

1 DAVID WILLIAMS (Cal. Bar No. 183854)  
Attorney for Plaintiff  
2 SECURITIES AND EXCHANGE COMMISSION  
100 F Street, N.E.  
3 Washington, DC 20549-5977  
Telephone: (202) 551-4548  
4 Facsimile: (202) 772-9246  
e-mail: [williamsdav@sec.gov](mailto:williamsdav@sec.gov)  
5  
6  
7

8 UNITED STATES DISTRICT COURT  
9 DISTRICT OF ARIZONA  
10

11  
12 SECURITIES AND EXCHANGE  
COMMISSION,

13 Plaintiff,

14 vs.

15 ROBERT CHIU (a/k/a CHI HUNG CHIU)

16 Defendant.  
17

Civil Action No.

**COMPLAINT**

18  
19 For its Complaint, Plaintiff Securities and Exchange Commission (“Commission”)  
20 alleges:  
21

22 **SUMMARY**

23 1. Beginning in July 2006, Robert Chiu, an audit partner at an accounting firm (the  
24 “Firm”) that provided audit services for Syntax-Brilliant Corporation (“Syntax” or the  
25 “Company”), aided and abetted a fraudulent revenue recognition scheme. Syntax was a  
26 developer and distributor of high-definition LCD (liquid crystal display) televisions under the  
27 “Olevia” brand name.  
28

1           2.       From at least June 2006 through April 2008, Syntax’s senior management and  
2 members of its Board of Directors engaged in a complex scheme to overstate Syntax’s revenues  
3 and earnings and artificially inflate its stock price. This resulted in Syntax’s reported financial  
4 statements being materially false and misleading from the fiscal year ended June 30, 2006,  
5 through the fiscal first quarter ended September 30, 2007. The scheme was concealed with  
6 forged sales and shipping documents, as well as through the circular transfer of cash among and  
7 between Syntax, its primary manufacturer in Taiwan, Taiwan Kolin Co., Ltd. (“Kolin”), and its  
8 purported distributor in Hong Kong, South China House of Technology Consultants Co. Ltd.  
9 (“SCHOT”), that altogether created a façade of substantial revenues and cash flows.

10  
11           3.       As part of the fraudulent scheme, Syntax executives sought to recognize revenue  
12 on what were actually fictitious fiscal 2006 year-end sales between Syntax and SCHOT. Based  
13 on the facts presented to Chiu, he knew it was improper for the Company to recognize revenue on  
14 these sales. Specifically, Chiu knew that the sales failed to meet requirements under GAAP  
15 (Generally Accepted Accounting Principles) due in part to the lack of a valid sales distribution  
16 agreement between Syntax and SCHOT at the time of the purported sales.

17  
18           4.       During the period between August and September of 2007, based on audit  
19 procedures the Firm performed in the audits of SCHOT’s financial statements for the period  
20 ended in March 2007, Chiu also failed to object to the Firm’s issuance of multiple consents to the  
21 reissuance of its audit opinion to Syntax’s Form 10-K for fiscal year 2007.

22  
23           5.       By the conduct described herein, Chiu aided and abetted the antifraud,  
24 recordkeeping, internal control, and communications with auditors provisions of the federal  
25 securities laws. Unless restrained and enjoined, Chiu will continue to engage in acts and practices  
26 that constitute, or will constitute, violations of these provisions.  
27  
28

1 **JURISDICTION AND VENUE**

2 6. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e) and  
3 27 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d), 78u(e) and  
4 78aa]. Chiu, directly or indirectly, used the means or instrumentalities of interstate commerce, or  
5 of the mails, or the facilities of a national securities exchange in connection with the transactions,  
6 acts, practices, and courses of business alleged in this Complaint.  
7

8 7. Certain of the acts, practices, and courses of conduct constituting the violations of  
9 law alleged in this complaint occurred within this judicial district, and, therefore, venue is proper  
10 pursuant to Section 27 of the Exchange Act.  
11

12 **DEFENDANT**

13 8. Robert Chiu, 52, was a partner at the Firm and served as its Relationship Partner  
14 for the Syntax audit for the fiscal year ended June 30, 2006, and fiscal first quarter ended  
15 September 30, 2006. Chiu has never been licensed as a Certified Public Accountant. He is a  
16 United States citizen living in Valley Village, California.  
17

