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July 8, 2011

**Confidential Pursuant to 17 C.F.R § 200.83
and 28 C.F.R. § 16.8**

By Email and First-Class Mail

Lisa Deitch
Assistant Director
Helaine Schwartz
Senior Counsel
United States Securities and Exchange
Commission
Division of Enforcement
100 F Street, N.E.
Mails Stop 5720-B
Washington, D.C. 20549

Re: In the Matter of Longtop Financial Technologies Limited HO-11698

Dear Ms. Deitch and Ms. Schwartz:

We are writing on behalf of our client, Deloitte Touche Tohmatsu CPA Ltd. ("DTTC"), in connection with the above-captioned matter.

On June 15, 2011, within a day of Sidley Austin LLP's retention by DTTC to represent it in connection with Longtop Financial Technologies Limited ("Longtop"), we called the Staff to understand from the Staff's perspective the status and substance of any requests the Staff made to predecessor counsel concerning the subpoena to DTTC dated May 27, 2011 (the "Subpoena"), which had an original return date of June 10, 2011. The Staff previously had agreed to extend the return date until June 17, 2011. During our June 15 call, the Staff indicated that it expected either the production of documents or a log of withheld documents by an extended return date, and we agreed that we would speak again on June 17, 2011, to discuss the length of a further possible extension. Additionally, the Staff asked DTTC to obtain the consent of Patrick Tsang, Charlotte Lu, Paul Siu, and Tony Wang (collectively, the "DTTC Personnel") to appear voluntarily in the United States for on-the-record testimony and to accept subpoenas for such testimony on behalf of such individuals (the "Request for Testimony"). Pursuant to our further

way that is not inconsistent with China law, and it will continue to seek ways to cooperate with the Staff in doing so.

1. DTTC's Compliance with the Subpoena. As contemplated by Congress, DTTC has complied with the Subpoena as follows. DTTC is a "foreign public accounting firm" as defined by Section 106(g) of Sarbanes-Oxley because it is an "accounting firm that is organized and operates under the laws of a foreign government" – the PRC. 15 U.S.C. §7216(g). Because DTTC is a foreign public accounting firm, any production by it to the SEC is governed by Section 106 of Sarbanes-Oxley, *id.* at (b) (setting forth the SEC's authority to receive production of documents from foreign public accounting firms), as amended by the Dodd-Frank Act on July 21, 2010, *see* P.L. 111-203, Title IX, Subtitle B, § 929J, 124 Stat. 1859. Section 106(b) requires a "foreign public accounting firm" that, *inter alia*, "issues an audit report" or "conducts interim reviews" to "produce the audit work papers of the foreign public accounting firm and all other documents of the firm related to any such audit work or interim review to the [SEC] or the [PCAOB], upon request of the Commission or the Board." *Id.* And Section 106(f) contemplates that such production obligations can be satisfied by the "alternate means" of production to "foreign counterparts of the Commission or the Board." *Id.* at (f).

Because DTTC is a foreign public accounting firm, and therefore, any production it makes to the SEC should be pursuant to Section 106, DTTC stands ready to comply fully with the Subpoena through the mechanism contemplated by Section 106. As discussed below, without the consent of the CSRC, DTTC cannot produce documents responsive to the Subpoena directly to the SEC because such production will violate PRC law and expose DTTC and its employees to serious civil and criminal liability. Accordingly, to comply fully with the Subpoena in the face of the China law impediments, and as set forth in Section 106, as previously communicated to the SEC, DTTC reached out to the CSRC, the SEC and PCAOB's "foreign counterpart." *Id.* DTTC promptly informed the CSRC of the SEC Subpoena and requested permission to comply with it through a production of documents in the United States, but that consent was not provided. *See* Letter from Warden to SEC (June 23, 2011), attaching letter from DTTC to CSRC (sent June 2, 2011). DTTC then explained to the SEC that DTTC has no objection to producing documents to the CSRC upon the CSRC's request. Further, by letter dated July 1, 2011, we informed the SEC (and the CSRC by copy) that DTTC would welcome the cooperation of the SEC and the CSRC in DTTC's production of documents sought by the Subpoena. *See* Letter from Warden to SEC (July 1, 2011).

