

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

CKB168 HOLDINGS LTD., WIN168 BIZ
SOLUTIONS LTD., CKB168 LTD., CKB168 BIZ
SOLUTION, INC., CYBER KIDS BEST
EDUCATION LTD., RAYLA MELCHER
SANTOS, HUNG WAI ("HOWARD") SHERN,
RUI LING ("FLORENCE") LEUNG, DALIANG
("DAVID") GUO, YAO LIN, CHIH HSUAN
"KIKI" LIN, WEN CHEN HWANG (AKA
"WENDY LEE"), TONI TONG CHEN,
CHEONGWHA "HEYWOOD" CHANG, JOAN
CONGYI MA (AKA "JC MA"), AND HEIDI MAO
LIU (AKA "HEIDI MAO"),

Defendants,

- AND -

ROSANNA LS INC., USA TRADE GROUP, INC.,
OUNI INTERNATIONAL TRADING INC., E
STOCK CLUB CORP., EZ STOCK CLUB CORP.,
HTC CONSULTING LLC, AND ARCADIA
BUSINESS CONSULTING, INC.,

Relief Defendants.

MAUSKOPF, J.

MANN, M.

CASE NO. _____

JURY TRIAL
DEMANDED

FILED UNDER SEAL

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U.S. DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission" or "SEC") alleges as follows:

SUMMARY OF ALLEGATIONS

1. The Commission brings this emergency action to halt an ongoing pyramid scheme and offering fraud, which primarily targets members of the Asian-American community. The corporate defendants – WIN168 Biz Solutions Ltd., CKB168 Ltd., CKB168 Holdings, Ltd., CKB168 Biz Solution Inc., and Cyber Kids Best Education Limited – are five entities based in Hong Kong, Canada, and the British Virgin Islands that collectively operate under the business name “CKB168” or “CKB.” The individual defendants are three foreign nationals – Rayla Melchor Santos, Hung Wai (Howard) Shern, and Rui Ling (Florence) Leung (aka Kwai Chee Leung) – who control the CKB entities and eight senior promoters in the United States – Daliang (David) Guo, Yao Lin, Chih Hsuan (Kiki) Lin, Wen Chen Hwang (aka Wendy Lee), Toni Tong Chen, Cheongwha (Heywood) Chang, Joan Congyi (JC) Ma, and Heidi Mao Liu (aka Heidi Mao) – who sit atop the pyramid scheme in the United States. To date, the Defendants have harvested \$20 million, and likely much more, from at least 400 investors in New York, California, and elsewhere in the United States, as well as millions of dollars from investors in Canada, Taiwan, Hong Kong, and other countries in Asia.

2. Through publicly available websites, promotional materials, seminars, and videos posted to the internet, as well as through other efforts intended to create the appearance of a legitimate enterprise, Defendants have falsely portrayed CKB as a profitable multi-level marketing company that sells web-based children’s educational courses.

3. What CKB really sells, however, is the false promise of easy wealth. Potential purchasers of CKB products must invest in CKB to get one of its courses. Defendants promise that those investors will earn exponential, risk-free returns. In addition to the course, each purchaser/investor receives “Profit Reward Points” (“Prpts”) with a purported value of \$750.

Investors are told that they will earn “passive” returns in the form of Prpt dividends and 2-for-1 splits, and that they will be able to buy and sell their Prpts in an online exchange accessible through the CKB website. Investors also are promised that they will earn massive returns by converting their Prpts into shares of CKB stock when the company conducts an initial public offering (“IPO”) on the Hong Kong Stock Exchange sometime during 2014. Some Defendants allege that these returns can be achieved without any risk of loss.

4. Despite Defendants’ representations to the contrary, the Prpts are worthless and cannot be meaningfully traded, sold or exchanged. Nor has CKB taken required steps to prepare for the promised IPO and, in fact, does not meet the Hong Kong Exchange’s current listing requirements. Even if the IPO were to occur, CKB would have to go public as one of the world’s largest companies in order to honor conversions of the ever-expanding universe of Prpts.

5. Still, while essential to the scheme, Prpts are not its only incentive. The scheme’s ultimate goal is to turn investors into recruiters. CKB lures investors with the promise of even greater “active” returns, in the form of commissions and bonuses, for recruiting new, “down-line” participants into the program. In contrast to Prpts, active recruitment is the only way to make actual significant money.

6. In a videotaped recording posted to the internet, Defendant Kiki Lin exemplifies this pitch, telling potential investors: “So in our . . . pyramid triangle system, we spread it from one to ten and ten to hundred and hundred to thousand, thousand to ten thousand. Right now the company has been operating for over three months. And all of us are still at the top of the pyramid. And for those who really want to make money, who are really hard working, in a short time, you would all be like John who had already had – made money to buy five houses in Las Vegas. . . . I believe the company is providing us with a wonderful opportunity.”

7. In fact, CKB has little or no retail consumer sales to generate the promised returns and no apparent source of revenues other than money received from new investors. Instead, CKB is a classic pyramid scheme that depends on the recruitment of new investors to pay promised returns to existing ones. Its inevitable collapse will cause substantial investor losses. Indeed, bank records show that most of the money raised has already been paid out as commissions, with the bulk of this money going to Defendants and others at the top of the investment pyramids.

