | \$278.2   | \$278.2   | 100.0%  | \$40.3                               | 4.23%                         | Morison Cogen LLP   |
| 107. China New Borun Corporation              | Cayman Islands           | China                   | NYSE:BORN                         | \$415.1  | \$415.1 | 100.0%  | \$391.9   | \$391.9   | 100.0%  | \$39.6                               | 1.71%                         | BDO China Shu Lun Pan CPAs Co., Ltd.                      |
| 108. Exceed Company Ltd.                      | British Virgin Islands   | Hong Kong               | NasdaqGS:EDS                      | \$382.4  | \$382.4 | 100.0%  | \$363.5   | \$363.5   | 100.0%  | \$39.0                               | 3.77%                         | Crowe Horwath (HK) CPA Limited                            |
| 109. Lentuo International Inc.                | Cayman Islands           | China                   | NYSE:LAS                          | \$523.8  | \$523.8 | 100.0%  | -         | \$426.6   | -       | \$36.0                               | 1.58%                         | Ernst & Young Hua Ming                                    |
| 110. Tiger Media, Inc.                        | Cayman Islands           | China                   | AMEX:IDI                          | -        | -       | -       | \$7.5     | \$7.5     | 100.0%  | \$33.9                               | 10.35%                        | Marcum Bernstein & Pinchuk LLP                            |
| 111. WSP Holdings Ltd.                        | Cayman Islands           | China                   | NYSE:WH                           | \$561.3  | \$561.3 | 100.0%  | \$1,390.3 | \$1,390.3 | 100.0%  | \$33.7                               | 2.83%                         | MaloneBailey, LLP   |
| 112. Orient Paper, Inc.                       | United States            | China                   | AMEX:ONP                          | \$151.1  | \$151.1 | 100.0%  | \$162.8   | \$162.8   | 100.0%  | \$33.0                               | 3.94%                         | BDO China Shu Lun Pan CPAs Co., Ltd.                      |
| 113. Origin Agritech Limited                  | British Virgin Islands   | China                   | NasdaqGS:SEED                     | \$87.9   | \$87.9  | 100.0%  | \$216.1   | \$216.1   | 100.0%  | \$32.5                               | 13.96%                        | BDO China Shu Lun Pan CPAs Co., Ltd.                      |
| 114. Mecox Lane Limited                       | Cayman Islands           | China                   | NasdaqGS:MCOX                     | \$151.8  | \$151.8 | 100.0%  | \$128.4   | \$128.4   | 100.0%  | \$31.5                               | 4.56%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 115. Ever-Glory International Group, Inc.     | United States            | China                   | AMEX:EVK                          | \$178.8  | \$279.6 | 63.9%   | \$151.2   | \$151.2   | 100.0%  | \$30.3                               | 0.11%                         | GHP Horwath, P.C.   |
| 116. IFM Investments Limited                  | Cayman Islands           | China                   | NYSE:CTC                          | \$120.0  | \$120.0 | 100.0%  | \$117.9   | \$117.9   | 100.0%  | \$27.2                               | 35.89%                        | PricewaterhouseCoopers Zhong Tian CPAs Limited Company    |
| 117. China Finance Online Co., Ltd.           | Hong Kong                | China                   | NasdaqGS:JRJC                     | \$29.6   | \$29.6  | 100.0%  | \$121.4   | \$121.4   | 100.0%  | \$25.3                               | 2.10%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |



**Exhibit 8**  
**U.S. Traded Companies Incorporated in China or with 100% Revenues or Assets in China**  
*(\$ in millions)*

| Company   | Country of Incorporation | Country of Headquarters | U.S. Tickers  | Revenues |         |         | Assets  |         |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm   |
|---|--------------------------|-------------------------|---------------|----------|---------|---------|---------|---------|---------|--------------------------------------|-------------------------------|---|
|   |                          |                         |               | China    | Total   | % China | China   | Total   | % China |                                      |                               |   |
| 118. SinoCoking Coal and Coke Chemical Industries, Inc. | United States            | China                   | NasdaqCM:SCOK | \$78.3   | \$78.3  | 100.0%  | \$196.6 | \$196.6 | 100.0%  | \$24.9                               | -0.10%                        | Friedman LLP  |
| 119. China Information Technology, Inc.                 | United States            | China                   | NasdaqGS:CNIT | \$86.4   | \$86.4  | 100.0%  | \$287.4 | \$287.4 | 100.0%  | \$24.6                               | 4.43%                         | GHP Horwath, P.C.   |
| 120. THT Heat Transfer Technology, Inc.                 | United States            | China                   | NasdaqCM:THTI | \$62.8   | \$62.8  | 100.0%  | \$111.5 | \$111.5 | 100.0%  | \$24.1                               | 0.00%                         | MaloneBailey, LLP   |
| 121. China Marine Food Group Limited                    | United States            | China                   | AMEX:CMFO     | \$154.5  | \$157.3 | 98.2%   | \$146.2 | \$146.2 | 100.0%  | \$23.8                               | 2.77%                         | Da Hua Certified Public Accountants Co., Ltd.             |
| 122. Tri-Tech Holding, Inc.                             | Cayman Islands           | China                   | NasdaqCM:TRIT | \$72.6   | \$72.6  | 100.0%  | \$156.7 | \$156.7 | 100.0%  | \$22.6                               | 34.08%                        | Marcum Bernstein & Pinchuk LLP                            |
| 123. China Sunergy Co. Ltd.                             | Cayman Islands           | China                   | NasdaqGS:CSUN | \$29.1   | \$292.7 | 9.9%    | \$923.1 | \$923.1 | 100.0%  | \$21.1                               | 14.49%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 124. China BAK Battery, Inc.                            | United States            | China                   | NasdaqGM:CBAK | \$139.1  | \$197.6 | 70.4%   | \$441.2 | \$441.2 | 100.0%  | \$20.3                               | 3.04%                         | PKF International   |
| 125. YOU On Demand Holdings, Inc.                       | United States            | United States           | NasdaqCM:YOD  | \$6.9    | \$6.9   | 100.0%  | \$22.5  | \$22.5  | 100.0%  | \$19.8                               | 8.56%                         | UHY LLP   |
| 126. Nutrastar International Inc.                       | United States            | China                   | OTCBB:NUIN    | \$36.8   | \$36.8  | 100.0%  | \$95.4  | \$95.4  | 100.0%  | \$19.0                               | 3.36%                         | Crowe Horwath (HK) CPA Limited                            |
| 127. Fuwei Films (Holdings) Co., Ltd.                   | Cayman Islands           | China                   | NasdaqGM:FFHL | \$48.5   | \$59.8  | 81.1%   | \$119.9 | \$119.9 | 100.0%  | \$18.9                               | 3.72%                         | Kabani & Co   |
| 128. ChinaNet Online Holdings, Inc.                     | United States            | China                   | NasdaqGM:CNET | \$46.6   | \$46.6  | 100.0%  | \$56.9  | \$56.9  | 100.0%  | \$18.4                               | 37.27%                        | Marcum Bernstein & Pinchuk LLP                            |
| 129. Tianyin Pharmaceutical Co., Inc.                   | United States            | China                   | AMEX:TPI      | \$67.4   | \$67.4  | 100.0%  | \$102.3 | \$102.3 | 100.0%  | \$17.6                               | 2.02%                         | Patrizio & Zhao, LLC                                      |
| 130. Guanwei Recycling Corp.                            | United States            | China                   | NasdaqCM:GPRC | \$79.0   | \$79.0  | 100.0%  | \$53.1  | \$53.1  | 100.0%  | \$17.2                               | 0.42%                         | Friedman LLP  |
| 131. Ossen Innovation Co., Ltd.                         | British Virgin Islands   | China                   | NasdaqGM:OSN  | \$111.9  | \$122.4 | 91.4%   | \$187.0 | \$187.0 | 100.0%  | \$16.1                               | 1.22%                         | Da Hua Certified Public Accountants Co., Ltd.             |
| 132. VisionChina Media Inc.                             | Cayman Islands           | China                   | NasdaqGS:VISN | \$115.7  | \$115.7 | 100.0%  | \$149.8 | \$149.8 | 100.0%  | \$15.7                               | 11.29%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 133. China Jo-Jo Drugstores, Inc.                       | United States            | China                   | NasdaqCM:CJJD | \$100.2  | \$100.2 | 100.0%  | \$81.3  | \$81.3  | 100.0%  | \$15.5                               | 0.31%                         | Friedman LLP  |
| 134. e-Future Information Technology Inc.               | Cayman Islands           | China                   | NasdaqCM:EFUT | \$31.8   | \$31.8  | 100.0%  | \$40.0  | \$40.0  | 100.0%  | \$15.5                               | 11.66%                        | Grant Thornton LLP  |
| 135. Highpower International, Inc.                      | United States            | China                   | NasdaqGM:HPJ  | \$55.4   | \$112.6 | 49.2%   | \$120.4 | \$120.4 | 100.0%  | \$14.0                               | 0.66%                         | Marcum Bernstein & Pinchuk LLP                            |
| 136. Deyu Agriculture Corp                              | United States            | China                   | OTCBB:DEYU    | \$254.0  | \$254.0 | 100.0%  | \$113.9 | \$113.9 | 100.0%  | \$13.3                               | 0.00%                         | KCCW Accountancy Corp.                                    |
| 137. China Yida Holding, Co.                            | United States            | China                   | NasdaqCM:CNYD | \$27.6   | \$27.6  | 100.0%  | \$218.8 | \$218.8 | 100.0%  | \$12.6                               | 4.23%                         | KCCW Accountancy Corp.                                    |
| 138. Shengkai Innovations, Inc.                         | United States            | China                   | NasdaqCM:VALV | \$19.6   | \$19.6  | 100.0%  | \$142.0 | \$142.0 | 100.0%  | \$12.4                               | 7.23%                         | Albert Wong & Co.   |