DTTC has gone to substantial additional lengths to be fully prepared to respond to the Subpoena in a timely fashion. DTTC dispatched personnel from Hong Kong, as well as Sidley attorneys from our Hong Kong office, to Shanghai to begin an initial review of workpapers and other documents potentially responsive to the Subpoena. Attorneys have begun reviewing

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documents and preparing for production – taking the requisite production steps (reviewing, copying, preparing bates stamps, etc.) so that an initial production would be prepared to go to the CSRC immediately upon the CSRC's request, with a rolling production to follow.[1] DTTC stands ready to make that production.

With this letter, DTTC also is complying with the Subpoena in a second, independent way. Pursuant to Instruction No. 12 of the Subpoena, the Subpoena provides that DTTC may comply with the Subpoena by identifying and generally describing "all requested documents that [DTTC] do[es] not produce." SEC Subpoena (A)(12). In addition to its compliance through Section 106(f), DTTC also has complied with the Subpoena by providing the requested general identification and description of documents that are responsive to the Subpoena, to the extent that they were prepared after the effective date of the Dodd-Frank Act. While in Shanghai, DTTC personnel and Sidley attorneys prepared the attached log, which "generally describe[s]" the documents not being produced, "the location of each such document and [the] reason for not producing it." SEC Subpoena (A)(12).

DTTC does object to the Subpoena to the extent it calls for documents beyond what is authorized under Section 106. Thus, DTTC objects to the Subpoena to the extent it requires production of anything other than "audit work papers . . . and all other documents . . . related to any such audit work." 15 U.S.C. §7216(b). Consistent with the reasons Congress amended Section 106, DTTC objects to production of any documents dated prior to the effective date of Section 106, as amended by the Dodd-Frank Act, effective July 21, 2010.

2. Severe Consequences for Violating PRC's Laws and Sovereignty. As contemplated by Congress, DTTC has complied with the Subpoena as authorized by Section 106(f) because the consequences of complying in a different way – *e.g.*, unilaterally removing copies of the documents from Mainland China and producing them in the United States – may be viewed by the Chinese government as being illegal and improper, thus subjecting those who do so to extremely grave consequences, which can include lengthy prison sentences. For example, in 2010, a Chinese-born American geologist was sentenced to eight years in jail for violating "state secrets" laws by arranging for the sale of an "openly available database about China's

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[1] We understand that, not unexpectedly, the CSRC would not accept a unilateral production to it (absent a production request or demand made by the CSRC). For this reason, DTTC has communicated with the CSRC several times and is fully prepared to produce to the CSRC upon request or demand, but has not simply delivered the documents to the CSRC. In that regard, we understand from media reports that officials from the SEC and the PCAOB will be meeting with CSRC officials next week, and we are hopeful that any such meetings will facilitate DTTC's production of documents to the CSRC that can be shared with the SEC.

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largely state-controlled oil industry" to his U.S. consulting firm. *See China Jails US Geologist for Stealing State Secrets*, BBC NEWS, July 5, 2010, http://www.bbc.co.uk/news/10505350. In a similar case, another Chinese-born American was convicted for violating the "state secrets" law for obtaining and using "information about the Chinese steel industry he apparently received while attending a conference" – "seemingly legitimate information . . . obtained from the normal course of business activities." John Lee, *The Uncurious Case of Xue Feng's Jail Sentence*, FORBES.COM, July 7, 2010, http://www.forbes.com/2010/07/07/xue-feng-stern-hu-state-secrets-opinions-contributors-john-lee.html. If DTTC were to comply with the Subpoena by producing documents in the United States directly to the SEC without the consent of the CSRC, it would place itself and its personnel at substantial risk of prosecution under PRC criminal law.

