

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF LOUISIANA
LAKE CHARLES DIVISION**

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
v.	§	Case No.
	§	
SINOTECH ENERGY LIMITED	§	
GUOQIANG XIN, QINGZENG LIU,	§	
AND BOXUN ZHANG	§	
	§	
Defendants.	§	
	§	

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) alleges:

SUMMARY OF THE ACTION

1. Since its November 2010 initial public offering of securities in the United States (“IPO”), China-based oil field services company SinoTech Energy Limited (“SinoTech”) has continuously and intentionally misled investors about (a) its use of \$120 million in IPO proceeds; and (b) the value of its assets, specifically the lateral hydraulic drilling units (“LHD Units”) that are central to its business.

2. SinoTech’s IPO registration statement promised investors that the company would spend \$120 million raised in the IPO to acquire LHD Units, but the company’s purchase contracts and other documents show that the company acquired too few LHD Units, lied about the number of Units it acquired, and grossly overstated the value of the Units.

3. SinoTech continued to materially misrepresent the value of its equipment – and by extension the company – in numerous filings and press releases following its November 2010 IPO.

4. Furthermore, SinoTech’s chairman and controlling shareholder, Qingzeng Liu, misappropriated at least \$40 million of SinoTech’s cash between June 30, 2011 and August 2011. He then stood by silently in August 2011 as SinoTech attempted to counter public accusations of fraud by claiming the company held \$93 million in its bank accounts – a statement Liu and SinoTech knew was a lie.

JURISDICTION AND VENUE

5. The Commission brings this action under the authority conferred upon it by Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. The Commission seeks the imposition of civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1].

6. This Court has jurisdiction over this action under Section 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78aa]. Defendants have, directly and indirectly, made use of the means or instrumentalities of interstate commerce and/or the mails in connection with the transactions described in this Complaint.

7. Venue is proper under Section 27 of the Exchange Act [15 U.S.C. § 78aa], because transactions, acts, practices and courses of business described below occurred within the Western District of Louisiana.

DEFENDANTS

8. Defendant SinoTech is a Cayman Islands corporation that operates an enhanced oil recovery (“EOR”) services business through a subsidiary headquartered in the People’s Republic of China. SinoTech may be served through its agent for service in the United States,

Law Debenture Corporate Services, Inc., 400 Madison Avenue, 4th Floor, New York, New York 10017.

9. Defendant Qingzeng Liu, age 50, is a Chinese citizen residing in China. Liu is the Chairman of SinoTech's Board of Directors and the company's controlling shareholder.

10. Defendant Guoqiang Xin, age 47, is a Chinese citizen residing in China. Xin is SinoTech's Chief Executive Officer and is responsible for the company's day-to-day operations.

11. Defendant Boxun Zhang, age 35, is a Chinese citizen residing in China. Zhang was SinoTech's Chief Financial Officer until he resigned on September 22, 2011. As CFO, Zhang was responsible for SinoTech's consolidated financial statements, quarterly review of financial statements, and annual audits.

FACTS

A. SinoTech filed a materially misleading registration statement in November 2010 representing that it would use IPO proceeds to acquire LHD Units.

12. SinoTech filed an IPO registration statement with the Commission on November 1, 2010 and amended it on November 3, 2010, the same day it became effective. Xin and Zhang signed the registration statement.

13. The registration statement contained a prospectus, which SinoTech filed with the Commission on November 4, 2010.

14. SinoTech's IPO included the sale of nearly 20 million American Depository Shares ("ADS") at a price of \$8.50 per share, from which SinoTech raised more than \$120 million. Its ADS traded on the NASDAQ under the ticker "CTE."

15. In its registration statement and related documents, SinoTech described itself as a fast-growing, non-state owned provider of enhanced oil recovery ("EOR") services to major oil companies in China, whose success derived from the use of lateral hydraulic drilling techniques.

16. SinoTech's IPO registration statement represented, among other things, that the company would use funds raised in the IPO for two purposes: \$51 million to repay a credit line used to purchase LHD Units, and \$69 million to purchase additional LHD Units. SinoTech did not use the IPO proceeds as represented.