**Exhibit 8**  
**U.S. Traded Companies Incorporated in China or with 100% Revenues or Assets in China**  
*(\$ in millions)*

| Company  | Country of Incorporation | Country of Headquarters | U.S. Tickers  | Revenues |         |         | Assets  |         |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm                                   |
|--|--------------------------|-------------------------|---------------|----------|---------|---------|---------|---------|---------|--------------------------------------|-------------------------------|---|
|  |                          |                         |               | China    | Total   | % China | China   | Total   | % China |                                      |                               |   |
| 139. SGOOCO Group, Ltd.                                | Cayman Islands           | China                   | NasdaqCM:SGOC | \$143.9  | \$166.7 | 86.3%   | \$105.6 | \$105.6 | 100.0%  | \$12.4                               | 4.59%                         | Crowe Horwath (HK) CPA Limited                    |
| 140. Skystar Bio Pharmaceutical Company                | United States            | China                   | NasdaqCM:SKBI | \$33.6   | \$33.6  | 100.0%  | \$115.8 | \$115.8 | 100.0%  | \$12.2                               | 11.25%                        | Crowe Horwath (HK) CPA Limited                    |
| 141. Network CN, Inc.                                  | United States            | Hong Kong               | OTCBB:NWCN    | \$1.8    | \$1.8   | 100.0%  | \$1.7   | \$1.7   | 100.0%  | \$11.6                               | 26.12%                        | Union Power Certified Public Accountants Co., Ltd |
| 142. China Auto Logistic Inc.                          | United States            | China                   | NasdaqGM:CALI | \$591.3  | \$591.3 | 100.0%  | \$166.2 | \$166.2 | 100.0%  | \$11.0                               | 0.47%                         | Marcum LLP  |
| 143. Cleantech Solutions International, Inc.           | United States            | China                   | NasdaqCM:CLNT | \$57.2   | \$57.2  | 100.0%  | \$89.9  | \$89.9  | 100.0%  | \$10.6                               | 8.93%                         | Russell Bedford Stefanou Mirchandani LLP          |
| 144. Biostar Pharmaceuticals, Inc.                     | United States            | China                   | NasdaqGM:BSPM | \$49.3   | \$49.3  | 100.0%  | \$70.5  | \$70.5  | 100.0%  | \$10.0                               | 1.73%                         | Clement C W Chan & Co                             |
| 145. Aoxing Pharmaceutical Company, Inc.               | United States            | China                   | AMEX:AXN      | \$10.4   | \$10.4  | 100.0%  | \$44.0  | \$44.0  | 100.0%  | \$9.5                                | 4.29%                         | Da Hua Certified Public Accountants Co., Ltd.     |
| 146. Tianli Agritech, Inc.                             | British Virgin Islands   | China                   | NasdaqGM:OINK | \$26.5   | \$26.5  | 100.0%  | \$52.9  | \$52.9  | 100.0%  | \$9.5                                | 0.66%                         | Russell Bedford Stefanou Mirchandani LLP          |
| 147. China Armco Metals, Inc.                          | United States            | United States           | AMEX:CNAM     | \$106.6  | \$106.6 | 100.0%  | \$82.2  | \$82.2  | 100.0%  | \$8.9                                | 2.13%                         | LI & Company, LP                                  |
| 148. Dehaier Medical Systems Limited                   | British Virgin Islands   | China                   | NasdaqCM:DHRM | \$21.4   | \$21.4  | 100.0%  | \$38.3  | \$38.3  | 100.0%  | \$8.9                                | 0.09%                         | Friedman LLP                                      |
| 149. China Pharma Holdings, Inc.                       | United States            | China                   | AMEX:CPhi     | \$54.5   | \$54.5  | 100.0%  | \$163.2 | \$163.2 | 100.0%  | \$8.8                                | 8.01%                         | Hansen, Barnett & Maxwell, P.C.                   |
| 150. China Advanced Construction Materials Group, Inc. | United States            | China                   | NasdaqCM:CADC | \$110.4  | \$110.4 | 100.0%  | \$144.4 | \$144.4 | 100.0%  | \$8.7                                | 1.78%                         | Friedman LLP                                      |
| 151. China Gengsheng Minerals, Inc.                    | United States            | China                   | AMEX:CHGS     | \$72.3   | \$73.5  | 98.4%   | \$162.4 | \$162.4 | 100.0%  | \$8.0                                | 0.60%                         | EFP Rotenberg, LLP                                |
| 152. US China Mining Group Inc.                        | United States            | United States           | OTCBB:SGZH    | \$30.9   | \$30.9  | 100.0%  | \$97.8  | \$97.8  | 100.0%  | \$7.2                                | 0.07%                         | Goldman Parks Kurland Mohidin, LLP                |
| 153. China Global Media, Inc.                          | United States            | China                   | OTCBB:CGLO    | \$59.7   | \$59.7  | 100.0%  | -       | \$48.1  | -       | \$7.1                                | 0.00%                         | Patrizio & Zhao, LLC                              |
| 154. QKL Stores Inc.                                   | United States            | China                   | NasdaqCM:QKLS | \$365.6  | \$365.6 | 100.0%  | \$160.2 | \$160.2 | 100.0%  | \$6.9                                | 6.92%                         | Albert Wong & Co.                                 |
| 155. ANV Security Group, Inc.                          | United States            | China                   | OTCBB:ANVS    | \$0.2    | \$0.2   | 100.0%  | -       | \$2.8   | -       | \$5.7                                | 0.00%                         | Smythe Ratcliffe LLP; Stan J. H. Lee, CPA         |
| 156. Recon Technology, Ltd.                            | Cayman Islands           | China                   | NasdaqCM:RCON | \$15.2   | \$15.2  | 100.0%  | \$24.9  | \$24.9  | 100.0%  | \$5.5                                | 0.01%                         | Friedman LLP                                      |
| 157. NF Energy Saving Corp.                            | United States            | China                   | NasdaqCM:NFEC | \$9.3    | \$9.3   | 100.0%  | \$42.8  | \$42.8  | 100.0%  | \$5.4                                | 1.09%                         | HKCMCPA Company Limited                           |
| 158. Andatee China Marine Fuel Services Corporation    | United States            | China                   | NasdaqCM:AMCF | \$228.8  | \$228.8 | 100.0%  | \$120.7 | \$120.7 | 100.0%  | \$4.8                                | 1.64%                         | Friedman LLP                                      |