As you know, China has laws that place strict controls on the disclosure of "State Secrets," the management of Archives, disclosure and use of personal data ("privacy law"), and places certain duties and restrictions on CPAs. Regarding the first two categories, on October 20, 2009, the CSRC, the State Secrets Bureau, and the State Archives Bureau together promulgated the Regulations on Strengthening the Protection of Secrets and Archive Management related to Issuance and Listing of Securities Overseas" (the "2009 Directives"). Article 6 of the 2009 Directives expressly covers audit working papers, providing that they must be stored in China and strictly prohibiting their production to people or entities outside of China without express approvals from Chinese authorities.[2]

The laws pertaining to "State Secrets" include far more than what colloquially would be understood to be "state secrets" in the United States. In China, matters relating to "national economy and social development," as well as other matters relating to "science and technology," can be and have been deemed to be state secrets. *See, e.g.*, the PRC Maintenance of State Secrets Law, Arts. 2, 3, 9. This is not limited to documents but includes information, such as would be obtained via testimony from DTTC employees. *See, e.g.*, the PRC Maintenance of State Secrets Law, Art. 3 (Defining state secrets as, *inter alia*, "*matters* that relate to . . . national interests . . . in the field of . . . economy, . . . etc.") (emphasis added). The State Secrets Bureau is empowered to determine what constitutes a state secret and may make broad determinations. *See id.* at Art. 11. Such determinations can form the basis of a conviction under China law. The documents and information in DTTC's possession relate, at the very least in a broad sense, to China's national economy. Further, as Carolyn Bartholomew, the Vice Chairman of the U.S.-

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[2] Along similar lines, Article 8 of the 2009 Directives requires an audit firm to inform the CSRC of any requests for documents by a foreign regulator. As we have informed you previously, and as discussed above, DTTC informed the CSRC and the CSRC has declined to consent to production at this time.

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China Economic and Security Review Commission put it in her June 30, 2010, testimony to Congress, "basic economic data" can be a "potential state secret." *China's Information Control Practices and the Implications for the United States: Hearing Before the U.S.-China Economic and Security Review Commission*, 111th Congress at 38 (2010).[3] Most recently, the Chinese finance ministry reiterated its policy that Chinese companies use accounting firms capable of protecting national economic information – effectively suggesting that the information available to auditors in fact implicates national interests. Simon Rabinovitch, *China Moves to Improve Accountancy Industry*, FINANCIAL TIMES, June 26, 2011, http://www.ft.com/cms/s/0/1e55ee9a-a067-11e0-a115-00144feabdc0.html#axzz1Qa9UIlK3. DTTC simply is not in a position to decide what documents and information do or do not fall within the law; instead, the law requires the approval of the Chinese government to produce them. 2009 Directives, Art. 6. And this state secrets issue is made more acute as many of Longtop's customers are National banks in the PRC. Given that the CSRC has not consented to DTTC's production of its documents here directly to the SEC, DTTC is not in a position to do so.

Most importantly, the penalties for violating the China State Secrets laws are criminal, PRC Maintenance of State Secrets Law, Art. 48, and of the most serious magnitude. Violators of these laws can be imprisoned for life in China. PRC Criminal Law, Art. 111. This is apparently true even where some of the information disclosed already was in what people in the United States would call the public domain. For example, as we understand it, a reporter went to jail in China for writing an article about facts that *already* had been "widely circulated" in China. *See* New York Times, "Yahoo helped Chinese to prosecute journalist," September 8, 2005, http://www.nytimes.com/2005/09/07/business/worldbusiness/07iht-yahoo.html.