17. SinoTech obtained all of its LHD Units from a sole supplier located in Lake Charles, Louisiana. SinoTech contracted to purchase 15 LHD Units from the supplier for a total price of approximately \$18.9 million, of which SinoTech paid only \$16 million. The supplier only delivered 11 LHD Units, however, because SinoTech failed to complete payment.

18. Moreover, SinoTech did not spend significant additional funds to modify or upgrade the LHD units it did acquire.

B. SinoTech continued to materially mislead investors about the health of the company's finances and the value of its equipment in press releases and Commission filings following the IPO.

19. After the IPO, SinoTech overstated the value of its equipment in numerous filings and press releases.

20. On December 2, 2010, SinoTech issued its earnings release for fiscal year 2010, which ended on September 30, 2010 ("2010 Earnings Release"). The 2010 Earnings Release reported assets of \$165 million, of which \$64 million was equipment. According to SinoTech's IPO registration statement and other filings, LHD Units comprised the vast majority of the company's equipment.

21. SinoTech repeated these figures in the balance sheet included in its fiscal year 2010 Form 20-F, which it filed March 31, 2011, signed by Xin, as SinoTech's Chief Executive Officer, and certified by Xin and Zhang under Section 302 of the Sarbanes-Oxley Act of 2002.

22. In fact, when SinoTech filed fiscal year 2010 Form 20-F, it owned no more than 10 LHD Units, worth approximately \$13 million in total, well less than the \$64 million in equipment value that SinoTech had represented.

23. On May 19, 2011, SinoTech issued its earnings release for the quarter ended March 31, 2011, which it included in a Form 6-K signed by Zhang and filed the following day (“March 2011 Earnings Release”). In it, SinoTech claimed dramatic increases to \$255 million in assets, including \$94 million in equipment.

24. SinoTech made nearly identical statements on August 4, 2011 when it issued its earnings release for the quarter ended June 30, 2011 (“June 2011 Earnings Release”), which was included in a Form 6-K signed by Zhang and filed the following day.

25. As before, LHD Units comprised nearly all of SinoTech’s equipment in the March 2011, and June 30, 2011 Earnings Releases. But SinoTech owned no more than 11 LHD Units during this span, worth approximately \$16 million in total, a far cry from the \$94 million in equipment that it claimed. Hence, SinoTech grossly overstated the value of its equipment – and by extension the company – thereby materially misleading investors.

C. SinoTech’s Chairman Misappropriates \$40 million of company cash in the summer of 2011.

26. Between June 30, 2011 and August 17, 2011, Liu, the Chairman of SinoTech’s Board of Directors, engaged in unauthorized transactions resulting in the withdrawal of approximately \$40 million from SinoTech’s primary bank account at the Agricultural Bank of China. Liu has confessed to making this withdrawal.

27. SinoTech did not record Liu’s withdrawal in the company’s books and records. It also retained Liu as its Chairman despite his confession.

D. SinoTech further misled investors when it attempted to rebut an internet report alleging fraud, and solicited its supplier to perpetuate the company's fraud in an August 2011 analyst call.

28. On August 16, 2011, a negative report about SinoTech was published on the internet alleging, among other things, that SinoTech's Commission filings were false and misleading. The price of SinoTech's ADSs plummeted more than 40% that day, from \$4.05 per share to \$2.35 per share.

29. NASDAQ halted trading in SinoTech's stock on August 16, 2011 and asked the company to respond to the allegations.

30. SinoTech issued a press release on August 17, 2011 attempting to refute the report, and included the press release in a Form 6-K signed by Zhang and filed on August 19, 2011 ("August 2011 Press Release"). In it, SinoTech claimed (a) that it was "not aware of inaccuracy with respect to material facts or material omission contained in its previous public reports and filings with the" Commission; and (b) that it had contracted to acquire 20 LHD Units with a total value of more than \$150 million, of which 16 had already been delivered and "put into operation."

31. SinoTech's claims and figures in the August 2011 Press Release were highly misleading. In fact, the company had only contracted to acquire 15 LHD Units from its sole supplier for a total contract price of \$18.9 million. And it had actually acquired only 11 LHD Units because it failed to complete payment to the supplier.