## Exhibit 8

### U.S. Traded Companies Incorporated in China or with 100% Revenues or Assets in China

(\$ in millions)

| Company  | Country of Incorporation | Country of Headquarters | U.S. Tickers  | Revenues           |                      |         | Assets               |                      |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm   |
|--|--------------------------|-------------------------|---------------|--------------------|----------------------|---------|----------------------|----------------------|---------|--------------------------------------|-------------------------------|---|
|  |                          |                         |               | China              | Total                | % China | China                | Total                | % China |                                      |                               |   |
| 159. Kingtone Wirelessinfo Solution Holding Ltd.   | British Virgin Islands   | China                   | NasdaqCM:KONE | \$2.4              | \$2.4                | 100.0%  | -                    | \$32.3               | -       | \$4.3                                | 43.05%                        | Marcum Bernstein & Pinchuk LLP                            |
| 160. Chineseinvestors.com, Inc.                    | United States            | United States           | OTCBB:CIIX    | \$1.4              | \$1.4                | 100.0%  | \$0.8                | \$0.8                | 100.0%  | \$3.2                                | 0.00%                         | B F Borgers CPA, PC                                       |
| 161. China Health Resource, Inc.                   | United States            | China                   | OTCBB:CHRI    | \$22.9             | \$22.9               | 100.0%  | \$25.8               | \$25.8               | 100.0%  | \$1.6                                | 0.00%                         | Lake & Associates CPA's LLC.                              |
| 162. China Networks International Holdings, Ltd.   | British Virgin Islands   | China                   | OTCBB:CNWH.F  | -                  | -                    | -       | \$2.6                | \$2.6                | 100.0%  | \$0.6                                | 24.94%                        | UHY Vocation HK CPA Limited                               |
| 163. Yew Bio-Pharm Group, Inc.                     | United States            | United States           | OTCBB:YEWB    | \$6.7              | \$6.7                | 100.0%  | \$28.0               | \$28.0               | 100.0%  | -                                    | 0.00%                         | MaloneBailey, LLP   |
| 164. China Xuefeng Environmental Engineering, Inc. | United States            | China                   | OTCBB:CXEE    | -                  | \$2.5                | -       | \$7.1                | \$7.1                | 100.0%  | -                                    | 0.00%                         | Wei, Wei & Co LLP   |
| 165. CAM Group, Inc.                               | United States            | Hong Kong               | OTCBB:RTTE    | \$4.0              | \$4.0                | 100.0%  | \$4.5                | \$4.5                | 100.0%  | -                                    | 0.00%                         | Anderson Bradshaw PLLC                                    |
| 166. Tongli Pharmaceuticals (USA), Inc.            | United States            | United States           | OTCBB:TGLP    | \$9.0              | \$9.0                | 100.0%  | \$21.6               | \$21.6               | 100.0%  | -                                    | 0.00%                         | Paritz & Company P.A.                                     |
| 167. China ShouGuan Mining Corporation             | United States            | China                   | OTCBB:CHSO    | \$5.0              | \$5.0                | 100.0%  | \$14.7               | \$14.7               | 100.0%  | -                                    | 0.00%                         | HKCMCPA Company Limited                                   |
| 168. LightInTheBox Holding Co., Ltd.               | Cayman Islands           | China                   | NYSE:LITB     | -                  | \$200.0              | -       | \$39.8               | \$39.8               | 100.0%  | -                                    | 1.04%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 169. Asia Green Agriculture Corp.                  | United States            | China                   | OTCBB:AGAC    | \$119.9            | \$125.7              | 95.4%   | \$165.5              | \$165.5              | 100.0%  | -                                    | 0.00%                         | PKF International   |
| <b>Total</b>                                       |                          |                         |               | <b>\$850,533.1</b> | <b>\$1,103,726.3</b> |         | <b>\$1,015,420.7</b> | <b>\$1,260,877.8</b> |         | <b>\$643,536.5</b>                   |                               |   |

Source: Capital IQ; SEC Filings  
 Note: See Appendix C for methodology.

**Exhibit 9**  
**U.S. Traded Companies Incorporated Outside China with at Least 50% but Less than 100%**  
**Revenues or Assets in China**

(\$ in millions)

| Company  | Country of Incorporation | Country of Headquarters | U.S. Tickers                | Revenues   |            |         | Assets    |            |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm  |
|--|--------------------------|-------------------------|-----------------------------|------------|------------|---------|-----------|------------|---------|--------------------------------------|-------------------------------|--|
|  |                          |                         |                             | China      | Total      | % China | China     | Total      | % China |                                      |                               |  |
| 1. Baidu, Inc.                                     | Cayman Islands           | China                   | NasdaqGS: BIDU              | \$3,561.3  | \$3,578.5  | 99.5%   | \$619.6   | \$7,326.6  | 8.5%    | \$35,060.3                           | 64.68%                        | Ernst & Young Hua Ming                                       |
| 2. Yum! Brands, Inc.                               | United States            | United States           | NYSE: YUM                   | \$6,898.0  | \$13,633.0 | 50.6%   | \$3,752.0 | \$9,011.0  | 41.6%   | \$30,000.1                           | 81.05%                        | KPMG LLP   |
| 3. LG Display Co., Ltd.                            | South Korea              | South Korea             | NYSE: LPL                   | \$15,764.5 | \$27,670.5 | 57.0%   | \$890.8   | \$22,993.7 | 3.9%    | \$10,443.6                           | 24.39%                        | KPMG Samjong   |
| 4. Marvell Technology Group Ltd.                   | Bermuda                  | Bermuda                 | NasdaqGS: MRVL              | \$1,599.7  | \$3,168.6  | 50.5%   | \$37.5    | \$5,261.8  | 0.7%    | \$3,884.4                            | 59.22%                        | PricewaterhouseCoopers LLP                                   |
| 5. SINA Corporation                                | Cayman Islands           | China                   | NasdaqGS: SINA              | \$525.7    | \$529.3    | 99.3%   | \$76.2    | \$1,482.9  | 5.1%    | \$3,327.8                            | 70.15%                        | PricewaterhouseCoopers<br>Zhong Tian CPAs Limited Company    |
| 6. Advanced Micro Devices, Inc.                    | United States            | United States           | NYSE: AMD                   | \$3,131.0  | \$5,422.0  | 57.7%   | \$59.0    | \$4,000.0  | 1.5%    | \$1,708.7                            | 37.47%                        | Ernst & Young LLP  |
| 7. Semiconductor Manufacturing International Corp. | Cayman Islands           | China                   | NYSE: SMI;<br>OTCPK: SIUI.F | \$577.6    | \$1,701.6  | 33.9%   | \$2,756.1 | \$4,073.2  | 67.7%   | \$1,589.5                            | 6.28%                         | Deloitte Touche Tohmatsu<br>Certified Public Accountants LLP |
| 8. Synaptics Inc.                                  | United States            | United States           | NasdaqGS: SYNA              | \$350.0    | \$539.4    | 64.9%   | -         | \$544.4    | -       | \$987.2                              | 96.65%                        | KPMG LLP   |
| 9. Monolithic Power Systems Inc.                   | United States            | United States           | NasdaqGS: MPWR              | \$124.3    | \$213.8    | 58.1%   | \$37.1    | \$287.2    | 12.9%   | \$790.4                              | 97.21%                        | Deloitte & Touche LLP  |
| 10. OmniVision Technologies, Inc.                  | United States            | United States           | NasdaqGS: OVTI              | \$831.2    | \$1,290.3  | 64.4%   | \$122.6   | \$1,164.5  | 10.5%   | \$758.6                              | 80.29%                        | PricewaterhouseCoopers<br>LLP                                |
| 11. China Yuchai International Limited             | Bermuda                  | Singapore               | NYSE: CYD                   | \$2,155.3  | \$2,157.7  | 99.9%   | \$815.7   | \$2,875.5  | 28.4%   | \$587.7                              | 33.96%                        | Ernst & Young LLP  |
| 12. Volterra Semiconductor Corporation             | United States            | United States           | NasdaqGS: VLTR              | \$110.9    | \$168.0    | 66.0%   | -         | \$213.8    | -       | \$430.2                              | 90.97%                        | KPMG LLP   |
| 13. ChipMOS TECHNOLOGIES (Bermuda) LTD.            | Bermuda                  | Taiwan                  | NasdaqCM: IMOS              | \$468.9    | \$661.1    | 70.9%   | -         | \$988.8    | -       | \$393.7                              | 18.68%                        | Moore Stephens, P.C.   |
| 14. Viasystems Group, Inc.                         | United States            | United States           | NasdaqGM: VIAS              | \$829.6    | \$1,159.9  | 71.5%   | \$284.7   | \$1,106.2  | 25.7%   | \$243.9                              | 18.54%                        | Ernst & Young LLP  |
| 15. SciClone Pharmaceuticals, Inc.                 | United States            | United States           | NasdaqGS: SCLN              | \$152.2    | \$156.3    | 97.4%   | \$35.5    | \$174.1    | 20.4%   | \$238.1                              | 58.96%                        | Ernst & Young LLP  |
| 16. iSoftStone Holdings Limited                    | Cayman Islands           | China                   | NYSE: ISS                   | \$244.0    | \$381.1    | 64.0%   | \$98.6    | \$466.5    | 21.1%   | \$237.6                              | 33.73%                        | Deloitte Touche Tohmatsu<br>Certified Public Accountants LLP |
| 17. Global Sources Ltd.                            | Bermuda                  | Hong Kong               | NasdaqGS: GSOL              | \$189.6    | \$225.9    | 83.9%   | -         | \$311.2    | -       | \$220.2                              | 22.57%                        | PricewaterhouseCoopers<br>LLP                                |
| 18. Sinovac Biotech Ltd.                           | Antigua & Barbuda        | China                   | NasdaqGS: SVA               | \$48.2     | \$49.2     | 98.0%   | \$164.2   | \$208.8    | 78.6%   | \$172.8                              | 27.24%                        | Ernst & Young LLP  |
| 19. Sigma Designs, Inc.                            | United States            | United States           | NasdaqGS: SIGM              | \$112.9    | \$216.6    | 52.1%   | -         | \$220.8    | -       | \$172.3                              | 49.60%                        | Armanino McKenna LLP   |
| 20. China Zenix Auto International Limited         | British Virgin Islands   | China                   | NYSE: ZX                    | \$502.7    | \$599.7    | 83.8%   | \$304.3   | \$664.5    | 45.8%   | \$154.3                              | 12.05%                        | Deloitte Touche Tohmatsu<br>Certified Public Accountants LLP |
| 21. China Ming Yang Wind Power Group Limited       | Cayman Islands           | China                   | NYSE: MY                    | \$462.0    | \$464.1    | 99.5%   | \$219.2   | \$1,915.7  | 11.4%   | \$146.2                              | 12.90%                        | KPMG   |