China law also closely controls the management and disclosure of so-called "Archives". Archives include historical records of public organizations and individuals whose preservation is of value to the State. PRC Archives Law, Art. 2. As with "State Secrets," what constitutes an "Archive" under China law is defined very broadly, *see, e.g.*, *id.* at Art. 2 (historical records of value to the state), and controlled by a state agency, here the State Archives Bureau in conjunction with provincial archive authorities, *id.* Under the Archives law it is strictly prohibited to transfer archives outside of China. *Id.* at Arts. 14, 16, and 18. Violation of this law can result in criminal liability. *Id.* at Art. 26.

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[3] At the same hearings, Gordon C. Chang, a Forbes columnist who has served as a lawyer in China and Hong Kong for almost two decades, opined: "The State Secrets Law, and this is important for us as Americans, affects American business by potentially criminalizing the gathering of *ordinary business information.*" *China's Information Control Practices and the Implications for the United States: Hearing Before the U.S.-China Economic and Security Review Commission*, 111th Congress at 76 (2010) (emphasis added).

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In addition to the State Secrets law and the Archives law, China law imposes a number of other impediments that are critical here, including the PRC Certified Public Accountants Law and the PRC General Principles of Civil Law and Criminal Law, which cover privacy rights. The PRC Certified Public Accountants Law requires CPAs to keep all "commercial secrets" confidential, which would include information, both documents and testimony, relating to Longtop's business, its customers, and its technologies. PRC CPA Law, Art. 19. Violation of the CPA law results in criminal, administrative, and civil liabilities. *See id.* at Art. 9; PRC Criminal Law Art. 219. It also appears that the obligations of the law cannot be waived through consent of the audit client. The PRC General Principles of Civil Law protect personal rights, including rights of privacy. *See* PRC General Principles of Civil Law Arts. 99, 102, and 120. The law protects citizens and legal persons' personal name, image, reputation, and honor. *See id.* The PRC Criminal Law makes it illegal for any employee in the field of finance to provide personal information, including documents and testimony, about citizens that was obtained during the performance of the employee's duties. Violation may result in a fine and imprisonment up to three years. PRC Criminal Law, Art. 253(A).

The Subpoena implicates each of these impediments. The key point here is that these laws are somewhat vague by United States standards, but they can be – and have been – read by the Chinese government very broadly. The severity of the possible sanctions makes it impossible, absent CSRC consent, for DTTC to produce its documents in the United States and consent to employee testimony at this time without risking prosecution. We respectfully ask that the SEC not place DTTC in this position. Further, it is the stated position of the SEC, and the enacted will of Congress via Section 106(f), to work through the CSRC to obtain the documents and information sought via the current Subpoena in order to comply with domestic China law.

3. Policy of SEC and CSRC that Investigations of Companies Located in the PRC Be Conducted Cooperatively. Indeed, United States regulators have acknowledged the impediments at issue and are engaging in efforts to work with the Chinese government as a result. In an April 27, 2011, letter, SEC Chairman Mary Schapiro told Congress that the CSRC views attempts by the SEC to obtain information in the PRC, like the one being made here through the Subpoena, to be potentially unlawful:

> As noted in your letter, there are certain difficulties associated with investigations of securities laws that touch on foreign jurisdictions. The SEC routinely notifies our regulatory counterparts, including the China Securities Regulatory Commission (CSRC), that obtaining voluntary and direct access to witnesses and information is important to our enforcement investigations. In many jurisdictions, the SEC can directly access witnesses and

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> information to further its investigations. However, some jurisdictions, such as the PRC, view such direct efforts as a possible violation of sovereignty and/or national interest, which may be expressed informally (as is done by the CSRC) or embodied in law of agreement. In such cases, we generally work with the jurisdiction's home regulator to pursue our enforcement aims, and we continue to press for direct access where foreign law would not prevent it.

