

UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
FILE NO. 3-15116

In the Matter of

BDO China Dahua CPA Co., Ltd.;

Ernst & Young Hua Ming LLP;

KPMG Huazhen (Special General
Partnership);

Deloitte Touche Tohmatsu Certified
Public Accountants Ltd.;

PricewaterhouseCoopers Zhong Tian
CPAs Limited

Respondents.

**ANSWER OF RESPONDENT KPMG HUAZHEN (SPECIAL GENERAL
PARTNERSHIP) TO ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS**

Respondent KPMG Huazhen (Special General Partnership) ("KPMG Huazhen") submits this Answer in response to the Order Instituting Administrative Proceedings issued by the U.S. Securities and Exchange Commission ("SEC" or "the Commission") on December 3, 2012 (the "OIP "). KPMG Huazhen denies all allegations of the OIP except as otherwise indicated below.

I.

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

Answer to Section I: KPMG Huazhen admits that the Commission has instituted proceedings against KPMG Huazhen pursuant to Rule 102(e)(1)(iii), but denies the remainder of Section 1.

II.

The Division of Enforcement alleges that:

A. RESPONDENTS

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

Answer to paragraph 1: Paragraph 1 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 1.

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

Answer to paragraph 2: Paragraph 2 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 2.

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

Answer to paragraph 3: KPMG Huazhen admits that KPMG Huazhen is a public accounting firm, registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”), and that KPMG Huazhen is a member firm of the KPMG network of independent firms. KPMG Huazhen admits that it provided certain assistance to another such firm in auditing the financial statements of the issuer clients and fiscal years identified in paragraph 3, though it objects to the term “substantially assisted” as vague and accordingly will not use that term in this Answer. In further answer to paragraph 3, KPMG Huazhen states that it did not issue an audit report nor perform audit work which was relied upon in connection with the

issuance of an audit report for any period with respect to the financial statements of Client E. KPMG Huazhen further states that it did not issue an audit report and did not perform audit work that was relied upon in connection with the issuance of an audit report for the fiscal year ended December 31, 2010, with respect to the financial statements of Client F.

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

Answer to paragraph 4: Paragraph 4 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 4.

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

Answer to paragraph 5: Paragraph 5 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 5.

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

Answer to paragraph 6: Paragraph 6 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 6.

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

Answer to paragraph 7: KPMG Huazhen denies the allegations of paragraph 7 to the extent that paragraph 7 relates to KPMG Huazhen. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the remaining allegations of paragraph 7.

8. On February 1, 2012, pursuant to Section 106 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”), as amended by Section 929J of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Section 106”), the Commission served BDO China, through its designated U.S. agent for service of Section 106 requests, with a request for “[a]ll audit work

papers and all other documents related to any audit work or interim reviews performed for [Client A]" for the fiscal years ended December 31, 2010.

Answer to paragraph 8: Paragraph 8 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 8.

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

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

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

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

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

Answer to paragraph 11: KPMG Huazhen admits, on information and belief, that the Commission sent a request, including the language quoted in paragraph 11 of the OIP, related to "Client D" to the U.S. service agent that KPMG Huazhen designated pursuant to the terms of Section 106 on February 6, 2012.

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

Answer to paragraph 12: KPMG Huazhen admits, on information and belief, that the Commission sent a request, including the language quoted in paragraph 12 of the OIP, related to "Client E" to the U.S. service agent that KPMG Huazhen designated pursuant to the terms of Section 106 on February 9, 2012.

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

Answer to paragraph 13: KPMG Huazhen admits, on information and belief, that the Commission sent a request related to “Client F” to the U.S. service agent that KPMG Huazhen designated pursuant to the terms of Section 106 on February 3, 2012, requesting “[a]ll audit work papers and all other documents related to any audit reports issued, audit work performed, or interim reviews conducted for [Client F] from January 1, 2008 to the present.”

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

Answer to paragraph 14: Paragraph 14 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 14.

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

Answer to paragraph 15: Paragraph 15 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 15.

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

Answer to paragraph 16: Paragraph 16 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 16.

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

Answer to paragraph 17: To the extent that paragraph 17 relates to KPMG Huazhen, KPMG Huazhen denies the allegations, but admits that its counsel informed Commission Staff that

KPMG Huazhen would be unable to produce the documents directly to the Commission because, among other reasons, People's Republic of China ("PRC") law prohibits KPMG Huazhen from producing audit workpapers and other documents related to the audit work at issue directly to the Commission without the consent of the relevant PRC authorities and that the PRC authorities had expressly reiterated that no such documents could be produced directly to the Commission without their permission, which has not been provided. To the extent a further response is deemed required, KPMG Huazhen admits, on information and belief, that the other Respondents are subject to similar restrictions on producing documents directly to the SEC.