18 **OTHER RELEVANT ENTITIES**

19 9. Syntax was a Delaware corporation headquartered in Tempe, Arizona. Syntax  
20 developed and marketed, among other things, high-definition LCD televisions primarily in the  
21 United States and purportedly in China. At all relevant times, the Company’s common stock was  
22 registered with the Commission pursuant to Section 12(b) of the Exchange Act. Prior to its  
23 suspension on July 22, 2008, the Company’s common stock was listed for trading on the Nasdaq  
24 under the stock symbol “BRLC.”  
25

26 10. Kolin was a Taiwanese public company based in Taipei, Taiwan. Kolin was  
27 Syntax’s largest shareholder and primary supplier of LCD televisions and components. Kolin’s  
28

1 stock was traded on the Taiwan Stock Exchange until November 2008, when Kolin's securities  
2 were delisted.

3 11. SCHOT is a privately-held company located in Hong Kong and was purportedly a  
4 distributor of electronic products in Hong Kong and China.

5  
6 **FACTS**

7 **A. Chiu Colluded With Syntax Executives To Conceal Improper Revenue Recognition**

8 12. At the end of its fiscal year 2006, Syntax executives developed a fraudulent  
9 scheme to report \$22.7 million in sales to SCHOT in order to meet analysts' revenues and  
10 earnings expectations. As a result, Syntax overstated its reported revenues by 13% for the fiscal  
11 year ended June 30, 2006, and overstated its revenues by 61% for the fourth quarter of fiscal year  
12 2006.

13  
14 13. Syntax's executives knew that the Firm's auditors would scrutinize the fictitious  
15 sales during the 2006 fiscal year-end audit of Syntax because these sales were large and occurred  
16 late in the period. To help gain the concurrence of the audit team, they were assisted by Chiu, the  
17 Firm's Relationship Partner on the audit.

18  
19 14. Chiu knew that the Firm's audit team was concerned that Syntax's last minute  
20 sales to SCHOT were indicative of channel stuffing and that revenue recognition may have been  
21 improper. Chiu was asked by the Firm's engagement team to ensure that Syntax's executives  
22 understood that the Firm intended to look into this issue. Chiu advised Syntax executives what  
23 documents the Firm's engagement team would be interested in examining, including a  
24 distribution agreement that would support revenue recognition. Chiu knew at the time of the  
25 sales that Syntax did not have a valid distribution agreement with SCHOT.

26  
27 15. Chiu advised Syntax executives of the need to prepare a formal document  
28 reflecting all the material terms of the sales distribution agreement that could be provided to the

1 Firm's auditors prior to their sign off on Syntax's late fourth quarter purported sales to SCHOT.  
2 Between July 8, 2006, and July 10, 2006, Chiu communicated with Syntax executives through a  
3 personal email account and instructed them on how to create a backdated distribution agreement  
4 to support revenue recognition that he knew would be provided to the Firm's auditors.

5  
6 16. Specifically, in an email dated July 9, 2006, to Syntax's executives, Chiu told the  
7 Syntax executives to create a distribution agreement with specific terms. First, knowing that the  
8 sales to SCHOT purportedly occurred during the last 10 days of June 2006, he stated that the  
9 distribution agreement between Syntax and SCHOT needed to have an effective date of June 15,  
10 2006. Second, he emphasized that the new distribution agreement needed to cover China  
11 because, according to Chiu, "Everyone knows China is a big market so the idea of 'channel  
12 stuffing' should not ... surfaced." While acknowledging Syntax needed to disclose the last  
13 minute sales to SCHOT in its MD&A (Management Discussion and Analysis), Chiu explained  
14 that "with the mentioning (sic) of the new Greater China channel, it should minimize the idea of  
15 'channel stuffing.'"

16  
17 17. Over the course of that same day, Chiu used his personal email address to provide  
18 the Syntax executives with additional instructions. Specifically, Chiu told them that the  
19 distribution agreement needed (a) to cover China; (b) to state that SCHOT cannot return any of  
20 the shipment from Syntax except for repairs or defective items; and (c) to be "detail[ed]" and "as  
21 real as possible." In addition, Chiu said that SCHOT needed to provide Syntax with a sales  
22 projection.  
23

24 18. At the time that Chiu provided these instructions, he was aware it would be  
25 improper for Syntax to recognize revenue on these sales.