Chairman Schapiro's description of the CSRC's position is consistent with the CSRC's own May 15, 2009, letter to the SEC describing the "fundamental challenge" of "PCAOB attempts to take actions on a unilateral basis." In that letter, the CSRC made clear that it is of the view that "the oversight of Chinese accounting firms should fully rely on the work of the CSRC" and that the CSRC is "strongly opposed to PCAOB inspection on any Chinese accounting firm before any consensus has been reached between China and the US."

Accordingly, our hope is that our continuing dialogue can include the SEC working with the CSRC to pursue its enforcement aims, as suggested in Chairman Schapiro's letter of April 27, 2011, and consistent with the memoranda of understanding between the United States and China. Indeed, both the SEC and the PCAOB were recently in the PRC meeting with officials from the CSRC "to discuss cross-border oversight, hoping to sign an agreement on accounting supervision by the end of this year," according to the official Xinhua News Agency.[4] Samuel Shen & Kazunori Takada, *China Mulls Ways to Tackle Accounting Issues: Regulator*, THE CHINA POST, June 28, 2011, http://www.chinapost.com.tw/business/asia/b-china/2011/06/28/307709/China-mulls.html. According to the PCAOB, "progress had been made following a meeting of the PCAOB and the China Securities Regulatory Commission during the recent U.S.-China Strategic and Economic Dialogue. 'Both sides have agreed to accelerate efforts, including undertaking a process for negotiations and engaging in technical assistance activities, to reach a bilateral agreement governing cross-border audit oversight.'" Claire Baldwin & Nanette Byrnes, *Audit Watchdog, SEC Plan Beijing Visit*, REUTERS, July 5, 2011 (quoting Colleen Brennan, PCAOB spokeswoman).

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[4] This followed up on a speech on May 5, 2011, where PCAOB Chairman James Doty stated that the PCAOB is "engaged in discussions with the Chinese authorities" to resolve the current "impasse," and that the PCAOB "hopes that – over the course of the next several months – significant progress will be made."

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As you know, the issues raised by the Subpoena are not unique to this matter. Instead, they relate to the broader dialogue between the United States and China, and we hope that those issues will be discussed – and resolved – in next week's meetings among the SEC, the PCAOB and the CSRC. Our understanding is that representatives from the SEC and PCAOB will be in Beijing next week to meet with representatives from the CSRC to discuss "giving American regulators the right to investigate companies within China." Eva Woo & Dune Lawrence, *China Discusses Allowing SEC Probes*, BLOOMBERG, July 5, 2011, http://www.bloomberg.com/news/2011-07-05/china-said-to-discuss-allowing-sec-probes-of-mainland-firms-for-first-time.html. The PCAOB stated that the purpose of the meetings include "the commencement of [the PCAOB's] accelerated efforts with the People's Republic of China to forge a cooperative resolution to cross-border auditing oversight," exchanging information, and working toward a bilateral agreement on inspections. PCAOB Press Release, "Statement on Delegation to China," July 2011, http://pcaobus.org/News/Releases/Pages/07062011_China.aspx. At bottom, the potentially conflicting laws of the U.S. and the PRC are government-to-government issues that can only be resolved at that level, not through a specific investigation or subpoena. We are hopeful that such meetings will allow the SEC and CSRC to reach an arrangement that will facilitate DTTC's ongoing cooperation and the SEC's obtaining information for its investigation.

Such an arrangement would be consistent with prior agreements by the SEC and CSRC. As the SEC previously expressed in its "Terms of Reference For Cooperation and Collaboration" with the CSRC, "the CSRC and SEC will work to communicate quickly on [securities fraud] matters and to provide timely and thorough assistance to one another, *consistent with domestic laws*." SEC, "Terms of Reference For Cooperation and Collaboration", http://www.sec.gov/about/offices/oia/oia_bilateral/chinator.pdf (emphasis added); *see also* SEC Press Release, May 2, 2006, http://www.sec.gov/news/press/2006/2006-63.htm. The SEC has further underscored this policy by signing the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information with the CSRC ("MMoU"). The MMoU, organized by the International Organization of Securities Commissions, sets forth that the SEC and CSRC, as signatories, will "provide each other with the fullest assistance permissible to secure compliance with the respective Laws and Regulations" of the SEC and CSRC. MMoU(7)(a), *available at* http://www.iosco.org/library/pubdocs/pdf/IOSCOPD126.pdf. The agreed upon assistance includes providing "information and documents" by the CSRC to the SEC and individual "testimony." *Id.* at (7)(b)(i)-(iii).