**Exhibit 9**  
**U.S. Traded Companies Incorporated Outside China with at Least 50% but Less than 100%**  
**Revenues or Assets in China**

(\$ in millions)

| Company   | Country of Incorporation | Country of Headquarters | U.S. Tickers  | Revenues          |                   |         | Assets            |                   |         | Market Capitalization as of 12/31/12 | % Shares Held by Institutions | Accounting Firm   |
|---|--------------------------|-------------------------|---------------|-------------------|-------------------|---------|-------------------|-------------------|---------|--------------------------------------|-------------------------------|---|
|   |                          |                         |               | China             | Total             | % China | China             | Total             | % China |                                      |                               |   |
| 22. China Automotive Systems Inc.                             | United States            | China                   | NasdaqCM:CAAS | \$290.9           | \$336.0           | 86.6%   | \$91.4            | \$485.8           | 18.8%   | \$133.9                              | 2.66%                         | PricewaterhouseCoopers<br>Zhong Tian CPAs Limited Company |
| 23. Kandi Technologies Group, Inc.                            | United States            | China                   | NasdaqGM:KNDI | \$55.6            | \$64.5            | 86.2%   | -                 | \$160.3           | -       | \$119.5                              | 0.52%                         | Albert Wong & Co.   |
| 24. Linktone Ltd.   | Cayman Islands           | Singapore               | NasdaqGM:LTON | \$32.0            | \$45.3            | 70.6%   | \$14.7            | \$204.4           | 7.2%    | \$104.8                              | 3.88%                         | Ernst & Young LLP   |
| 25. Jinpan International Limited                              | British Virgin Islands   | China                   | NasdaqGS:JST  | \$185.6           | \$212.6           | 87.3%   | \$39.3            | \$311.9           | 12.6%   | \$94.6                               | 14.45%                        | Grant Thornton LLP  |
| 26. O2Micro International Ltd.                                | Cayman Islands           | Cayman Islands          | NasdaqGS:OIMM | \$78.7            | \$97.7            | 80.6%   | \$9.5             | \$171.3           | 5.5%    | \$92.2                               | 59.63%                        | Deloitte & Touche   |
| 27. MEMSIC, Inc.  | United States            | United States           | NasdaqGM:MEMS | -                 | \$63.8            | -       | \$67.1            | \$123.3           | 54.4%   | \$80.8                               | 29.03%                        | Ernst & Young LLP   |
| 28. China Techfaith Wireless Communication Technology Limited | Cayman Islands           | China                   | NasdaqGS:CNTF | \$128.6           | \$137.7           | 93.4%   | -                 | \$386.3           | -       | \$66.7                               | 5.06%                         | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 29. Camelot Information Systems Inc.                          | British Virgin Islands   | China                   | NYSE:CIS      | \$218.5           | \$254.1           | 86.0%   | \$15.6            | \$288.9           | 5.4%    | \$44.4                               | 49.74%                        | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 30. American Lorain Corporation                               | United States            | China                   | AMEX:ALN      | \$170.8           | \$239.7           | 71.3%   | -                 | \$250.4           | -       | \$44.3                               | 1.77%                         | Samuel H. Wong & Co., LLP                                 |
| 31. China Ceramics Co., Ltd.                                  | British Virgin Islands   | China                   | NasdaqGM:CCCL | \$216.7           | \$231.8           | 93.5%   | -                 | \$268.1           | -       | \$43.9                               | 19.44%                        | Grant Thornton LLP  |
| 32. Sutor Technology Group Limited                            | United States            | China                   | NasdaqCM:SUTR | \$518.9           | \$568.6           | 91.3%   | -                 | \$456.6           | -       | \$38.6                               | 1.10%                         | Grant Thornton LLP  |
| 33. Pulse Electronics Corporation                             | United States            | United States           | NYSE:PULS     | \$190.8           | \$373.2           | 51.1%   | \$18.4            | \$188.6           | 9.8%    | \$12.9                               | 14.92%                        | KPMG LLP  |
| 34. Euro Tech Holdings Company Limited                        | British Virgin Islands   | Hong Kong               | NasdaqCM:CLWT | \$15.9            | \$21.6            | 73.6%   | \$0.4             | \$24.9            | 1.5%    | \$7.7                                | 1.75%                         | Dominic K.F. Chan & Co.                                   |
| 35. Response Biomedical Corp.                                 | Canada                   | Canada                  | OTCBB:RPBI.F  | \$7.8             | \$11.8            | 65.8%   | -                 | \$14.4            | -       | \$6.9                                | 3.47%                         | PricewaterhouseCoopers LLP                                |
| <b>Total</b>  |                          |                         |               | <b>\$40,750.4</b> | <b>\$66,645.0</b> |         | <b>\$10,529.5</b> | <b>\$68,626.4</b> |         | <b>\$92,438.8</b>                    |                               |   |