8. As a result of this conduct, Defendants have violated the antifraud provisions of the Securities Act of 1933 (“Securities Act”) and the Securities Exchange Act of 1934 (“Exchange Act”). By selling securities in an unregistered offering, Defendants have violated Section 5 of the Securities Act, 15 U.S.C. § 77e. By acting as brokers for these transactions without being registered as, or associated with, a registered broker-dealer, Defendants Shern, Guo, Yao Lin, Kiki Lin, Wendy Lee, Toni Chen, Heywood Chang, JC Ma, and Heidi Mao have violated Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a). Unless restrained and enjoined, Defendants will continue to violate these provisions and are likely to engage in future violations of the federal securities laws.

9. To halt Defendants’ unlawful conduct, to maintain the status quo and to preserve any remaining assets for defrauded investors, the Commission seeks emergency relief, including temporary restraining orders and preliminary injunctions, and an order: (i) imposing asset freezes on the Defendants and Relief Defendants and requiring them to repatriate all fraudulent proceeds that are now located abroad; (ii) providing for alternative service, preventing the destruction of documents, and ordering expedited discovery; and (iii) requiring the Defendants and Relief Defendants to provide verified accountings. The Commission also seeks permanent injunctions

against the Defendants, disgorgement of ill-gotten gains and prejudgment interest thereon from the Defendants and Relief Defendants, and civil monetary penalties from the Defendants.

JURISDICTION AND VENUE

10. The Commission brings this action pursuant to the authority conferred by Section 20 of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

11. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Defendants, directly or indirectly, singly or in concert, have made use of the means or instrumentalities of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, in connection with the transaction, acts, practices, and courses of business alleged herein.

12. Venue lies in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Certain of the transactions, acts, practices and courses of business constituting the violations alleged herein occurred within the Eastern District of New York. Among other things, Defendants Santos and Shern have travelled to Flushing, Queens to participate and speak in seminars and meetings for CKB investors. Defendant Leung controls accounts that have received wires of investor funds from banks in this district, including branches located in Queens. Defendants Guo and Yao Lin, who sit atop U.S. investment pyramids, live in New Hyde Park and Flushing, respectively, and have solicited investors in this district, and maintain bank accounts in this district through which they have received and transferred investor funds. Other Defendants have transferred investor funds up-line to accounts controlled by Guo and Yao Lin in this district, and have maintained

websites or posted videos on the internet promoting CKB that are accessible to investors in this district. All of the Defendants have substantially participated in the fraudulent scheme described herein, which has raised money from investors who reside in this district.

DEFENDANTS AND RELIEF DEFENDANTS

I. Defendants

A. The CKB Entities

13. WIN168 Biz Solutions Limited (“WIN168”) is a private Hong Kong company established on March 8, 2011. Defendants Santos, Shern, and Florence Leung are directors of WIN168 and together own eight million of the company’s nine million shares. WIN168 registered a website located at www.ckb168.com, posted in English and Chinese, which promoted the investment scheme. In approximately April 2013, www.ckb168.com was taken down and replaced with a largely identical website located at www.ckbmax.com, which also was posted in English and Chinese. (Collectively, the two websites will be referred to as the “CKB Website.”) The CKB Website contains many of the misrepresentations described below, including “testimonials” by many of the Defendants, and provides investors access to fraudulent “account statements.” From April 2011 until at least August 2013, WIN168 maintained bank accounts at HSBC in Hong Kong that were used to receive and transfer funds from CKB investors located in the United States and elsewhere. Those accounts received wire transfers from banks located in New York, including this district. Defendants Shern and Leung were the authorized signatories for these accounts.

14. CKB168 Biz Solution Inc. (“CKB168 Biz”) is a Canadian corporation established on April 29, 2011 with its principal place of business in Toronto, Ontario. Defendant Shern is

the sole director of CKB168 Biz. CKB168 Biz has maintained bank accounts at TD Bank in Canada that have been used to receive and transfer funds from CKB investors.

15. CKB168 Limited (“CKB168 Ltd.”) is a private Hong Kong company established on October 13, 2011. CKB168 Ltd. shares a business address with WIN168, and its sole director is CKB168 Biz Solution Limited (“CKB168 Biz Ltd.”), a British Virgin Islands corporation with its office in Tortola. From November 2011 until approximately August 2013, CKB168 Ltd. maintained a bank account at HSBC in Hong Kong that was used to receive and transfer funds from CKB investors, including wires coming from New York. Defendants Shern and Leung were the authorized signatories for this account.

16. CKB168 Holdings Limited (“CKB168 Holdings”) is a private Hong Kong company established on October 13, 2011. CKB168 Holdings shares a business address with Defendants WIN168 and CKB168 Ltd., and its directors are CKB168 Biz Ltd., and a non-party individual who is listed as an executive on the CKB Website. Sample stock certificates shown to prospective investors indicate that CKB168 Holdings is the entity whose shares have been offered to the public.

17. Cyber Kids Best Education Limited (“Cyber Kids Best”) is a private British Virgin Islands company established on January 15, 2013. Cyber Kids Best shares a business address with CKB168 Biz Ltd., and its correspondence address matches that of the other CKB entities. Its sole director is a non-party individual listed as the head of a “Global Committee” under the “Marketing Alliances” section of the CKB Website. Cyber Kids Best controls five bank accounts at Shanghai Commercial Bank Ltd. in Hong Kong, at least two of which were used to receive and transfer funds from CKB investors located in the United States, including this district, and elsewhere. Florence Leung is an authorized signatory to these accounts.

18. WIN168, CKB168 Biz, CKB168 Holdings, CKB168 Ltd., and Cyber Kids Best have never been registered with the Commission in any capacity and have never registered any offering of securities under the Securities Act or any class of securities under the Exchange Act.