Specific to this case, the CSRC has made it clear that it does not consent at this time to the SEC's direct efforts to obtain information from DTTC through the Subpoena. On June 2, 2011, DTTC sought approval from the CSRC to respond to the Subpoena. *See* Letter from

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Warden to SEC (June 23, 2011), attaching letter from DTTC to CSRC (sent June 2, 2011). The CSRC did not consent, and instead directed DTTC to seek approval from the Ministry of Finance and the State Secrets Bureau and the State Archives Bureau, as appropriate. DTTC has sought those approvals, but those PRC agencies have not provided them. Accordingly, a direct production of documents to the SEC at this time would be in contradiction both to the CSRC's general position (as articulated by Chairman Schapiro and in the CSRC's own 2009 letter to the SEC), as well as the CSRC's specific position concerning this Subpoena. DTTC, although a member of a global network, is wholly based in China and the CSRC is its primary local regulator. All of the relevant documents in this case are physically in China and concern businesses in China. DTTC simply cannot unilaterally go against the CSRC's directive, especially where, as here, Congress has specifically set forth an alternative means of compliance and DTTC has offered to produce documents to the CSRC.

Our hope is that the SEC can work with the CSRC pursuant to the memoranda of understanding between China and the United States. As DTTC previously has told the Staff, DTTC will not object to the CSRC making such documents available to the SEC. In previous telephone calls, you expressed a desire for us to inform the Staff of such a production, which we also have agreed to do. The Staff also expressed some frustration that the CSRC in the past has been unwilling to provide the SEC with audit working papers requested by the SEC. Although we understand that frustration, the CSRC's position in those matters underscores the point that the Chinese government may take a very dim view of *any* production – even by Chinese regulators – of audit workpapers and other documents directly to the SEC. And DTTC cannot responsibly take steps that could expose itself and its employees to draconian sanctions – including prison time.

With respect to the Staff's oral request that DTTC prepare something akin to a privilege log in short order, we do not think it would enhance either our mutual understanding of the issues at play or, more significantly, the potential resolution of those issues. There are logistical barriers and burden issues associated with reviewing all of the documents potentially at issue and, as you know, detailed "privilege logs" of full sets of working papers can take weeks or months to complete even under the best of circumstances, which these are not. Moreover, there are fundamental issues at stake – that DTTC cannot produce any of these documents in the United States without risking the imprisonment of its employees. A "privilege log" will not bring DTTC and the Staff any closer to a resolution of that issue, and requiring such a log would be unduly burdensome. Finally, just to be clear as a technical matter, DTTC is not withholding these documents on the basis of a privilege, and we do not believe there is authority for requiring

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a specific log of documents when a categorical foreign legal impediment is being asserted.[5] Accordingly, to the extent the Staff has made that request orally, we object to it. Instead, as discussed above, we will comply with Instruction No. 12 of the Subpoena, identifying and generally describing the documents DTTC is not producing, their location, and DTTC's reason for not doing so. Those descriptions, by category, are attached to this letter.