26 19. On or about September 13, 2006, Syntax filed its Form 10-K with the Commission  
27 that included financial statements reflecting the fictitious sales to SCHOT.  
28

1           20.     Based on the information Syntax provided the Firm under Chiu's direction, the  
2 Firm issued an unqualified opinion on Syntax's financial statements for the fiscal year ended June  
3 30, 2006. Syntax included this opinion in its Form 10-K for fiscal year 2006.

4           **B.     Chiu Disregarded An Agency Relationship Between Syntax And SCHOT**

5  
6           21.     Throughout fiscal years 2006 and 2007, Chiu disregarded red flags showing that  
7 Syntax's purported sales to SCHOT were, at a minimum, agency sales and therefore revenue was  
8 improperly recognized.

9           22.     Chiu knew that Syntax provided SCHOT with unusually long payment terms of  
10 120 days or more and that SCHOT was overdue on its payables to Syntax during fiscal year 2006.  
11 For example, in July 2006, Chiu warned a Syntax executive that, under SAB 101, "vendor-  
12 provided financing with extended payment terms, especially, those beyond normal and customary  
13 sales terms" could preclude revenue recognition.

14           23.     Syntax's disclosures claimed that SCHOT was a customer that purchased and took  
15 title to Syntax's products. Between May and December 2007, however, Chiu received SCHOT's  
16 financial statements and other information indicating that SCHOT recorded purchases from  
17 Syntax as agency or consignment transactions, which suggested that Syntax's revenue recognition  
18 on sales to SCHOT was improper. In contrast to SCHOT's treatment, Syntax's disclosures  
19 claimed that SCHOT was a customer that purchased and took title to Syntax's products. In a  
20 consignment arrangement, SCHOT would not be obligated to pay for product it purportedly  
21 purchased from Syntax until SCHOT sold and collected the purchase price from its own  
22 customers. Syntax's consignment sales to SCHOT met neither Syntax's own criteria for revenue  
23 recognition nor the requirements of GAAP.

24           24.     After the Firm was dismissed as Syntax's auditors, SCHOT retained the Firm in  
25 July 2007 to conduct an audit of its financial statements in preparation for an initial public  
26  
27  
28

1 offering. In late summer of 2007, while conducting the audit, Chiu learned additional information  
2 confirming that SCHOT was not Syntax's customer, as Syntax had publicly disclosed, but rather  
3 the Company's sales agent for sales in China. Specifically, in September 2007, SCHOT's owner  
4 told Chiu that SCHOT had been acting as Syntax's agent and only recorded a 1% commission on  
5 Syntax's sales in China. Financial statements provided to Chiu and others at the Firm during the  
6 audit of SCHOT also confirmed SCHOT's representations.

8 25. As a result, Chiu knew that Syntax's previously filed financial statements were  
9 materially misstated and failed to comply with GAAP.

10 26. Nevertheless, Chiu failed to take any action to address the impact of these errors  
11 upon Syntax's financial statements for any period that the Firm had audited, reviewed, or  
12 consented to the reissuance of its prior audit report. He never raised these issues with Syntax, the  
13 Firm, or Syntax's new independent auditors at the time. As a result, the Firm issued multiple  
14 consents to the reissuance of its audit report on Syntax's financial statements for fiscal year 2006,  
15 as included in Syntax's Form 10-Ks for the fiscal years ended June 30, 2006 (filed September 13,  
16 2006 ) and June 30, 2007 (filed September 13, 2007). The financial statements were also  
17 incorporated by reference in Syntax's Form S-3 registration statements filed on November 22,  
18 2006, April 6, 2007, November 21, 2007, and December 7, 2007. Syntax included the results of  
19 its prior improper revenue recognition in at least eleven Form 8-Ks during the relevant period.  
20  
21

## 22 **CLAIMS FOR RELIEF**

### 23 **FIRST CLAIM**

#### 24 *Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rule 10b-5*

25 27. Paragraphs 1 through 26 are re-alleged and incorporated herein by reference.