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

Answer to paragraph 18: Paragraph 18 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 18.

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

Answer to paragraph 19: Paragraph 19 states a legal conclusion to which no response is required. To the extent a further response is deemed required, KPMG Huazhen admits that paragraph 19 accurately quotes a selected portion of Section 106(b) of the Sarbanes-Oxley Act but respectfully refers the Administrative Law Judge to Section 106 for its full contents, which speak for themselves.

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

Answer to paragraph 20: Paragraph 20 states a legal conclusion to which no response is required. To the extent a further response is deemed required, KPMG Huazhen respectfully refers the Administrative Law Judge to Section 106 for its full contents, which speak for themselves.

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

Answer to paragraph 21: Paragraph 21 states a legal conclusion to which no response is required. To the extent a further response is deemed required, KPMG Huazhen respectfully refers the Administrative Law Judge to Section 3 for its full contents, which speak for themselves.

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

Answer to paragraph 22: Paragraph 22 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 22.

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

Answer to paragraph 23: Paragraph 23 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 23.

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

Answer to paragraph 24: Paragraph 24 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 24.

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

Answer to paragraph 25: KPMG Huazhen denies the allegations of paragraph 25. Specifically, KPMG Huazhen has not acted with the requisite intent to violate the law, which is an essential component of "willful" behavior as that term is used in Rule 102(e) and Section 106(e).

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

Answer to paragraph 26: KPMG Huazhen denies the allegations of paragraph 26. Specifically, KPMG Huazhen has not acted with the requisite intent to violate the law, which is an essential component of "willful" behavior as that term is used in Rule 102(e) and Section 106(e).

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

Answer to paragraph 27: KPMG Huazhen denies the allegations of paragraph 27. Specifically, KPMG Huazhen has not acted with the requisite intent to violate the law, which is an essential component of "willful" behavior as that term is used in Rule 102(e) and Section 106(e).

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

Answer to paragraph 28: Paragraph 28 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 28.

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

Answer to paragraph 29: Paragraph 29 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 29.

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

Answer to paragraph 30: Paragraph 30 contains no allegations directed to KPMG Huazhen and therefore no response is required. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 30.

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

Answer to paragraph 31: KPMG Huazhen denies the allegations of paragraph 31 to the extent that they relate to KPMG Huazhen. Specifically, KPMG Huazhen has not acted with the requisite intent to violate the law, which is an essential component of "willful" behavior as that term is used in Section 106. To the extent a further response is deemed required, KPMG Huazhen lacks sufficient information to admit or deny the allegations of paragraph 31 as they relate to other Respondents.

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

Answer to paragraph 32: KPMG Huazhen denies the allegations of paragraph 32.

III.

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

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

B. What, if any, remedial action is appropriate against Respondents pursuant to Rule 102(e)(1)(iii) of Commission's Rules of Practice.

Answer to Section III: Section III requires no response. To the extent a response is deemed required, KPMG Huazhen denies all allegations in Section III to the extent that they relate to KPMG Huazhen, including that administrative proceedings are appropriate. KPMG Huazhen further alleges that the enforceability of a Section 106 request may be determined only by a federal court, that the Commission has not sought a judicial determination of the enforceability of any Section 106 request to KPMG Huazhen, and that no federal court has deemed enforceable the Commission's Section 106 Requests issued in this matter, in whole or in part, to KPMG Huazhen regarding Clients D, E and F.

IV.

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

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

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

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

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

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this procedure is not "rule

making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

Answer to Section IV: Section IV requires no response. To the extent a response is deemed required, KPMG Huazhen denies all allegations in Section IV.

Affirmative Defenses

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

1. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because under the plain language of Section 106, there is no subject matter and/or personal jurisdiction over KPMG Huazhen with respect to this proceeding and thus this matter cannot be adjudicated in this forum.*

2. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the alleged violations of Section 106 cannot be adjudicated properly in this forum.*

3. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because proper service was not made upon KPMG Huazhen, since a proceeding under Rule 102(e) is not a proceeding “brought to enforce” Section 106.*

4. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because there has been no judicial determination regarding the enforceability of the Commission's Section 106 Requests.*

5. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because KPMG Huazhen has not “willfully” violated securities laws in that it has not acted with the requisite intent to violate the law, which is an essential component of “willful” behavior as that term is used in Rule 102(e) and Section 106(e).*

6. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because Section 106(f) permits KPMG*

Huazhen to meet its production obligations through “alternate means” and avoid Commission sanctions in this situation, where foreign law forbids direct production of documents requested by U.S. authorities, and KPMG Huazhen is willing to make such production of documents at issue to the Chinese authorities.

7. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the OIP fails to state a claim upon which relief may be granted.*

8. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the proceeding is not warranted by the facts and, in any event, is unsupported by substantial evidence.*

9. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the proceeding violates KPMG Huazhen’s constitutional rights, including KPMG Huazhen’s rights to due process and equal protection.*

10. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the proceeding constitutes arbitrary and capricious agency action, including under the Administrative Procedures Act.*

11. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the proceeding is an improper use of the Rule 102(e) process in that KPMG Huazhen and the other Respondents have been singled out for selective prosecution.*

12. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the allegations are inconsistent with the SEC’s publicly-stated approach and long-standing policy and practice to resolve issues of access to audit workpapers and other such documents located in foreign jurisdictions through diplomatic negotiations.*

13. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the allegations are inconsistent with the cooperative framework for obtaining documents from foreign jurisdictions as set forth in the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions, to which both the SEC and China Securities Regulatory Commission (“CSRC”) are members.*

14. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because (1) KPMG Huazhen consented in its registration with the Public Company Accounting Oversight Board only to produce documents to the extent permitted by PRC and any other applicable laws; and (2) KPMG Huazhen consented in its designation of an agent under Sarbanes-Oxley Section 106 only to the extent permitted by applicable law of the PRC.*

15. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the proceeding violates KPMG Huazhen's due process rights to the extent that it does not allow the opportunity for appropriate pre-hearing discovery or to compel the appearance or testimony of witnesses in KPMG Huazhen's defense at the hearing of this matter.*

16. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the SEC lacks the authority to require production of documents from KPMG Huazhen that existed prior to the enactment of the Dodd-Frank Act on July 21, 2010.*

17. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because KPMG Huazhen did not issue an audit report nor perform audit work which was relied upon in connection with the issuance of an audit report for any period with respect to the financial statements of Client E.*

18. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because KPMG Huazhen did not issue an audit report nor perform audit work which was relied upon in connection with the issuance of an audit report for the fiscal year ended December 31, 2010 with respect to the financial statements of Client F.*

19. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because KPMG Huazhen's conduct with regard to Clients D, E and F was entirely inconsistent with the contention that the firm willfully refused to produce the requested materials to the Commission. KPMG Huazhen, inter alia, raised potential issues with each of Clients D, E and F, resigned from the engagements and otherwise took action that likely caused Clients D, E and F to come to the attention of the Commission.*

20. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because federal case law dictates that firms in analogous circumstances to these should not be sanctioned for their inability to comply with requests from U.S. regulators.*

21. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because such sanctions would be inconsistent with principles of international comity.*

22. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because KPMG Huazhen faces the real prospect of criminal and civil sanctions in the PRC if it complies with the Commission's Section 106 Requests. Equity requires that KPMG Huazhen not be sanctioned domestically for being caught between diplomatic negotiations of two regulators.*

23. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because sanctions against KPMG Huazhen would be contrary to the public interest.*

24. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because any alleged inability by the SEC to obtain the requested documents is the result of the inability of the SEC to negotiate acceptable international agreements with the CSRC, not any refusal, willful or otherwise, to produce documents by KPMG Huazhen.*

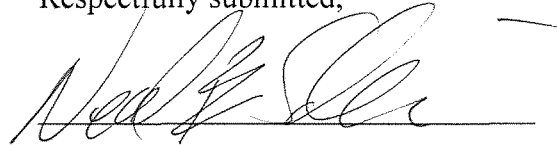
25. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because KPMG Huazhen acted in good faith, cooperated with the Staff, and accommodated and would accommodate the Staff's requests for information relating to Clients D, E and F, within its legal ability.*

26. *This proceeding is unlawful, improper and unwarranted, and sanctions against KPMG Huazhen would be unlawful and inappropriate because the obligations of KPMG Huazhen under Section 106 were and are objectively ambiguous under the circumstances.*

* * * * *

Dated: January 7, 2013

Respectfully submitted,



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