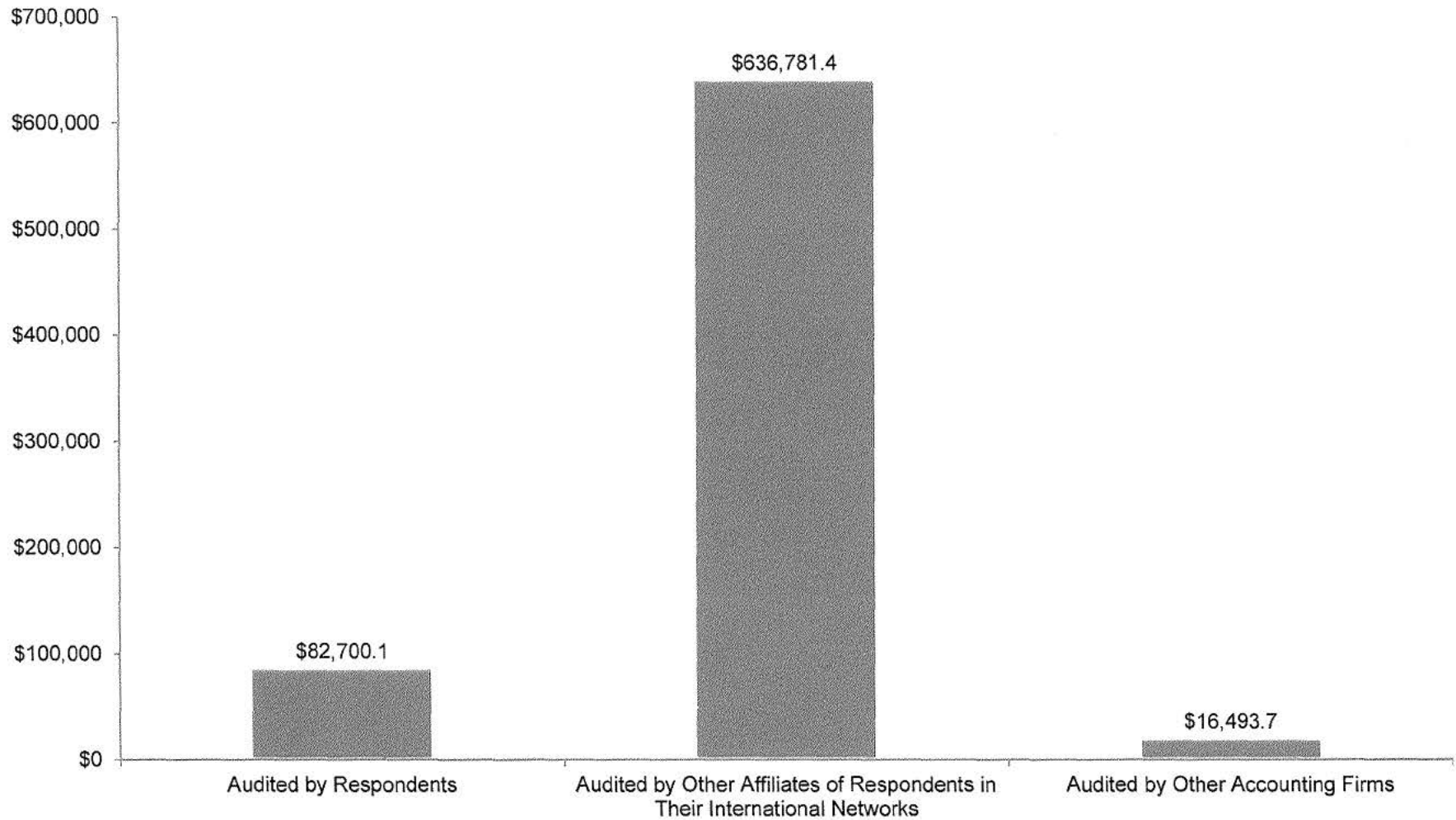
Source: Capital IQ; SEC Filings  
Note: See Appendix C for methodology.

**Exhibit 10**  
**U.S. Traded Companies Incorporated in China or with at Least 50% Revenues or Assets in China**  
**Summary**  
*(\$ in millions)*

|   | Entire Sample          |  | Respondents            |  | Other Affiliates of Respondents in<br>Their International Networks |  | Other Accounting Firms |  |
|---|------------------------|--|------------------------|--|--|--|------------------------|--|
|   | Number of<br>Companies | Market<br>Capitalization as<br>of 12/31/12 | Number of<br>Companies | Market<br>Capitalization as<br>of 12/31/12 | Number of<br>Companies   | Market<br>Capitalization as<br>of 12/31/12 | Number of<br>Companies | Market<br>Capitalization as<br>of 12/31/12 |
| Chinese Issuers: U.S. traded companies incorporated in China or with 100% revenues or assets in China   | 169                    | \$643,536.5                                | 66                     | \$42,085.6                                 | 26   | \$585,871.7                                | 77                     | \$15,579.2                                 |
| Multinational Corporations: U.S. traded companies incorporated outside China with at least 50% but less than 100% revenues or assets in China | 35                     | \$92,438.8                                 | 8                      | \$40,614.5                                 | 19   | \$50,909.7                                 | 8                      | \$914.6                                    |
| <b>Total</b>  | <b>204</b>             | <b>\$735,975.2</b>                         | <b>74</b>              | <b>\$82,700.1</b>                          | <b>45</b>  | <b>\$636,781.4</b>                         | <b>85</b>              | <b>\$16,493.7</b>                          |

Source: Capital IQ; SEC Filings  
Note: See Appendix C for methodology.

**Exhibit 11**  
**Market Capitalization of U.S. Traded Companies Incorporated in China or with**  
**at Least 50% Revenues or Assets in China**  
*(\$ in millions)*



Source: Capital IQ; SEC Filings  
Note: See Appendix C for methodology.

**Exhibit 12**  
**U. S. Traded Companies Incorporated in China or with at Least 50%**  
**Revenues or Assets in China:**  
**Companies Traded Primarily in the U.S.**

(\$ in millions)

| Company                                      | U.S. Tickers   | Traded Only<br>in the U.S. | Market Capitalization<br>as of 12/31/12 |
|--|----------------|----------------------------|---|
| 1. Baidu, Inc.                               | NasdaqGS: BIDU |                            | \$35,060.3                              |
| 2. Yum! Brands, Inc.                         | NYSE: YUM      |                            | \$30,000.1                              |
| 3. NetEase, Inc.                             | NasdaqGS: NTES |                            | \$5,569.6                               |
| 4. Marvell Technology Group Ltd.             | NasdaqGS: MRVL |                            | \$3,884.4                               |
| 5. Qihoo 360 Technology Co. Ltd.             | NYSE: QIHU     |                            | \$3,543.6                               |
| 6. SINA Corporation                          | NasdaqGS: SINA |                            | \$3,327.8                               |
| 7. Ctrip.com International Ltd.              | NasdaqGS: CTRP |                            | \$3,145.8                               |
| 8. New Oriental Education & Technology Group | NYSE: EDU      |                            | \$3,077.3                               |
| 9. Youku Tudou Inc.                          | NYSE: YOKU     |                            | \$2,982.6                               |
| 10. SouFun Holdings Ltd.                     | NYSE: SFUN     |                            | \$1,976.1                               |
| 11. Sohu.com Inc.                            | NasdaqGS: SOHU |                            | \$1,800.4                               |
| 12. Advanced Micro Devices, Inc.             | NYSE: AMD      |                            | \$1,708.7                               |
| 13. Changyou.com Limited                     | NasdaqGS: CYOU |                            | \$1,390.0                               |
| 14. 51job Inc.                               | NasdaqGS: JOBS |                            | \$1,347.9                               |
| 15. Home Inns & Hotels Management Inc.       | NasdaqGS: HMIN |                            | \$1,312.2                               |
| 16. Renren Inc.                              | NYSE: RENN     |                            | \$1,298.1                               |
| 17. Giant Interactive Group, Inc.            | NYSE: GA       |                            | \$1,279.4                               |
| 18. China Lodging Group, Limited             | NasdaqGS: HTHT |                            | \$1,034.9                               |
| 19. Synaptics Inc.                           | NasdaqGS: SYNA |                            | \$987.2                                 |
| 20. Vipshop Holdings Limited                 | NYSE: VIPS     |                            | \$902.3                                 |
| 21. Shanda Games Limited                     | NasdaqGS: GAME |                            | \$832.8                                 |
| 22. Monolithic Power Systems Inc.            | NasdaqGS: MPWR |                            | \$790.4                                 |
| 23. AsialInfo-Linkage, Inc.                  | NasdaqGS: ASIA |                            | \$788.7                                 |
| 24. OmniVision Technologies, Inc.            | NasdaqGS: OVTI |                            | \$758.6                                 |
| 25. YY Inc.                                  | NasdaqGM: YY   |                            | \$758.5                                 |
| 26. TAL Education Group                      | NYSE: XRS      |                            | \$744.0                                 |
| 27. 7 Days Group Holdings Limited            | NYSE: SVN      |                            | \$602.7                                 |
| 28. China Yuchai International Limited       | NYSE: CYD      |                            | \$587.7                                 |
| 29. 21Vianet Group, Inc.                     | NasdaqGM: VNET |                            | \$554.8                                 |



**Exhibit 12**  
**U. S. Traded Companies Incorporated in China or with at Least 50%**  
**Revenues or Assets in China:**  
**Companies Traded Primarily in the U.S.**