26 28. Syntax and its officers and directors, directly or indirectly, singly or in concert, by  
27 use of the means or instrumentalities of interstate commerce, or of the mails, in connection with  
28

1 the purchase or sale of securities, knowingly or recklessly, have:

2 (a) employed devices, schemes and artifices to defraud;

3 (b) made untrue statements of material fact, or have omitted to state material  
4 facts necessary in order to make statements made, in light of the circumstances under which they  
5 were made, not misleading; and/or

6 (c) engaged in acts, practices and courses of business which operated or would  
7 have operated as a fraud or deceit upon purchasers of Syntax securities and upon other persons, in  
8 violation of Section 10(b) of the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R.  
9 §240.10b-5].  
10

11 29. Chiu knowingly provided substantial assistance to the commission of violations of  
12 Section 10(b) of the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5(b) [17 C.F.R. §240.10b-  
13 5(b)].  
14

15 30. By reason of the foregoing, Chiu aided and abetted violations of Section 10(b) of  
16 the Exchange Act [15 U.S.C. §§78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5].

17 **SECOND CLAIM**

18 ***Aiding and Abetting Violations of Section 13(b)(2) of the Exchange Act***

19 31. Paragraphs 1 through 26 are re-alleged and incorporated by reference.

20 32. Syntax failed to:

21 a. make and keep books, records, and accounts, which, in reasonable  
22 detail, accurately and fairly reflected the transactions and  
23 dispositions of its assets; and

24 b. devise and maintain a system of internal accounting controls sufficient to  
25 provide reasonable assurances that:  
26  
27  
28

- 1 i. transactions were executed in accordance with management's  
2 general or specific authorization;
- 3 ii. transactions were recorded as necessary to permit preparation of  
4 financial statements in conformity with generally accepted  
5 accounting principles or any other criteria applicable to such  
6 statements, and to maintain accountability for assets;
- 7  
8 iii. access to assets was permitted only in accordance with  
9 management's general or specific authorization; and
- 10 iv. the recorded accountability for assets was compared with the  
11 existing assets at reasonable intervals and appropriate action was  
12 taken with respect to any differences.

13  
14 33. Chiu knowingly provided substantial assistance to the commission of these  
15 violations.

16 34. By reason of the foregoing, Chiu aided and abetted violations of Section 13(b)(2)  
17 of the Exchange Act [15 U.S.C. § 78m(b)(2)].

18 **THIRD CLAIM**

19 ***Aiding and Abetting Violations of Section 13(b)(5) of the Exchange Act***

20 35. Paragraphs 1 through 26 are re-alleged and incorporated by reference.

21 36. Syntax and its officers and directors knowingly circumvented or knowingly failed  
22 to implement a system of internal accounting controls and knowingly falsified, directly or  
23 indirectly, or caused to be falsified books, records and accounts of Syntax that were subject to  
24 Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

25  
26 37. Chiu knowingly provided substantial assistance to the commission of these  
27 violations.  
28

1 38. By reason of the foregoing, Chiu aided and abetted violations of Section 13(b)(5)  
2 of the Exchange Act [15 U.S.C. § 78m(b)(5)].

3 **FOURTH CLAIM**

4 ***Aiding and Abetting Violations of Rule 13b2-1 of the Exchange Act***

5 39. Paragraphs 1 through 26 are re-alleged and incorporated by reference.

6 40. Syntax and its officers and directors, directly or indirectly, falsified or caused to be  
7 falsified the books, records and accounts of Syntax that were subject to Section 13(b)(2)(A) of the  
8 Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

9 41. Chiu knowingly provided substantial assistance to the commission of these  
10 violations.

11 42. By reason of the foregoing, Chiu aided and abetted violations of Rule 13b2-1 of  
12 the Exchange Act [17 C.F.R. § 240.13b2-1].

13 **FIFTH CLAIM**

14 ***Violations of Rule 13b2-2 of the Exchange Act***

15 43. Paragraphs 1 through 26 are re-alleged and incorporated by reference.

16 44. Syntax's officers and directors, directly or indirectly, made or caused to be made  
17 false and misleading statements or omitted or caused others to omit to state material facts  
18 necessary in order to make statements made, in light of the circumstances under which such  
19 statements were made, not misleading to Syntax's auditors in connection with audits and  
20 examinations of Syntax's required financial statements and in connection with the preparation  
21 and filing of documents and reports required to be filed with the Commission.

22 45. Chiu knowingly provided substantial assistance to the commission of these  
23 violations.  
24  
25  
26  
27  
28