32. In a further effort to persuade investors that SinoTech was legitimate, the August 2011 Press Release stated that SinoTech's bank balances totaled over \$93 million and included \$54 million on deposit at the Agricultural Bank of China. This representation was patently false,

given Liu's admitted theft of approximately \$40 million from that account sometime between June 30, 2011 and the publication of the August 2011 Press Release.

33. After publishing the August 2011 Press Release, SinoTech scheduled an analyst call on or about August 22, 2011 to respond further to the internet report's allegations. Before the call, Xin travelled to Lake Charles, Louisiana and personally asked its LHD Unit supplier to participate in the call to corroborate three of SinoTech's lies: (1) that SinoTech purchased 20 LHD Units and received 16; (2) that each unit was worth more than \$5 million; and (3) that SinoTech or its affiliate had made significant modifications to the units. The supplier refused.

E. By September 2011, SinoTech's auditor resigned and NASDAQ then delisted SinoTech in January 2012.

34. NASDAQ halted trading in SinoTech stock on August 16, 2011.

35. On September 15, 2011, after SinoTech refused to provide NASDAQ with information it requested about the company's finances, including auditor confirmation of the company's bank balances, NASDAQ issued a letter placing SinoTech on notice that its stock would be delisted.

36. Also in September 2011, SinoTech's auditor resigned and withdrew its opinion with respect to the company's fiscal year 2010 financial statements, which were included in the company's fiscal year 2010 Form 20-F filing.

37. On September 23, 2011, the company issued a press release announcing the resignations of both its auditor and Zhang. The release was included in a Form 6-K signed by Xin and filed with the Commission on September 27, 2011.

38. NASDAQ suspended trading in SinoTech's shares on October 18, 2011, after which the company's stock traded on the Pink Sheets (ticker: CTESY.PK) until NASDAQ ultimately delisted the stock on January 6, 2012.

CLAIMS FOR RELIEF

FIRST CLAIM

Violations by SinoTech, Xin, and Zhang of Section 17(a)(2) of the Securities Act

39. Paragraphs 1 through 38 are realleged and incorporated by reference.

40. Defendants SinoTech, Xin, and Zhang, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

41. Defendants SinoTech, Xin, and Zhang acted with scienter. Acting through Xin and Zhang, SinoTech made the referenced misrepresentations and omissions intentionally, knowingly or with severe recklessness. Defendants SinoTech, Xin, and Zhang were also negligent in making the representations and omissions alleged herein.

42. By reason of the foregoing, Defendants SinoTech, Xin, and Zhang violated, and unless enjoined, will further violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

SECOND CLAIM

Aiding and Abetting, by Xin and Zhang, of Violations of Section 17(a)(2) of the Securities Act

43. Paragraphs 1 through 42 are realleged and incorporated by reference.

44. Defendant SinoTech violated Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)].

45. Defendants Xin and Zhang knowingly or recklessly provided substantial assistance to SinoTech directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in

interstate commerce and by use of the mails obtaining money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Therefore, Defendants Xin and Zhang aided and abetted SinoTech's violations of, and unless enjoined will again aid and abet violations of, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)].

46. By reason of the foregoing, defendants Xin and Zhang aided and abetted SinoTech's violations of, and unless enjoined, will aid and abet further violations of Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

THIRD CLAIM
**Violations by SinoTech, Xin, and Zhang of
Section 10(b) of the Exchange Act and Rule 10b-5(b) Thereunder**

47. Paragraphs 1 through 46 are realleged and incorporated by reference.

48. SinoTech, Xin, and Zhang, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

49. Defendants SinoTech, Xin, and Zhang acted with scienter. Acting through Xin and Zhang, SinoTech made the referenced misrepresentations and omissions intentionally, knowingly or with severe recklessness. Defendants SinoTech, Xin, and Zhang were also negligent in making the representations and omissions alleged herein.

50. By reason of the foregoing, SinoTech, Xin, and Zhang have violated and, unless enjoined, will further violate Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(b) [17 C.F.R. §§ 240.10b-5(b)].

FOURTH CLAIM

Aiding and Abetting, by Liu, Xin, and Zhang, Violations of Exchange Act Section 10(b) and Rule 10b-5(b) Thereunder

51. Paragraphs 1 through 50 are realleged and incorporated by reference.

52. Defendants Liu, Xin and Zhang, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Defendant SinoTech in connection with its violations of Section 10(b) and Rule 10b-5(b) thereunder.