(\$ in millions)

| Company                                       | U.S. Tickers  | Traded Only<br>in the U.S. | Market Capitalization<br>as of 12/31/12 |
|---|---------------|----------------------------|---|
| 30. AutoNavi Holdings Limited                 | NasdaqGS:AMAP |                            | \$545.9                                 |
| 31. Perfect World Co., Ltd.                   | NasdaqGS:PWRD |                            | \$516.3                                 |
| 32. eLong Inc.                                | NasdaqGM:LONG |                            | \$509.0                                 |
| 33. AutoChina International Ltd.              | OTCBB:AUTC.F  | Yes                        | \$494.3                                 |
| 34. E-House (China) Holdings Limited          | NYSE:EJ       |                            | \$483.9                                 |
| 35. Multi-Fineline Electronix, Inc.           | NasdaqGS:MFLX |                            | \$480.3                                 |
| 36. Zhongpin, Inc.                            | NasdaqGS:HOGS |                            | \$477.8                                 |
| 37. China United Insurance Service, Inc.      | OTCBB:CUII    | Yes                        | \$436.5                                 |
| 38. China Biologic Products, Inc.             | NasdaqGS:CBPO |                            | \$433.3                                 |
| 39. Volterra Semiconductor Corporation        | NasdaqGS:VLTR |                            | \$430.2                                 |
| 40. Simcere Pharmaceutical Group.             | NYSE:SCR      |                            | \$423.2                                 |
| 41. ChipMOS TECHNOLOGIES (Bermuda) LTD.       | NasdaqCM:IMOS |                            | \$393.7                                 |
| 42. Trina Solar Limited                       | NYSE:TSL      |                            | \$353.1                                 |
| 43. E-Commerce China Dangdang Inc.            | NYSE:DANG     |                            | \$332.7                                 |
| 44. Cninsure Inc.                             | NasdaqGS:CISG |                            | \$328.6                                 |
| 45. Noah Holdings Limited                     | NYSE:NOAH     |                            | \$327.1                                 |
| 46. Bitauto Holdings Limited                  | NYSE:BITA     |                            | \$300.7                                 |
| 47. Yongye International, Inc.                | NasdaqGS:YONG |                            | \$294.6                                 |
| 48. Bona Film Group Limited                   | NasdaqGS:BONA | Yes                        | \$291.2                                 |
| 49. Phoenix New Media Limited                 | NYSE:FENG     | Yes                        | \$283.7                                 |
| 50. NQ Mobile Inc.                            | NYSE:NQ       |                            | \$265.4                                 |
| 51. Synutra International Inc.                | NasdaqGS:SYUT |                            | \$265.3                                 |
| 52. Viasystems Group, Inc.                    | NasdaqGM:VIAS |                            | \$243.9                                 |
| 53. SciClone Pharmaceuticals, Inc.            | NasdaqGS:SCLN |                            | \$238.1                                 |
| 54. iSoftStone Holdings Limited               | NYSE:ISS      |                            | \$237.6                                 |
| 55. Kongzhong Corp.                           | NasdaqGS:KONG |                            | \$234.8                                 |
| 56. Global Sources Ltd.                       | NasdaqGS:GSOL |                            | \$220.2                                 |
| 57. Concord Medical Services Holdings Limited | NYSE:CCM      |                            | \$192.3                                 |
| 58. China Cord Blood Corporation              | NYSE:CO       |                            | \$190.5                                 |

**Exhibit 12**  
**U. S. Traded Companies Incorporated in China or with at Least 50%**  
**Revenues or Assets in China:**  
**Companies Traded Primarily in the U.S.**

(\$ in millions)

| Company  | U.S. Tickers  | Traded Only<br>in the U.S. | Market Capitalization<br>as of 12/31/12 |
|--|---------------|----------------------------|---|
| 59. Country Style Cooking Restaurant Chain Co., Ltd.   | NYSE:CCSC     |                            | \$186.7                                 |
| 60. China XD Plastics Company Ltd.                     | NasdaqGM:CXDC |                            | \$181.7                                 |
| 61. China Mobile Games and Entertainment Group Limited | NasdaqGM:CMGE | Yes                        | \$176.9                                 |
| 62. Jiayuan.com International Ltd.                     | NasdaqGS:DATE | Yes                        | \$175.7                                 |
| 63. Le Gaga Holdings Ltd                               | NasdaqGS:GAGA |                            | \$172.9                                 |
| 64. Sinovac Biotech Ltd.                               | NasdaqGS:SVA  |                            | \$172.8                                 |
| 65. JA Solar Holdings Co., Ltd.                        | NasdaqGS:JASO |                            | \$172.7                                 |
| 66. Chindex International Inc.                         | NasdaqGS:CHDX |                            | \$172.4                                 |
| 67. Sigma Designs, Inc.                                | NasdaqGS:SIGM |                            | \$172.3                                 |
| 68. Xueda Education Group                              | NYSE:XUE      | Yes                        | \$161.3                                 |
| 69. Charm Communications Inc.                          | NasdaqGM:CHRM |                            | \$157.3                                 |
| 70. ATA, Inc.  | NasdaqGM:ATAI |                            | \$156.8                                 |
| 71. China Zenix Auto International Limited             | NYSE:ZX       | Yes                        | \$154.3                                 |
| 72. China Nepstar Chain Drugstore Ltd.                 | NYSE:NPD      |                            | \$150.0                                 |
| 73. Canadian Solar Inc.                                | NasdaqGS:CSIQ |                            | \$147.0                                 |
| 74. China Ming Yang Wind Power Group Limited           | NYSE:MY       |                            | \$146.2                                 |
| 75. China Automotive Systems Inc.                      | NasdaqCM:CAAS |                            | \$133.9                                 |
| 76. ReneSola Ltd.                                      | NYSE:SOL      |                            | \$132.9                                 |
| 77. China Distance Education Holdings Limited          | NYSE:DL       |                            | \$132.7                                 |
| 78. Lihua International, Inc.                          | NasdaqCM:LIWA |                            | \$132.1                                 |
| 79. China HGS Real Estate Inc.                         | NasdaqCM:HGSH |                            | \$132.0                                 |
| 80. Taomee Holdings Ltd.                               | NYSE:TAOM     | Yes                        | \$131.2                                 |
| 81. Feihe International, Inc.                          | NYSE:ADY      |                            | \$130.6                                 |
| 82. AirMedia Group Inc.                                | NasdaqGS:AMCN |                            | \$120.2                                 |
| 83. Kandi Technologies Group, Inc.                     | NasdaqGM:KNDI |                            | \$119.5                                 |
| 84. Actions Semiconductor Co., Ltd.                    | NasdaqGS:ACTS |                            | \$111.1                                 |
| 85. China Natural Resources Inc.                       | NasdaqCM:CHNR |                            | \$107.1                                 |
| 86. Linktone Ltd.                                      | NasdaqGM:LTON |                            | \$104.8                                 |

**Exhibit 12**  
**U. S. Traded Companies Incorporated in China or with at Least 50%**  
**Revenues or Assets in China:**  
**Companies Traded Primarily in the U.S.**  
*(\$ in millions)*

