

Statement of Objection

To the No. 2 Inspection Department of the Beijing Municipal Audit Bureau:

Having duly received the Bureau's July 6 "Notice on Taxation Matters", my company objects to aspects of the content therein. Our objections and the details of our application are as follows:

1. The above stated notice, in declaring that the "hearing for this case will not be open to the public" does not comply with relevant regulations. This case is one that requires a public hearing.

Article 11 of "Implementation Measures for Administrative Taxation Penalty Hearings" stipulates, "Administrative Taxation Penalty Hearings shall be conducted in public, with the exception of those involving state secrets, commercial secrets, or matters of personal privacy, in which case the hearing will not be conducted in public." The fourth paragraph of the same article clearly states, "for cases in which the hearing is made nonpublic, the reason for its nonpublic status shall be made known." Thus, a public hearing is the rule, and a nonpublic hearing is only the exception. The decision of the Bureau, however, is that this hearing will not be conducted publicly, while the reason for its nonpublic status has not been disclosed. This lack of disclosure is in direct violation of the provisions above.

As is common knowledge, a public hearing is a necessary protection against unjust punishment. The content of the hearing of this case relates only to the tax matters of this individual company, and has no relation at all to state-level secrets or individual private matters. If the Bureau's decisions are influenced by the only remaining caveat, i.e. considerations of company trade secrets, then on behalf of the company I hereby declare our willingness to waive this specific protection of secrecy, in favor of a hearing that is open to the public.

2. The Bureau should rightfully return my company's contracts, accounting books, accounting documents, accounting statements, and all other accounting information, as well as our official company seal and all other such items, and provide ample time prior to the hearing for the company to conduct its own inspection of accounts and assessments of tax records, thereby ensuring the

protection of my company's rights to cross-examination and substantive self-defense with respect to the alleged facts and related matters.

On April 6, 2011, the Bureau and other government departments arrived at the accounting firm commissioned by my company, and at that time confiscated and impounded all of my company's accounting books, accounting records, contracts, and other such materials kept there; on April 8, the Bureau and other government departments came to my company's own accounting offices and confiscated and again took with them contracts, accounting books, accounting documents, accounting statements, and all other accounting information kept there, as well as our official company seal and all other such items, and on June 27 issued a "Notice on Administrative Taxation Penalties" to my company. On June 29, my company immediately submitted a formal application for the convening of a hearing and for the return of the above stated accounting information and other company articles, and has recently also engaged in several rounds of verbal negotiation for the return of said items. However, to date the Bureau has still not returned said items.

In "Rules on Implementing the Administrative Law on the Levy and Collection of Taxes", Article 86 stipulates that, in exercising the authority of revenue inspection, "when necessary, with the permission of a director of an audit bureau at county-level or above, relevant tax authorities can recall for inspection a taxpayer or withholding agent's accounting books, accounting documents, accounting reports, or other related materials from the prior fiscal year, but in doing so the relevant authorities must issue an inventory of all confiscated materials to the individual or entity from which they have been confiscated, and must subsequently see that everything confiscated has been returned within **three months**." On these grounds, the Bureau has already acted contrary to the above stipulation, in that to date it has yet to return my company's contracts, accounting books, accounting documents, accounting statements, and all other accounting information, as well as our official company seal and all other such items, and has thereby obstructed my company from exercising its legal right to defend itself and engage in a cross-examination of what has been alleged against it.

The content of the above objections relates directly to whether or not my company will be able to exercise its legal right to a hearing, and to whether or not the administrative taxation penalty to which my company will be subject is in fact reasonable and legal. In light of this, I urge the Bureau to weigh and consider carefully the above application, and approve its requests.

Beijing Fake Cultural Development Company
Legal Representative: Lu Qing
July 11th, 2011