4. DTTC Has Acted Professionally, Appropriately and in Compliance with the Securities Laws and SEC Regulations. DTTC takes seriously its responsibilities as an auditor, including to the investing public, regardless of where its clients' securities are registered. And, with respect to U.S. issuers, such as Longtop, DTTC is committed to compliance with the U.S. securities laws and SEC regulations. In fact, DTTC's adherence to those very responsibilities served as the catalyst to the current SEC investigation. In the course of conducting its audit of Longtop's financial statements for the year ended March 31, 2011, DTTC became aware of certain irregularities. DTTC appropriately performed follow up audit steps regarding previously received bank confirmations. *See* DTTC Resignation Letter (May 22, 2011) (App. A). During a DTTC visit to the bank from which the Longtop confirmations were received, bank staff made statements that their bank had no record of certain transactions, that previously received conformations were false, that there were significant differences in deposit amounts from those previously received confirmations, and that there were significant amounts of bank borrowings not reported in previously received confirmations. *Id.* (App. A).

Based on these statements, DTTC promptly initiated a formal second round of bank confirmation on May 17, 2011. *Id.* (App. A). Longtop, however, did not allow DTTC to perform the second round of work. Instead, within hours of DTTC's attempt to begin this work, Longtop officials, including the Chief Operating Officer, intervened, the work was stopped, and Longtop seized certain of DTTC's audit files. *Id.* (App. A). On May 20, the Chairman of Longtop called DTTC and stated during the course of the call that there was fake revenue reported in the past, so there was fake cash recorded on the books. *Id.* (App. A).

DTTC acted swiftly, cognizant of its responsibilities under Section 10A of Securities Exchange Act, pursuant to applicable professional standards, and to the investing public. Indeed, in that regard, it is hard to imagine a more noisy withdrawal than DTTC's resignation from Longtop. After discussions with Longtop's Audit Committee on May 17 and 18, DTTC sent two letters to Longtop's Audit Committee dated May 22. *See* DTTC Resignation Letter (May 22, 2011) (App. A); DTTC 10A Letter (May 22, 2011) (App. B). The letters informed Longtop's Audit Committee that DTTC was resigning as its auditor because of (1) the recently identified

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[5] DTTC may assert privilege over any of these documents that fall within any privileged categories—something DTTC will not know until it has the opportunity to complete its review.

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falsity of Longtop's financial records in relation to cash at bank, loan balances, and sales revenue; (2) the deliberate interference by Longtop's management in DTTC's audit process; and (3) the unlawful detention of DTTC's audit files. DTTC Resignation Letter (May 22, 2011) (App. A). DTTC also asked Longtop to inform the SEC of these developments by making the appropriate 6K filing and consented to a copy of its resignation letter being produced to the SEC. *Id.* (App. A).

Moreover, the resignation letter specifically noted that "the circumstances [described in the resignation letter] could constitute illegal acts for purposes of Section 10A of the Securities Exchange Act of 1934" and "remind[ed] the Board of its obligations under Section 10A of the Securities Exchange Act, including the notice requirements to the U.S. Securities and Exchange Commission." *Id.* (App. A). And, in a separate May 22, 2011 letter to the Audit Committee, DTTC emphasized that its "resignation does not end the question of whether some forensic or other investigation should be undertaken, including as may be appropriate in connection with Section 10A of the Securities Exchange Act of 1934." DTTC 10A Letter (May 22, 2011) (App. A). Those letters resulted directly in the Audit Committee's retention of U.S. legal counsel to conduct the very forensic investigation suggested by DTTC's letters.

Importantly, Longtop's wrongful conduct has created at least one unique issue with respect to DTTC documents—those documents that otherwise would be responsive to the Subpoena but are no longer under DTTC's control because they have been unlawfully obtained by Longtop. As you know, we have demanded the return of those documents, and have been negotiating for their return until recently with Jones Day, whom we understood to represent Longtop's audit committee. We now understand that the Staff issued a subpoena to Jones Day itself for those documents. The only reason why there is a distinct issue concerning the documents now in Longtop's possession (or Jones Day's possession) is because Longtop unlawfully obtained DTTC's property. Longtop was able to unlawfully obtain these documents only by threatening DTTC personnel with detention if DTTC refused to leave its workpapers on site when DTTC resigned. These events are particularly troubling given that all of these actions occurred after DTTC attempted to perform follow-up audit procedures only to be thwarted by management interference. Additionally, these documents are no longer within DTTC's possession or control because of Longtop's wrongful actions. As such, DTTC is currently unable to produce these documents. However, DTTC will continue to attempt to regain control of its files (or at a minimum a copy thereof) and, if it is successful in doing so, intends to treat such documents similarly to the documents that remain under its control and produce them pursuant to Section 106.