B. CKB Executives

19. Rayla Melchor Santos (“Santos”), aka “Teacher Sam,” born 1956, is a Philippines national and is featured on the CKB website as the “founder” of CKB. Corporate registry records indicate that Santos is a director and the second largest shareholder of WIN168. Santos has travelled to the United States, including to this district, to participate in meetings and seminars to promote CKB.

20. Defendant Hung Wai (Howard) Shern (“Shern”), born 1958, is a Canadian citizen and resident of Hong Kong. Shern is featured on the CKB website as the “Director of CKB168 International Marketing.” Shern is a director and the largest shareholder of WIN168, and, along with Defendant Florence Leung, one of the signatories to bank accounts in the names of WIN168 and CKB168 Ltd. that were used to receive and transfer funds from CKB investors. He also is the sole director of CKB168 Biz in Toronto, Ontario. Shern has travelled to the United States, including to this district, to participate in meetings and seminars to promote CKB.

21. Defendant Rui Ling (Florence) Leung, aka Kwai Chee Leung (“Leung”), born 1957, is a Hong Kong national and is described on the CKB website as the “Chief Financial Officer” for CKB. Leung is a director and shareholder of WIN168, and, along with Shern, one of the signatories to bank accounts in the names of WIN168 and CKB168 Ltd. that were used to receive and transfer funds from CKB investors. Leung is also a signatory to accounts in the name of Cyber Kids Best that were used to receive and transfer funds from CKB investors. In addition, Leung has received CKB investor funds sent from a Western Union branch located in

Flushing, Queens, within this district. In promotional materials distributed to investors, Leung describes herself as a professional investment adviser who will assist CKB in its public offering. Approximately \$4.6 million have been transferred from CKB bank accounts into bank accounts that Leung controls.

C. CKB Promoters

22. Daliang (David) Guo (“Guo”), born 1963, is a Chinese native and a resident of New Hyde Park, New York. Guo was among CKB’s first U.S. promoters, and currently sits atop a U.S. investment pyramid. In his “Grand Ranking” promoter testimonial on the CKB website, Guo claims to have earned over \$1 million from his association with CKB within 8 months. He has met with and made presentations to prospective investors in this district, as well as elsewhere in New York, Las Vegas, California, Philadelphia, Delaware, and China to promote CKB. Guo has deposited funds received from CKB investors into accounts held in his own name as well as accounts held in the name of a company he controls, Relief Defendant Rosanna LS Inc.

23. Yao Lin (“Yao Lin”), born 1973, is a resident of Fresh Meadows, New York. Yao Lin was among CKB’s first U.S. promoters, and currently sits atop a U.S. investment pyramid. In his “Grand Ranking” promoter testimonial on the CKB website, Yao Lin claims to have earned over \$300,000 from his association with CKB. Yao Lin has met with prospective investors within this district, as well as in California. Bank records indicate that he has deposited funds received from CKB investors into accounts held in his own name as well as accounts held in the name of a company he controls, Relief Defendant Ouni International Trading Inc.

24. Chih Hsuan (Kiki) Lin (“Kiki Lin”), born 1965, is Taiwanese native and a resident of Las Vegas, Nevada. In her “Grand Ranking” promoter testimonial, Kiki Lin claims she earned “one million USD” within her first two months of investing in CKB. Kiki Lin is

directly down-line from David Guo within his pyramid and has sent CKB investor funds to bank accounts under his control within this district. Kiki Lin has promoted CKB to prospective investors in New York, Las Vegas, San Francisco, and Los Angeles, and began collecting funds from investors beginning in at least August 2011. She has deposited these funds into banks accounts held in her own name, as well as in the name of a company she controls, Relief Defendant USA Trade Group, Inc. Kiki Lin also operates a website, www.kk1368.com, through which “CKB members” can login to a password-protected portion of the site.

25. Defendant Wen Chen Hwang, aka Wen Chen Lee, (“Wendy Lee”), born 1962, is a Taiwanese native and a resident of Rowland Heights, California. In her “Grand Ranking” promoter testimonial, Wendy Lee claims to have made \$53,000 within four months of investing in CKB. Wendy Lee is directly down-line from Yao Lin within his pyramid, has sent CKB investor funds to bank accounts under his control in this district, and holds weekly seminars to promote CKB in Los Angeles. Wendy Lee began collecting funds from CKB investors from at least July 2011 and has deposited them into accounts held in her own name, accounts over which she held a power of attorney, and accounts in the names of three entities under her control: Relief Defendants E Stock Club Corp. and EZ Stock Club Corp, as well as United Diagnostics Corp. E Stock Club Corp. has a website located at www.estockclub.com, which appears in an English version and a Chinese version. Both versions appear to provide securities trading advice, but only the Chinese version of the website promotes CKB.

26. Toni Tong Chen (“Toni Chen”), born 1968, is a resident of Hacienda Heights, California. Toni Chen is a certified public accountant licensed in California. From 1996 to August 2012, she was associated with four registered broker-dealers, and held multiple securities licenses. In her “Grand Ranking” promoter testimonial, together with her husband, Defendant

Heywood Chang, they claim to have earned six-digit commissions since the first month they joined CKB and to have made a return of over 100% from their investment. The pair are directly down-line from Wendy Lee, and have made presentations at her weekly seminars in Los Angeles, California. In addition, the pair has sent CKB investor funds to bank accounts under the control of Yao Lin in this district.