| Company  | U.S. Tickers  | Traded Only<br>in the U.S. | Market Capitalization<br>as of 12/31/12 |
|--|---------------|----------------------------|---|
| 87. China Gerui Advanced Materials Group Ltd.                  | NasdaqGS:CHOP |                            | \$103.3                                 |
| 88. China Digital TV Holding Co., Ltd.                         | NYSE:STV      |                            | \$99.1                                  |
| 89. Jinpan International Limited                               | NasdaqGS:JST  |                            | \$94.6                                  |
| 90. Zuoan Fashion Limited                                      | NYSE:ZA       | Yes                        | \$94.6                                  |
| 91. China Hydroelectric Corporation                            | NYSE:CHC      |                            | \$92.9                                  |
| 92. O2Micro International Ltd.                                 | NasdaqGS:OIMM |                            | \$92.2                                  |
| 93. China Green Agriculture, Inc.                              | NYSE:CGA      |                            | \$91.6                                  |
| 94. ChinaEdu Corporation                                       | NasdaqGM:CEDU | Yes                        | \$91.4                                  |
| 95. Noah Education Holdings Ltd.                               | NYSE:NED      |                            | \$86.5                                  |
| 96. ChinaCache International Holdings Ltd.                     | NasdaqGM:CCIH |                            | \$84.8                                  |
| 97. Hanwha SolarOne Co., Ltd                                   | NasdaqGS:HSOL |                            | \$84.6                                  |
| 98. MEMSIC, Inc.   | NasdaqGM:MEMS |                            | \$80.8                                  |
| 99. Acorn International, Inc.                                  | NYSE:ATV      |                            | \$75.9                                  |
| 100. Cogo Group, Inc.  | NasdaqGS:COGO |                            | \$73.8                                  |
| 101. The9 Limited  | NasdaqGS:NCTY |                            | \$72.2                                  |
| 102. L & L Energy, Inc.  | NasdaqGS:LLEN |                            | \$71.2                                  |
| 103. China Xiniya Fashion Limited                              | NYSE:XNY      | Yes                        | \$67.0                                  |
| 104. China Techfaith Wireless Communication Technology Limited | NasdaqGS:CNTF |                            | \$66.7                                  |
| 105. Ninetowns Internet Technology Group Company Limited       | NasdaqGM:NINE |                            | \$65.3                                  |
| 106. Sky-mobi Limited  | NasdaqGM:MOBI | Yes                        | \$64.2                                  |
| 107. Kingold Jewelry, Inc.                                     | NasdaqCM:KGJI |                            | \$62.7                                  |
| 108. Daqo New Energy Corp.                                     | NYSE:DQ       |                            | \$55.9                                  |
| 109. China Ginseng Holdings, Inc.                              | OTCBB:CSNG    | Yes                        | \$52.4                                  |
| 110. Sino Agro Foods, Inc.                                     | OTCBB:SIAF    | Yes                        | \$51.5                                  |
| 111. Ku6 Media Co., Ltd.                                       | NasdaqGM:KUTV |                            | \$50.3                                  |
| 112. China Recycling Energy Corporation                        | NasdaqGM:CREG |                            | \$49.8                                  |

**Exhibit 12**  
**U. S. Traded Companies Incorporated in China or with at Least 50%**  
**Revenues or Assets in China:**  
**Companies Traded Primarily in the U.S.**  
*(\$ in millions)*

| Company   | U.S. Tickers                      | Traded Only<br>in the U.S. | Market Capitalization<br>as of 12/31/12 |
|---|-----------------------------------|----------------------------|---|
| 113. Prime Acquisition Corp.                            | NasdaqCM:PACQ.U;<br>NasdaqCM:PACQ | Yes                        | \$48.6                                  |
| 114. SORL Auto Parts, Inc.                              | NasdaqGM:SORL                     |                            | \$47.1                                  |
| 115. Trunkbow International Holdings, Ltd.              | NasdaqGM:TBOW                     |                            | \$46.0                                  |
| 116. China Housing and Land Development, Inc.           | NasdaqCM:CHLN                     |                            | \$45.8                                  |
| 117. China Shengda Packaging Group Inc.                 | NasdaqGM:CPGI                     |                            | \$44.6                                  |
| 118. Camelot Information Systems Inc.                   | NYSE:CIS                          |                            | \$44.4                                  |
| 119. American Lorain Corporation                        | AMEX:ALN                          |                            | \$44.3                                  |
| 120. China Ceramics Co., Ltd.                           | NasdaqGM:CCCL                     |                            | \$43.9                                  |
| 121. Gulf Resources, Inc.                               | NasdaqGS:GURE                     |                            | \$40.3                                  |
| 122. China New Borun Corporation                        | NYSE:BORN                         |                            | \$39.6                                  |
| 123. Exceed Company Ltd.                                | NasdaqGS:EDS                      | Yes                        | \$39.0                                  |
| 124. Sutor Technology Group Limited                     | NasdaqCM:SUTR                     |                            | \$38.6                                  |
| 125. Lentuo International Inc.                          | NYSE:LAS                          |                            | \$36.0                                  |
| 126. Tiger Media, Inc.                                  | AMEX:IDI                          |                            | \$33.9                                  |
| 127. WSP Holdings Ltd.                                  | NYSE:WH                           |                            | \$33.7                                  |
| 128. Orient Paper, Inc.                                 | AMEX:ONP                          |                            | \$33.0                                  |
| 129. Origin Agritech Limited                            | NasdaqGS:SEED                     |                            | \$32.5                                  |
| 130. Mecox Lane Limited                                 | NasdaqGS:MCOX                     |                            | \$31.5                                  |
| 131. Ever-Glory International Group, Inc.               | AMEX:EVK                          |                            | \$30.3                                  |
| 132. IFM Investments Limited                            | NYSE:CTC                          |                            | \$27.2                                  |
| 133. China Finance Online Co., Ltd.                     | NasdaqGS:JRJC                     |                            | \$25.3                                  |
| 134. SinoCoking Coal and Coke Chemical Industries, Inc. | NasdaqCM:SCOK                     | Yes                        | \$24.9                                  |
| 135. China Information Technology, Inc.                 | NasdaqGS:CNIT                     |                            | \$24.6                                  |
| 136. THT Heat Transfer Technology, Inc.                 | NasdaqCM:THTI                     | Yes                        | \$24.1                                  |
| 137. China Marine Food Group Limited                    | AMEX:CMFO                         |                            | \$23.8                                  |
| 138. Tri-Tech Holding, Inc.                             | NasdaqCM:TRIT                     |                            | \$22.6                                  |
| 139. China Sunergy Co. Ltd.                             | NasdaqGS:CSUN                     |                            | \$21.1                                  |
| 140. China BAK Battery, Inc.                            | NasdaqGM:CBAK                     |                            | \$20.3                                  |

**Exhibit 12**  
**U. S. Traded Companies Incorporated in China or with at Least 50%**  
**Revenues or Assets in China:**  
**Companies Traded Primarily in the U.S.**

(\$ in millions)

| Company  | U.S. Tickers  | Traded Only<br>in the U.S. | Market Capitalization<br>as of 12/31/12 |
|--|---------------|----------------------------|---|
| 141. YOU On Demand Holdings, Inc.                      | NasdaqCM:YOD  |                            | \$19.8                                  |
| 142. Nutrastar International Inc.                      | OTCBB:NUIN    | Yes                        | \$19.0                                  |
| 143. Fuwei Films (Holdings) Co., Ltd.                  | NasdaqGM:FFHL |                            | \$18.9                                  |
| 144. ChinaNet Online Holdings, Inc.                    | NasdaqGM:CNET |                            | \$18.4                                  |
| 145. Tianyin Pharmaceutical Co., Inc.                  | AMEX:TPI      |                            | \$17.6                                  |
| 146. Guanwei Recycling Corp.                           | NasdaqCM:GPRC | Yes                        | \$17.2                                  |
| 147. Ossen Innovation Co., Ltd.                        | NasdaqGM:OSN  |                            | \$16.1                                  |
| 148. VisionChina Media Inc.                            | NasdaqGS:VISN |                            | \$15.7                                  |
| 149. China Jo-Jo Drugstores, Inc.                      | NasdaqCM:CJJD |                            | \$15.5                                  |
| 150. e-Future Information Technology Inc.              | NasdaqCM:EFUT |                            | \$15.5                                  |
| 151. Highpower International, Inc.                     | NasdaqGM:HPJ  |                            | \$14.0                                  |
| 152. Deyu Agriculture Corp                             | OTCBB:DEYU    | Yes                        | \$13.3                                  |
| 153. Pulse Electronics Corporation                     | NYSE:PULS     |                            | \$12.9                                  |
| 154. China Yida Holding, Co.                           | NasdaqCM:CNYD |                            | \$12.6                                  |
| 155. SGOCO Group, Ltd.                                 | NasdaqCM:SGOC |                            | \$12.4                                  |
| 156. Shengkai Innovations, Inc.                        | NasdaqCM:VALV |                            | \$12.4                                  |
| 157. Skystar Bio Pharmaceutical Company                | NasdaqCM:SKBI |                            | \$12.2                                  |
| 158. Network CN, Inc.                                  | OTCBB:NWCN    | Yes                        | \$11.6                                  |
| 159. China Auto Logistic Inc.                          | NasdaqGM:CALI |                            | \$11.0                                  |
| 160. Cleantech Solutions International, Inc.           | NasdaqCM:CLNT |                            | \$10.6                                  |
| 161. Biostar Pharmaceuticals, Inc.                     | NasdaqGM:BSPM |                            | \$10.0                                  |
| 162. Aoxing Pharmaceutical Company, Inc.               | AMEX:AXN      |                            | \$9.5                                   |
| 163. Tianli Agritech, Inc.                             | NasdaqGM:OINK |                            | \$9.5                                   |
| 164. China Armco Metals, Inc.                          | AMEX:CNAM     |                            | \$8.9                                   |
| 165. Dehaier Medical Systems Limited                   | NasdaqCM:DHRM |                            | \$8.9                                   |
| 166. China Pharma Holdings, Inc.                       | AMEX:CPhi     |                            | \$8.8                                   |
| 167. China Advanced Construction Materials Group, Inc. | NasdaqCM:CADC |                            | \$8.7                                   |
| 168. China Gengsheng Minerals, Inc.                    | AMEX:CHGS     |                            | \$8.0                                   |
| 169. Euro Tech Holdings Company Limited                | NasdaqCM:CLWT | Yes                        | \$7.7                                   |