At every turn, DTTC has acted appropriately and consistent with U.S. securities laws, and it continues to do so. DTTC is committing to cooperating with the SEC's investigation. As

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we have discussed, however, because of the impediments placed here by China law, DTTC must comply with the Subpoena through Section 106(f), as well as the independent production of the attached set of general descriptions. We look forward to continuing our dialogue with the Staff to attempt to address these difficult issues.

*   *   *

This correspondence is not intended to, and does not, waive any applicable privilege or protection, including the attorney-client privilege or work-product protection. On behalf of our client, we hereby claim that all materials provided to the Commission during the course of its investigation, including this letter, are entitled to confidential treatment. This request for confidentiality shall continue indefinitely unless we advise you otherwise. Because such documents constitute investigatory records obtained by the Commission in connection with a potential law enforcement proceeding, they certainly are subject, at least at the present, to the exemption from mandatory disclosure under Exemption 7(A) of the Freedom of Information Act, 5 U.S.C. § 552(b)(7)(A) (1975). *See, e.g., National Labor Relations Board v. Robbins Tire & Rubber Co.*, 437 U.S. 214 (1978); *Chilivis v. Securities and Exchange Commission*, 673 F.2d 1205 (11th Cir. 1982). In addition, we believe that Exemptions 4, 6, 7(B) and 7(C) of the Freedom of Information Act, 5 U.S.C. §§ 552(b)(4), (b)(6), (b)(7)(C) are also applicable to the documents, as well as the protections available under the Privacy Act of 1974, 5 U.S.C. § 552a.

Accordingly, we expect that all documents and copies of documents produced in connection with the Commission's investigation, including this letter, will be kept in a non-public file and that access to them by any third party not a member of the Commission or its staff will be denied. Should the Commission receive any request for these documents, either pursuant to the Freedom of Information Act or otherwise, we expect that we will be given an opportunity to object to such disclosure. Furthermore, should the Commission be inclined to disclose these documents to any third party, it is our expectation that, in accordance with normal Commission practice, we will be given ten (10) business days' advance notice of any such decision to enable our client to pursue any remedies that may be available. *See, e.g., Chrysler Corp. v. Brown*, 441 U.S. 281 (1979). In such event, we request that the Commission telephone the undersigned rather than rely upon the United States mail for such notice. We request that the Commission also provide a written copy of such notice to our client, addressed as follows: Deloitte Touche Tohmatsu CPA Ltd., 30/F Bund Center, 22 Yan An Road East, Shanghai 200002, PRC, Attention: Chris Lu. Our request that the Commission provide a written copy of such notice to our client does not constitute authorization for the Commission to provide such notice to our client in lieu of us.

The requests set forth in the preceding paragraphs also apply to any memoranda, notes, transcripts, or other writings of any sort that are created by, or at the request of, an employee of

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the Commission and that (i) incorporate, include, or relate to any confidential materials or (ii) refer to any conference, meeting, or telephone conversation between employees of the Commission and DTTC, its employees, counsel, or other representatives, relating to confidential materials.

All confidential materials remain the property of DTTC. We therefore request that upon the conclusion of the Commission's investigation, this letter, all enclosures, and any copies made thereof, be returned to the undersigned as soon as possible.

Please call me at (202) 736-8080 or Dave Gordon at (312) 853-7159 if you have any questions.

Very truly yours,

Michael D. Warden /ae

Michael D. Warden

cc: Gary Bendinger
David Gordon

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