27. Cheongwha (“Heywood”) Chang (“Heywood Chang”), born 1967, is Chinese native and a resident of Hacienda Heights, California. From 1998 to 2000, he was associated with two registered broker-dealers and held securities licenses. Together with his wife, he began collecting funds from CKB investors from at least May 2012, and has deposited these funds into bank accounts held in their own names, as well as in the names of companies under their control, including Relief Defendants HTC Consulting LLC and Arcadia Business Consulting Inc. In addition, CKB investor funds have been deposited into bank accounts in the names of other individuals over which Toni Chen held a power of attorney.

28. Joan Congyi Ma (“JC Ma”), born 1970, is a resident of Arcadia, California. From 1996 to 1999, she was associated with a registered broker-dealer and held securities licenses. In her “Grand Ranking” promoter testimonial, JC Ma claims that her income from the CKB investment “has far exceeded [her] expectations.” JC Ma is down-line from Wendy Lee, and has appeared at and helped to organize seminars and other events in Los Angeles, California. JC Ma began collecting funds from CKB investors from at least May 2012, and has deposited them into accounts held in her own name as well as accounts over which she held a power of attorney. In her testimonial, JC Ma references the day she met Yao Lin as her “lucky day.”

29. Defendant Heidi Mao Liu (“Heidi Mao”), born 1964, is a resident of Diamond Bar, California. From 1997 to 1999, she was associated with a registered broker-dealer and held

securities licenses. Heidi Mao operates a website located at www.heidimao168.com, which promotes the CKB investment scheme. Heidi Mao is down-line from Wendy Lee, and has provided testimonials at Wendy Lee's seminars in Los Angeles, California. Heidi Mao began collecting funds from CKB investors from at least July 2012, and has deposited them into accounts held in her own name, as well as accounts over which she held a power of attorney.

II. Relief Defendants

30. Rosanna LS Inc. ("Rosanna") is a New York corporation with the same business address as the home address of David Guo in New Hyde Park, New York. David Guo has signatory authority over accounts held in the name of Rosanna, which have been used to receive and transfer proceeds from CKB investors.

31. USA Trade Group Inc. ("USA Trade") is a Nevada Corporation for which Kiki Lin serves as the sole officer and director. Kiki Lin has signatory authority over accounts held in the name of USA Trade, which have been used to receive and transfer proceeds from CKB investors.

32. Ouni International Trading Inc. ("Ouni International") is a New York corporation with the same business address as the home address of Yao Lin in Fresh Meadows, New York. Yao Lin has signatory authority over accounts held in the name of Ouni International, which have been used to receive and transfer proceeds from CKB investors.

33. E Stock Club Corp. ("E Stock Club") is a California corporation with an address in Rowland Heights, California for which Wendy Lee is the registered agent. Wendy Lee has signatory authority over accounts held in the name of E Stock Club, which have been used to receive and transfer proceeds from CKB investors.

34. EZ Stock Club Corp. (“EZ Stock”) is a California corporation with an address in Rowland Heights, California for which Wendy Lee is the registered agent. Wendy Lee has signatory authority over accounts held in the name of EZ Stock, which have been used to receive and transfer proceeds from CKB investors.

35. HTC Consulting LLC (“HTC”) is a California company with a business address identical to the home address of Toni Chen and Heywood Chang. Bank records indicate that Heywood Chang has signatory authority over accounts held in the name of HTC, which have been used to receive and transfer proceeds from CKB investors.

36. Arcadia Business Consulting, Inc. (“Arcadia”) is a California company for which Heywood Chang is the registered agent. Heywood Chang has signatory authority over accounts held in the name of Arcadia, which have been used to receive and transfer proceeds from CKB investments.

FACTS

I. Defendants Launch Their Fraudulent Scheme

37. Defendants Santos, Leung and Shern are the architects of this pyramid scheme, which was launched from Hong Kong. Shortly after WIN168 was established in March 2011, Defendants Santos, Leung and Shern began efforts to establish investment pyramids in the United States. Guo and Yao Lin were among the first to join the scheme in the United States, making their first investments in approximately June 2011. Guo and Yao Lin then almost immediately began to recruit new investors by holding meetings and seminars in New York. Accounts controlled by Guo and Lin show investor payments starting that same month.

38. Guo’s and Yao Lin’s roles quickly grew, and they now sit atop multi-level CKB investment pyramids. In email communications, meetings and presentations to investors, they

are generally described as the “top leaders” for CKB in the United States. Both have travelled extensively to promote CKB, and appear in CKB promotional videos that have been posted on YouTube or other publicly-accessible internet sites. In these videos, both Guo and Yao Lin can be seen posing with other Defendants and/or speaking directly to the camera. Guo and Yao Lin knew or were reckless in not knowing that they were being recorded and that such recordings would be shared with other CKB investors or prospective investors.

39. Both are also directly connected to CKB executives Santos, Shern, and Leung. Guo, Yao Lin, Santos, and Shern appear together in multiple promotional videos recorded in the United States. In a video posted to the internet on July 10, 2012 by an unidentified promoter, Guo describes two occasions in which he invited Santos to travel to New York to promote CKB. He later identifies her in this video as one of CKB’s “owners.” Furthermore, bank records from June 2011 through at least October 2011 reflect multiple transfers of investor funds from bank accounts in New York that Guo and Yao Lin control to CKB bank accounts in Hong Kong controlled by Leung and Shern.