**Exhibit 12**  
**U. S. Traded Companies Incorporated in China or with at Least 50%**  
**Revenues or Assets in China:**  
**Companies Traded Primarily in the U.S.**

(\$ in millions)

| Company   | U.S. Tickers  | Traded Only<br>in the U.S. | Market Capitalization<br>as of 12/31/12 |
|---|---------------|----------------------------|---|
| 170. US China Mining Group Inc.                     | OTCBB:SGZH    | Yes                        | \$7.2                                   |
| 171. China Global Media, Inc.                       | OTCBB:CGLO    | Yes                        | \$7.1                                   |
| 172. QKL Stores Inc.                                | NasdaqCM:QKLS |                            | \$6.9                                   |
| 173. ANV Security Group, Inc.                       | OTCBB:ANVS    | Yes                        | \$5.7                                   |
| 174. Recon Technology, Ltd.                         | NasdaqCM:RCON |                            | \$5.5                                   |
| 175. NF Energy Saving Corp.                         | NasdaqCM:NFEC |                            | \$5.4                                   |
| 176. Andatee China Marine Fuel Services Corporation | NasdaqCM:AMCF |                            | \$4.8                                   |
| 177. Kingtone Wirelessinfo Solution Holding Ltd.    | NasdaqCM:KONE |                            | \$4.3                                   |
| 178. Chineseinvestors.com, Inc.                     | OTCBB:CIIX    | Yes                        | \$3.2                                   |
| 179. China Health Resource, Inc.                    | OTCBB:CHRI    | Yes                        | \$1.6                                   |
| 180. China Networks International Holdings, Ltd.    | OTCBB:CNWH.F  | Yes                        | \$0.6                                   |
| 181. Asia Green Agriculture Corp.                   | OTCBB:AGAC    | Yes                        | -                                       |
| 182. CAM Group, Inc.                                | OTCBB:RTTE    | Yes                        | -                                       |
| 183. China ShouGuan Mining Corporation              | OTCBB:CHSO    | Yes                        | -                                       |
| 184. China Xuefeng Environmental Engineering, Inc.  | OTCBB:CXEE    | Yes                        | -                                       |
| 185. LightInTheBox Holding Co., Ltd.                | NYSE:LITB     | Yes                        | -                                       |
| 186. Tongli Pharmaceuticals (USA), Inc.             | OTCBB:TGLP    | Yes                        | -                                       |
| 187. Yew Bio-Pharm Group, Inc.                      | OTCBB:YEWB    | Yes                        | -                                       |
| <b>Total</b>  |               |                            | <b>\$129,787.4</b>                      |

Source: Capital IQ

Note: See Appendix C for methodology.

## Exhibit 13

### Examples of Equity Offerings by Chinese Issuers During 2012 and the First Half of 2013

| <b>Issuer</b>                   | <b>Type of Offering</b> | <b>Date of First<br/>Registration<br/>Statement</b> | <b>Effective Date</b> | <b>Offering Date</b> | <b>PCAOB-Registered Firm</b>   |
|---------------------------------|-------------------------|---|-----------------------|----------------------|--|
| Vipshop Holdings Ltd.           | Initial Public Offering | 2/17/12   | 3/22/12               | 3/23/12              | Deloitte Touche Tohmatsu Certified<br>Public Accountants [Hong Kong] |
| YY Inc.                         | Initial Public Offering | 10/15/12  | 11/20/12              | 11/20/12             | PricewaterhouseCoopers Zhong<br>Tian CPAs Limited                    |
| Vipshop Holdings Ltd.           | Secondary Offering      | 2/21/13   | 3/13/13               | 3/14/13              | Deloitte Touche Tohmatsu Certified<br>Public Accountants [Hong Kong] |
| LightInTheBox Holding Co., Ltd. | Initial Public Offering | 4/17/13   | 6/5/13                | 6/6/13               | Deloitte Touche Tohmatsu Certified<br>Public Accountants             |

Source: SEC Filings; Bloomberg

Note: See Appendix C for methodology.

**Exhibit 14**  
**Experience Issuing Audit Reports by Industry**  
**Category A Respondents and Potential Substitutes**  
**2010 – 2012**

|   | Industry |           |             |                           |                     |            |            |                           |                        |           | Issuer<br>Industries<br>Not Available | Total<br>Number of Audit<br>Reports Issued | Number of<br>Industries<br>Audited |
|---|----------|-----------|-------------|---------------------------|---------------------|------------|------------|---------------------------|------------------------|-----------|---------------------------------------|--|------------------------------------|
|   | Energy   | Materials | Industrials | Consumer<br>Discretionary | Consumer<br>Staples | Healthcare | Financials | Information<br>Technology | Tele-<br>communication | Utilities |                                       |  |                                    |
| <b>Respondents – Category A</b>                     |          |           |             |                           |                     |            |            |                           |                        |           |                                       |  |                                    |
| Deloitte Touche Tohmatsu                            | 3        | 0         | 7           | 38                        | 5                   | 3          | 5          | 58                        | 3                      | 0         | 0                                     | 122  | 8                                  |
| Certified Public Accountants LLP                    |          |           |             |                           |                     |            |            |                           |                        |           |                                       |  |                                    |
| PricewaterhouseCoopers Zhong                        | 0        | 0         | 5           | 13                        | 0                   | 2          | 5          | 48                        | 2                      | 0         | 0                                     | 75   | 6                                  |
| Tian CPAs Limited Company                           |          |           |             |                           |                     |            |            |                           |                        |           |                                       |  |                                    |
| Ernst & Young Hua Ming LLP                          | 1        | 0         | 0           | 8                         | 3                   | 13         | 3          | 24                        | 2                      | 2         | 0                                     | 56   | 8                                  |
| BDO China Dahua CPA Co., Ltd.                       | 0        | 1         | 3           | 0                         | 6                   | 0          | 0          | 5                         | 0                      | 0         | 0                                     | 15   | 4                                  |
| <b>Respondents –<br/>Category A Total</b>           | <b>4</b> | <b>1</b>  | <b>15</b>   | <b>59</b>                 | <b>14</b>           | <b>18</b>  | <b>13</b>  | <b>135</b>                | <b>7</b>               | <b>2</b>  | <b>0</b>                              | <b>268</b>                                 | <b>10</b>                          |
| <b>Potential Substitutes – Category A</b>           |          |           |             |                           |                     |            |            |                           |                        |           |                                       |  |                                    |
| Gansu Hongxin Accountants Ltd                       | 0        | 0         | 0           | 0                         | 3                   | 0          | 0          | 0                         | 0                      | 0         | 1                                     | 4  | 1                                  |
| JTC Fair Song CPA Firm                              | 0        | 0         | 0           | 3                         | 0                   | 0          | 0          | 0                         | 0                      | 0         | 0                                     | 3  | 1                                  |
| AGN China Regal CPAs Co., Ltd.                      | 0        | 0         | 0           | 0                         | 0                   | 0          | 0          | 0                         | 0                      | 0         | 2                                     | 2  | 0                                  |
| <b>Potential Substitutes –<br/>Category A Total</b> | <b>0</b> | <b>0</b>  | <b>0</b>    | <b>3</b>                  | <b>3</b>            | <b>0</b>   | <b>0</b>   | <b>0</b>                  | <b>0</b>               | <b>0</b>  | <b>3</b>                              | <b>9</b>                                   | <b>2</b>                           |

Source: PCAOB; Capital IQ

Note: See Appendix C for methodology.