53. By reason of the foregoing, Liu, Xin and Zhang aided and abetted SinoTech's violations of, and unless enjoined, will aid and abet further violations of Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(b) [17 C.F.R. §§ 240.10b-5(b)]

FIFTH CLAIM

Violations by Liu of Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c)

54. Paragraphs 1 through 53 are realleged and incorporated by reference.

55. Liu, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, has employed devices, schemes and artifices to defraud, and engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

56. By reason of the foregoing, Liu has violated and, unless enjoined, will further violate Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rules 10b-5(a) and 10b-5(c) [17 C.F.R. §§ 240.10b-5(a) and 17 C.F.R. §§ 240.10b-5(c)].

SIXTH CLAIM

Violations by Liu, Xin, and Zhang of Exchange Act Rule 13b2-1

57. Paragraphs 1 through 56 are realleged and incorporated by reference.

58. Defendants Liu, Xin, and Zhang, directly or indirectly, falsified or caused to be falsified, the books, records or accounts of SinoTech subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

59. By reason of the foregoing, defendants Liu, Xin, and Zhang violated, and unless enjoined, will further violate Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1].

SEVENTH CLAIM

**Violations by SinoTech of Section 13(a) of the Exchange Act
and Rules 12b-20, 13a-1 and 13a-16 Thereunder**

60. Paragraphs 1 through 59 are realleged and incorporated by reference.

61. Defendant SinoTech, an issuer of a security registered pursuant to Section 12 of the Exchange Act, failed to file with the Commission, in accordance with rules and regulations the Commission has prescribed, information and documents required by the Commission, and failed to keep reasonably current the information and documents required to be included in or filed with an application or registration statement filed pursuant to Section 12 of the Exchange Act and annual reports and reports of foreign private issuers on Form 20-F and Form 6-K as the Commission has prescribed.

62. By reason of the foregoing, Defendant SinoTech violated, and unless enjoined, will further violate Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-16 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-16].

EIGHTH CLAIM
**Aiding and Abetting, by Liu, Xin, and Zhang,
Violations of Section 13(a) of the Exchange Act
and Rules 12b-20, 13a-1 and 13a-16 Thereunder**

63. Paragraphs 1 through 62 are realleged and incorporated by reference.

64. Based on the conduct alleged herein, SinoTech violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-16 thereunder.

65. Defendants Liu, Xin, and Zhang, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to SinoTech, as an issuer of a security registered pursuant to Section 12 of the Exchange Act, in its failing to file with the Commission, in accordance with rules and regulations the Commission has prescribed, information and documents required by the Commission, and in failing to keep reasonably current the information and documents required to be included in or filed with an application or registration statement filed pursuant to Section 12 of the Exchange Act and annual reports and reports of foreign private issuers on Form 20-F and Form 6-K as the Commission has prescribed.

66. By reason of the foregoing, Defendants Liu, Xin, and Zhang aided and abetted SinoTech's violations of, and unless enjoined, will aid and abet further violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-16 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-16].

NINTH CLAIM
Violations by SinoTech of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

67. Paragraphs 1 through 66 are realleged and incorporated by reference.

68. SinoTech failed to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected SinoTech's transactions and dispositions of its assets.

69. SinoTech failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are (a) executed in accordance with management's general or specific authorization; and (b) recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

70. SinoTech's violated, and unless enjoined, will further violate of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. § 78m(b)(2)(A) and 78m(b)(2)(B)].

TENTH CLAIM

Aiding and Abetting, by Liu, Xin, and Zhang, Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

71. Paragraphs 1 through 70 are realleged and incorporated by reference.

72. Based on the conduct alleged herein, SinoTech violated Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

73. Defendants Liu, Xin, and Zhang, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to SinoTech in connection with its failure to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected SinoTech's transactions and dispositions of its assets.

74. Defendants Liu, Xin, and Zhang, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to SinoTech in connection with its failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

75. By reason of the foregoing, Defendants Liu, Xin, and Zhang aided and abetted SinoTech's violation of, and unless enjoined, will aid and abet further violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. § 78m(b)(2)(A) and 78m(b)(2)(B)].