40. After Guo and Yao Lin began recruiting investors in the New York area, the scheme quickly expanded to California and other areas with large Asian-American immigrant communities. There, they recruited energetic and highly visible promoters that have organized seminars and meetings nationwide, maintained a robust internet presence, recorded and posted numerous promotional videos, and organized and executed the transfer of investor funds. Those promoters include Defendants Kiki Lin, Wendy Lee, Toni Chen, Heywood Chang, Heidi Mao, and JC Ma. Kiki Lin sits just below David Guo in his investment pyramid. Wendy Lee sits just below Yao Lin in his pyramid, while the other Defendants are below Lee.

41. Defendants Shern, Santos, Guo, Yao Lin, Wendy Lee, Kiki Lin, Heywood Chang, Toni Chen, JC Ma, and Heidi Mao appear in CKB promotional videos recorded in New York, San Francisco, Los Angeles, and perhaps other locations and posted to the internet at various times from between October 2011 to at least February 2013. These Defendants knew or were reckless in not knowing that these videos would be recorded and shared with other CKB investors or prospective investors.

42. Toni Chen, Heywood Chang, Heidi Mao, and JC Ma are all former licensed securities professionals. Although Lee has never been a licensed securities professional, she offers securities trading advice and education for a fee through her company, Relief Defendant E Stock Club and its website.

II. The CKB Offering and Defendants' Promises of Extraordinary Returns

43. Since at least June 2011, Defendants have solicited United States investors for CKB through a variety of tactics, including in-person sales pitches, videotaped presentations posted on the internet, websites, written brochures and other written materials, and e-mail and telephone communications. These solicitations have been made in both Chinese and English.

44. Many of these presentations and promotional events have been recorded on video and posted to YouTube or other publicly-available sites on the internet. At these promotional events, investors are provided with pamphlets and other promotional materials that purport to describe the business of CKB and the purportedly enormous profit potential for investors.

45. These materials generally direct investors to the CKB website and also often are accompanied by contact information for one or more of the Defendants. Investors are routinely directed to the CKB website not only for information about the company, but also to access their individual password-protected accounts. There, they are able to monitor their purported CKB

investments, including the fraudulent statements of account value. Since at least January 2013, the CKB website also has been advertising periodic company-sponsored “business introduction” webinars on the CKB investment in English and Chinese.

46. Defendants Guo, Yao Lin, Kiki Lin, Wendy Lee, Toni Chen, Heywood Chang, and JC Ma are all featured as “Grand Ranking” promoters on the CKB website. As Grand Ranking promoters, each has posted testimonials on the website, recounting their discovery of, and success with, the CKB “business opportunity.” Those testimonials all include descriptions of these Defendants’ enormous profits, as well as endorsements of CKB’s legitimacy and ultimate success. As JC Ma puts it in her testimonial, although she did not initially understand the business, her income from CKB “has far exceeded her expectations.”

47. The statements in these testimonials are similar to those found on the websites separately maintained by Wendy Lee, Kiki Lin, and Heidi Mao that promote the CKB investment. For example, on her website, Mao describes CKB as “an explosively growing company,” and encourages investors to buy a \$1380 business package, which will allow them to become an “angel representative.”

48. Defendants have made no effort to determine the financial qualifications or investment experience of any investor prior to soliciting funds. In fact, Kiki Lin’s testimonial on the CKB website indicates that she took money from individuals who she knew to have very limited financial resources, including someone she described as a Las Vegas hotel cleaning woman and another she described as a “servant with low income.” Nor have the Defendants provided investors with any financial or other disclosure statements for CKB. Investors who have requested financial information about the company have been told the information is secret and not available to investors.

49. WIN168, Shern and the CKB Promoters have knowingly or recklessly made misrepresentations and all Defendants have knowingly or recklessly engaged in deceptive acts that falsely portray CKB as a profitable educational software company that distributes its products using legitimate multi-level marketing methods that will reward investors with enormous returns. As the founders, officers, directors, primary shareholders and representatives of CKB and its related entities, including the corporate Defendants, Defendants Santos, Shern and Leung knew or were reckless in not knowing that CKB is and was a fraudulent pyramid scheme. Moreover, Defendants Santos, Shern and Leung knew or were reckless in not knowing the falsity of the statements being made to promote it. Santos and Shern, in particular, have frequently attended and presented at promotional events in the United States. Leung is also directly involved in running CKB. For example, she actually signs the checks sent to promoters as commissions. Shern, Leung and WIN168 control bank accounts into which millions of dollars of investor money have flowed.

50. As set forth in this Complaint, each of the CKB Promoters has made substantial efforts to recruit investors to CKB, including the use of in-person, on-line and written persuasive statements. Each of the CKB Promoters has also directly and substantially benefitted from the CKB pyramid scheme, with at least tens of or hundreds of thousands, or in some cases millions, of dollars of investor assets flowing into accounts he or she individually controls. Each of the CKB Promoters frequently coordinates with other promoters and with the CKB Executives, including for the purposes of promoting CKB and transferring investor assets. In light of these circumstances, each of the CKB Promoters knew, or was reckless in not knowing, CKB's true nature and the falsity of the promised returns. This is especially true for Defendants Toni Chen, Heywood Chang, Heidi Mao, Wendy Lee and JC Ma, who were, or hold themselves out to be,

financial professionals, and for Defendants David Guo and Yao Lin, who sit atop United States investor pyramids, and who were among CKB's first U.S. promoters. JC Ma states in her testimonial that she has worked her way through six levels of the CKB pyramid, making it impossible that she does not understand how CKB really works. Heidi Mao, who maintains an entire website devoted to promoting CKB, also knows, or is reckless in not knowing, CKB's real purpose. Finally, as set forth in greater detail below, Defendants Guo, Yao Lin, Kiki Lin, Ma, Chen and Chang have sought to reassure potential investors about CKB's legitimacy by telling them they have studied CKB's business model and confirmed the promotional claims.

