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*In re Registration Application* )  
*Of Zhonglei (HK) C.P.A. Company* )  
*Limited* )  
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**NOTICE OF HEARING**

**PCAOB No. 102-2011-003**

**Background**

1. The Public Company Accounting Oversight Board ("the Board") has received an application for registration with the Board from Zhonglei (HK) C.P.A. Company Limited ("Zhonglei").

2. Section 102(c)(1) of the Sarbanes-Oxley Act of 2002 ("the Act") provides that the Board shall

approve a completed application for registration not later than 45 days after the date of receipt of the application, in accordance with the rules of the Board, unless the Board, prior to such date, issues a written notice of disapproval to, or requests more information from, the prospective registrant.

Pursuant to the Act, the Board has adopted rules ("PCAOB Rules") related to the registration process, and the Securities and Exchange Commission ("the Commission") has approved those rules.

3. Under PCAOB Rule 2102, the date of receipt of Zhonglei's application was November 10, 2010.

4. The Board's rules provide that the Board will, with respect to an application, determine whether approval of the application for registration is consistent with the Board's responsibilities under the Act to protect the interests of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports for companies the securities of which are sold to, and held by and for, public investors.

PCAOB Rule 2106(a).



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5. If, after reviewing the application, the Board is unable to make the determination described in paragraph 4 above within 45 days of receipt of the application, the Board may request additional information from the applicant or the Board may provide the applicant with a written notice of a hearing to determine whether to approve or disapprove the application. PCAOB Rule 2106(b)(2).

6. The Board requested additional information from Zhonglei on December 21, 2010. The Board received the requested additional information from Zhonglei on February 24, 2011.

7. When an applicant submits additional information in response to a Board request, the Board will treat the application as if it were a new application for purposes of PCAOB Rule 2106(b). PCAOB Rule 2106(c). Accordingly, not later than 45 days after receipt of the requested information the Board will approve the application, request more information from the applicant, or provide the applicant with a notice of hearing. PCAOB Rule 2106(b).

#### Notice of Hearing Procedure

8. Pursuant to PCAOB Rule 2106(b)(2)(ii), the Board has determined to provide Zhonglei an opportunity for a hearing under PCAOB Rule 5500 to determine whether to approve or disapprove Zhonglei's application for registration. Under the Act and those Board rules, Zhonglei has the following two options with respect to this notice –

a. Zhonglei may elect to have a hearing before a Board hearing officer pursuant to the Board's rules; or

b. Zhonglei may decline to have a hearing and may instead elect to treat this notice as a written notice of disapproval of Zhonglei's application for purposes of Section 102(c) of the Act.

9. If Zhonglei elects a hearing –

a. Zhonglei will be deemed to have waived any right to have a Board determination on its application within the time period provided in Section 102(c)(1) of the Act;

b. the Board shall appoint a hearing officer to hear evidence concerning the proposed grounds for disapproval described in paragraph 15 below, to hear other



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relevant evidence offered by Zhonglei or the Board staff, and to prepare an initial decision. PCAOB Rules 5200(b), 5204(b); and

c. the Board's Secretary shall serve the parties with a Notice of Assignment of Hearing Officer, the date of which shall constitute the date of the institution and commencement of the proceeding.

10. To elect a hearing, Zhonglei must, on or before April 12, 2011, file with the Board's Secretary a written request for a hearing date and a notice of appearance. PCAOB Rules 5500, 5401(c). Zhonglei must include with the request –

a. a statement that Zhonglei has elected not to treat this notice as a written notice of disapproval for purposes of Section 102(c) of the Act; and

b. a statement describing with specificity why Zhonglei believes that the Board should not issue a written notice of disapproval.

11. If Zhonglei elects to forego a hearing and instead chooses to treat this notice as a notice of disapproval for purposes of Section 102(c) of the Act, Zhonglei should notify the Board's Secretary of its election by April 12, 2011.

12. If Zhonglei fails to take the steps described in paragraph 10 above and fails to take the step described in paragraph 11 above, Zhonglei will be deemed to have elected to treat this notice as a notice of disapproval for purposes of Section 102(c) of the Act.

13. If this notice is treated as a notice of disapproval, whether by Zhonglei's election or by Zhonglei's failure to make an election by April 12, 2011 –

a. the date of this notice shall constitute the date of the Board's disapproval, and the proposed grounds described in paragraph 15 below shall constitute the final grounds of the Board's disapproval;

b. as provided by Section 102(c)(2) of the Act, this notice of disapproval shall be treated as a disciplinary sanction for purposes of sections 105(d) and 107(c) of the Act;

c. as provided by Section 105(d) of the Act, the Board shall report this sanction to –

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- (1) the Commission;
  - (2) any appropriate state regulatory authority or any foreign accountancy licensing board with which Zhonglei is licensed or certified; and
  - (3) the public (once any stay on the imposition of such sanction has been lifted); and
- d. as provided by Section 107(c) of the Act, Zhonglei may, in accordance with the Commission's rules governing time limitations and procedural matters, petition the Commission to review the disapproval determination.

#### Basis of Disapproval

14. The Board has considered the following information –
- a. Zhonglei is located in Hong Kong. Objections of authorities in the Chinese Mainland currently pose obstacles to the Board's ability to inspect audit work performed by registered public accounting firms located in Hong Kong for an issuer with operations located in the Chinese Mainland.
  - b. The Board's ability to carry out inspections of registered public accounting firms is fundamental to its ability to carry out its statutory oversight responsibilities in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports.
  - c. In light of paragraphs a. and b. above, the Board asked Zhonglei, in connection with its application, to state its understanding of whether a PCAOB inspection of Zhonglei would currently be allowed by law or authorities in Hong Kong, including Chinese Mainland authorities to the extent the PCAOB seeks to inspect any audit work that the firm may perform for issuers with operations located in the Chinese Mainland, and if it is the firm's understanding that a PCAOB inspection of Zhonglei would be allowed, to provide written confirmation of that point from the appropriate regulatory authorities in Hong Kong, including Chinese Mainland authorities, to the extent the PCAOB seeks to inspect any audit work that the firm may perform for issuers with operations located in the Chinese Mainland. The Board's request to Zhonglei explained that one option available to Zhonglei was to allow its application to remain pending,



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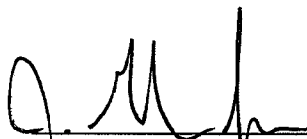
without Board action, by delaying a response to the request until such time as Zhonglei could provide written confirmation that an inspection would be allowed.

d. In response to the request described in paragraph c. above, Zhonglei stated that a PCAOB inspection would currently not be allowed by local law or local authorities and requested that the Board take action on its application.

15. As provided in PCAOB Rules 2106(b)(2)(ii) and 5201(c), and on the basis of the information described in paragraph 14, the Board identifies the following proposed grounds for disapproving Zhonglei's registration application –

a. In light of the apparent obstacles to PCAOB inspections of audit work that Zhonglei may perform for issuers with operations located in the Chinese Mainland, the Board is unable to determine that approval of Zhonglei's registration application would be consistent with the Board's responsibilities under the Act to protect the interests of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports.

ISSUED BY THE BOARD



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J. Gordon Seynour  
Secretary

March 29, 2011