ELEVENTH CLAIM

Control Person Liability, of Liu and Xin, in Connection with SinoTech's Violations

76. Paragraphs 1 through 75 are realleged and incorporated by reference.

77. As alleged above, SinoTech violated Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 10b-5(b), 12b-20, 13a-1, and 13a-16 thereunder [17 C.F.R. §§ 240.10b-5(b), 240.12b-20, 240.13a-1 and 240.13a-16].

78. Liu and Xin were SinoTech's senior-most officers and directors during all relevant times in which SinoTech undertook these violations. Xin, for example, was aware that SinoTech's assets were materially less than the amounts represented in the company's quarterly releases. Liu had sufficient authority over SinoTech's bank accounts to withdraw at least \$40 million at a time when the company falsely represented that it had \$93 million on deposit at the Agricultural Bank of China.

79. Hence, Liu and Xin constitute "control persons" within the meaning of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] and, as such, are liable with and to the same extent as SinoTech for SinoTech's violations of Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 10b-5(b), 12b-20, 13a-1, and 13a-16 thereunder [17 C.F.R. §§ 240.10b-5(b), 240.12b-20, 240.13a-1 and 240.13a-16].

TWELFTH CLAIM

Violations by Xin and Zhang of Exchange Act Rule 13a-14

80. Paragraphs 1 through 79 are realleged and incorporated by reference.

81. Xin and Zhang, in the manner set forth above, violated Rule 13a-14 of the Exchange Act by, directly or indirectly, certifying a periodic report containing financial statements filed by an issuer pursuant to Section 13(a) of the Exchange Act when each failed to:

- (1) review the report;
- (2) ensure, to the best of his knowledge, that the report did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
- (3) ensure, to the best of his knowledge, that the financial statements, and other financial information included in the report, fairly presented in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in the report;
- (4) ensure that each had established and maintained disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), for the issuer and had: (i) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under his supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, was made known to him by others within those entities, particularly during periods in which the periodic report is being prepared; (ii) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report his conclusions about the effectiveness of the disclosure controls

- and procedures, as of the end of the period covered by the report based on such evaluation; and (iii) disclosed in the report any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter (the issuer's fourth quarter in the case of an annual report) that had materially affected, or was reasonably likely to materially affect, the issuer's internal control over financial reporting; and
- (5) ensure that he disclosed, based on his most recent evaluation of internal controls over financial reporting, to the issuer's board of directors (or persons performing the equivalent functions): (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which were reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who had a significant role in the issuer's internal controls over financial reporting.

82. By reason of the foregoing, Xin and Zhang violated and, unless enjoined, will further violate, Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14].

RELIEF REQUESTED

For these reasons, the Commission respectfully requests that the Court enter a judgment:

- (a) Permanently enjoining SinoTech from violating Section 17(a)(2) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5(b), 12b-20, 13a-1, and 13a-16 thereunder;
- (b) Permanently enjoining Liu from violating Sections 10(b) of the Exchange Act and Rules 10b-5(a), 10b-5(c), and 13b2-1 thereunder, and from aiding and abetting violations of

Exchange Act Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) and Rules 10b-5(b), 12b-20, 13a-1 and 13a-16 thereunder;

(c) Permanently enjoining Xin from violating Section 17(a)(2) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(b), 13a-14, and 13b2-1 thereunder, and from aiding and abetting violations of Section 17(a)(2) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 10b-5(b), 12b-20, 13a-1 and 13a-16 thereunder;

(d) Permanently enjoining Zhang from violating Section 17(a)(2) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(b), 13a-14, and 13b2-1 thereunder, and from aiding and abetting violations of Section 17(a)(2) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 10b-5(b), 12b-20, 13a-1 and 13a-16 thereunder;

(e) Ordering Liu to pay disgorgement with prejudgment interest;

(f) Ordering Liu, Xin, and Zhang to pay a civil penalty under Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)];

(g) Prohibiting Liu, Xin, and Zhang under Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and

(h) Granting such further relief as this Court may deem just and proper.

Dated: April 23, 2012

Respectfully submitted,

/s/ Jessica B. Magee

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