51. Defendants' grandiose claims about CKB's performance depict a huge, profitable business. For example, in one video posted to the internet by Kiki Lin in March 2013, Guo tells prospective investors in California that his "marketing team" – a euphemism for the pyramid he sits atop – has generated \$100,000,000 in sales revenue. Santos and Shern can be seen applauding in response to his claim. In another seminar presentation recorded and posted to the internet by Heidi Mao on November 25, 2012, Heywood Chang tells investors that during a business trip with Shern in Hong Kong, he learned that CKB had sold 125,000 courses in the first 16 months of its existence, resulting in "about \$170 million . . . in total sales."

52. In another set of videos, recorded on August 26, 2011 in New York, Guo pretends to be a news anchor reporting CKB with a fake news ticker across the screen. Guo predicts enormous growth for CKB, describing new office space, products, and "play parks" that "will be all over the world." Similar statements appear in promotional materials distributed by Kiki Lin, Wendy Lee, Heywood Chang, and Toni Chen. In these materials, the educational software courses are described generally as the perfect all-purpose games, able to teach English, memory

skills, creativity, moral standards and international values. Yao Lin claims in his testimonial that CKB “is a business that invests in children education and will change the future.”

53. Defendants do not dwell on specifics when describing CKB. The CKB website and in the promotional materials distributed to investors describe CKB’s business and products only in the most general, hyperbolic terms. Moreover, in at least some instances when investors and potential investors have sought more specific information, they have been refused or been given false information. For instance, one investor that requested specific financial data about CKB was told by Heywood Chang and Toni Chen that the information was “secret” and not available to investors. When this investor sought the same information directly via the email address provided on the CKB website, he received a similar response. In another instance, this investor requested additional information about the promised IPO via the email address provided on the CKB website; he received a response stating that the IPO was being reviewed by a Hong Kong governmental agency that, in fact, has no role or authority relating to IPOs.

54. Defendants’ primary lure, and biggest focus, is the promise of fantastic, risk-free returns. For example, in videos posted to the internet by Kiki Lin and other CKB promoters, in August 2011, October 2011, and March 2013, Guo asserts that that the CKB investment “increased four times” in the first two months of CKB’s existence, will “increase by 50 times,” and, eventually “will have return several tens, even several hundreds . . . times return.”

55. These types of claims are repeated in different forms by WIN168, Shern and the CKB Promoters. Examples include Defendant Chang, in a seminar presentation recorded and posted to the internet by Heidi Mao on November 25, 2012, predicting that an original investment of \$56,000 can soon become \$1 million. Wendy Lee posts a chart on a CKB promotional website she maintains purporting to show that a CKB investment will increase

eight-fold in less than ten months. Other slides on her website purport to depict a chart of historical Prpt values and splits, and conclude that if an investor had 10,000 Prpts when CKB was first established, he or she would not have 320,000. Kiki Lin claims in a recorded presentation that she posted to the internet on March 27, 2013 that if an investor makes a sizable enough investment, he or she could see returns of up to 600 times. At a private dinner, Yao Lin told one investor that \$50,000 can become \$1 million in a single year, a claim that matched statements by Defendants Chen, Chang and Lee to the same investor.

56. Literature distributed to investors says much the same thing. An English flyer provided to a prospective investor by a CKB promoter down-line from Kiki Lin states that “your investment will be doubled, quadrupled and continue to grow in size to 8 times, 16 times...” Another flyer received by a prospective investor contains the photograph and contact information for Kiki Lin and touts “a onehundredfold [sic] profit.”

57. At least some Defendants couple these promises with reassurances that a CKB investment will never lose money. In a recorded presentation posted to the internet on March 27, 2013 by Kiki Lin, Guo states that an investment in CKB “will only grow and never fall.” In an earlier video posted to the internet on October 31, 2011, Guo says “we will talk about why this stock doesn’t have risk.”

58. Other Defendants echo these claims. In promotional materials distributed to investors and videos posted to the internet, they describe an investment that will always increase in value as more investors purchase “business packs.” For instance, in a video posted to the internet on November 11, 2011 by Kiki Lin, Shern states that the price of Prpts will increase every time a certain number of Prpts are distributed. In other words, contrary to investment

logic, the distribution of more Prpts leads inexorably to an increase in Prpt value. As Defendants Chang and Chen told one investor in late 2012, a CKB investment can only go up.

59. To become a CKB investor, an individual must purchase one or more “business packs,” for approximately \$1,380 per pack. (Business packs were at one time sold for \$1200.) Once an investor purchases a business pack, he or she becomes a CKB “affiliate” known as an “Online Marketing Angel” (“OMA”) and, for each pack purchased, receives: a) access to one of CKB’s online children’s courses; b) a “back office” account accessible through a password-protected portion of the CKB website; and c) Prpts purportedly worth \$750.

60. Under the scheme, as designed and carried out by the Defendants, investors are eligible to earn investment returns in one of two ways. The first is simply through the passive accumulation of Prpts. The CKB website and promotional materials distributed to investors state that the Prpts have a U.S. dollar cash value. CKB Promoters Guo, Yao Lin, Kiki Lin, Wendy Lee, Heywood Chang, Toni Chen, and Heidi Mao have made statements directly to investors, through internet postings, and/or emails indicating that the value of these Prpts will grow exponentially over time. CKB Promoters Chang and Chen have told at least one investor that he can expect to make back his original investment in Prpts within a few months. These gains are purportedly accomplished in two ways: by the Prpts splitting and returning to their pre-split price, and by investors earning an additional 5% to 30% annual dividend, paid quarterly in Prpts. The CKB promotional materials, as well as statements to investors by certain Defendants, including Shern, Guo, Kiki Lin, Wendy Lee, Chang, and Chen, indicate that their Prpts are liquid and can be used, among other things, to be traded for cash with other investors on an internal online “exchange” that is accessible through the CKB website. In fact these statements are false and these Defendants knew or were reckless in not knowing that they were false.

61. Another primary tool used to recruit new investors has been the promise that they will be able to exchange their Prpts for pre-IPO shares of CKB. JC Ma claims in her testimonial that the “opportunity to be a shareholder of CKB168” was a “main attraction.” Shern says in a video uploaded by Kiki Lin that investors can “convert you [sic] points into shares.” Yao Lin emphasizes in his testimonial that CKB “offers a great opportunity for common people to get rich by means of getting listed.” The CKB website, promotional materials distributed to investors, internet postings, and statements by Shern and most of the CKB Promoters, indicate that CKB is taking steps to conduct an IPO on the Hong Kong Stock Exchange in mid-2014. For instance, in a presentation to investors that was posted to the internet on March 27, 2013 by Kiki Lin, Guo asserts that “we will go public in 2014.” Kiki Lin is even more specific in a video she posted of herself, asserting that “in July and August 2014, the company will go public.” Once the IPO occurs, investors will purportedly be able to exchange their Prpts for pre-IPO shares of CKB. In a video posted to the internet on July 10, 2012, Guo explains that “once the company becomes public, those [Prpts] will become initial shares.” Defendants Howard Shern, Wendy Lee, Kiki Lin, Heywood Chang, Toni Chen, and Heidi Mao have made similar statements directly to investors in seminars and through CKB promotional materials distributed to investors.

62. Although Defendants emphasize the potential growth for passive investors, the only actual returns an investor can receive under this scheme is by actively recruiting new investors. According to a “Dynamic Rewards Plan” used by WIN168, Shern and the CKB Promoters to solicit investors, active recruiters can earn commissions, which are called “dynamic” or “active” returns. This Dynamic Rewards Plan describes an investment pyramid, whereby OMAs profit by recruiting more investors, with a portion of each “down-line” investment going to investors who are higher in the pyramid. According to this material, 85% of

“sales” revenues are paid back to OMAs in the form of commissions. The amount of commissions and bonuses that an investor is eligible to receive generally depends upon his or her rank within the company – the higher the rank, the more commissions and bonuses that the person can earn. This system is thus cleverly designed to pay the vast majority of the commissions to the highest ranked promoters within CKB, including many of the Defendants.

63. In an investor presentation posted to the internet on October 31, 2011 as a series of three videos, Guo describes to Defendant Kiki Lin and others the benefits of “develop[ing] people on the second level to the tenth level,” so that you can make “indirect profits.” He goes on to reiterate the claims in the Dynamic Reward Plan that “85%” of investor money will be returned as commissions to investors higher in the pyramid. Later in the same series of videos, Guo explains how to establish a more lucrative, “horizontal” pyramid.

64. Certain Defendants, including Shern, Heywood Chang, and Toni Chen, have encouraged investors to work for active returns because they accrue more rapidly than passive returns. What they fail to disclose, however, is that the active returns are the only actual returns that an OMA can earn under this scheme. Instead of simply passively accumulating more worthless Prpts, the scheme allows active recruiters to redeem most of their commissions for real cash.

65. In order to effectuate these commission payments, Defendant Shern and Leung have established accounts in the names of WIN168 and CKB168 Ltd. from which payments were made. Defendant Leung signed most of the disbursements from these accounts. In addition, Defendants Shern and Leung entered into agreements with at least three third party commission payment providers to distribute the commissions on CKB’s behalf. In approximately June 2013, when a payment provider called Hyperwallet asked for confirmation

that CKB's commissions were based on "actual sales," Defendant Shern created a "revised" version of the Dynamic Rewards Plan. This version contained new language suggesting (for the first time) that a retail consumer could purchase a CKB educational product without becoming an investor. Defendant Shern sent this version to the commission payment provider, but failed to disclose that CKB did not actually sell any of its products to non-investors.

III. The Defendants' Misrepresentations and Omissions

A. CKB is a Pyramid Scheme

66. Notwithstanding Defendants' efforts to portray it as a legitimate multi-level marketing company, CKB is a classic pyramid scheme. Unlike a legitimate multi-level marketing program, CKB sells its product exclusively to investors and has no apparent source of revenues other than money received from new investors. And, like many such schemes, Defendants have targeted an affinity group.

67. Neither CKB's website nor any of the websites operated by other Defendants offer any means to purchase the software without also purchasing Prpts and becoming an investor. While investors are encouraged to purchase large numbers of courses, they are given no instruction, training, or guidance on how to resell these courses to retail consumers. The focus of the Defendants' promotional efforts and recruiting literature is almost exclusively on the CKB "business opportunity," rather than the purported educational software.

68. Furthermore, certain Defendants' own statements make clear that every purchaser of a CKB course becomes an investor. In a video presentation posted to the internet on November 25, 2012 by Heidi Mao, Heywood Chang states, "we have three products right now you can actually purchase, *you know, when you become a member.*" Similarly, Kiki Lin states in a video presentation she posted to the internet on March 27, 2013, that "as long as you purchase

an order which is worth 1380 yen [sic], you will be eligible to become our initial shareholder.”

Slides captured from Wendy Lee’s E Stock Club website state that, with the purchase of a course, one “can enjoy a number of Prpt with a value of USD 750.”

69. As a result, the entire CKB enterprise depends on the recruitment of new investors to pay promised returns and commissions to existing investors. Such a scheme is destined to collapse, leaving a significant majority of investors with substantial losses. Defendants, however, instead claim that CKB is on a trajectory of limitless growth.

70. Defendants’ failures to disclose CKB’s true nature, and its inevitable collapse, were omissions of material fact that made the Defendants’ statements about CKB, as described herein, misleading.

B. Misrepresentations and Omissions About CKB’s Purported IPO

71. Defendants’ promotional efforts are built around the promise that CKB is going to launch an initial public offering (“IPO”) on the Hong Kong stock exchange, and that investors will be able to convert their Prpts into shares of CKB stock at that time, thereby making massive returns. As Guo explains in a video, “once the company becomes public, those [Prpts] will become initial shares.”

72. Promotional materials distributed to an investor by a CKB promoter down-line from Kiki Lin stated in part:

Is It Possible to Turn \$1,380 Investment To \$500,000?

Pre-IPO investing is growing, it outperformed all other investment classes with outsized returns of well over 20%, 30%, 50% or even 100% and more for holders of original shares. Hundreds and thousands of millionaires and billionaires have been created by the big name firms like Google, Facebook and smaller firms as well like Alibaba, Baidu, New Oriental, Ice Town Animation, etc. . . .

CKB168: Invest in Education: Create Wealth to Share

...

Return on Investment: With a courseware purchase, investing \$1,380 in education, you receive a Pre-IPO privilege of PrPt for FREE, an equivalent of \$750 in value, salable, redeemable, and convertible to company stock. Your investment will be doubled, quadrupled and continue to grow in size to 8 times, 16 times . . . till IPO.

73. A flyer captured from Wendy Lee's E Stock Club website asserts that when CKB has allocated "the first batch of 200 million Prpts," it will be prepared to go public and allocate a 20% stake in the company to the holders of these Prpts. The flyer then states that when CKB has "sold about 360,000 courses with revenue of about USD 432 million and the profit of USD 36 million," then "CKB's market value is USD 2.88 billion." Accordingly, the flyer concludes, after the IPO each Prpt will be worth the equivalent of \$2.16, a huge rise from the then-current quoted Prpt price of \$0.16 each.

74. The promise of an IPO is thus critical to Defendants' scheme. It discourages investors from trying to unload their Prpts, and, because Defendants claim that the IPO cannot go forward until certain sales benchmarks have been met, it encourages recruitment.

75. A common trope in Defendants' promotional videos and literature is a comparison between investors holding Prpts and pre-IPO shareholders in other famously successful IPOs. Both Heywood Chang and Kiki Lin appear in separate videos posted to the internet comparing the planned CKB IPO with other famously successful IPOs, including Google, Baidu, Alibaba and Facebook. In a different video that she posted to the internet, Kiki Lin asserted that after the IPO, "you will see the profit goes double, four times, eight times, sixteen times, 32 times and because the circulation in the world is very fast, you may even get 64 times." David Guo makes similar recorded claims in a video posted to the internet on March 27,

2013 by Kiki Lin that “after going public . . . the value of Prpt will increase by 50 times,” adding “can you believe it? Everything is real. Everything is true.”

76. In fact, none of it is real or true. Defendants have made no filings with Hong Kong authorities to list any of the CKB entities. In addition, the Hong Kong Stock Exchange has threshold financial criteria for public listing that CKB cannot possibly meet because, among other reasons, it has no real revenues.

77. WIN168 and CKB Promoters David Guo, Yao Lin, Kiki Lin, Wendy Lee, Heywood Chang, Toni Chen, and Heidi Mao have knowingly or recklessly misrepresented to investors that the Prpts frequently split, effectively doubling in value. For instance, in the November 2012 video posted by Heidi Mao, Heywood Chang tells investors that in the first 18 months of its existence, the Prpts have, on average, doubled in value every three to four months, and that he “very conservatively” estimates that the Prpts will double four more times in the next 18 to 20 months. A series of charts captured from Wendy Lee’s E Stock Club website purport to show that “the value of each Profit Reward Point has increase[d] from USD 0.024 on Jan 1, 2012 to USD 0.169 on Sep 21, 2012, with a return of 8 times within 9.5 months! In this way, there still might be return of 8-16 times before CKB gets listed in 2014.” These false representations are similar to those shown in the charts purportedly showing historical Prpt values to investors that access the password-protected section of the CKB website (controlled by WIN168).

78. These representations cannot possibly be true. If investors’ Prpt positions split and grow at anything approaching the exponential pace that Defendants promise, CKB could honor conversions only if it had a market capitalization that placed it, at a bare minimum, among the world’s most valuable companies.

79. The Defendants' failures to disclose that CKB will not actually conduct an IPO and that investors will not make the promised returns were material omissions of material fact that made the Defendants' statements about CKB, as described herein, misleading.

C. Misrepresentations and Omissions About the Prpts' Value and Liquidity

80. Defendants seek to create the impression with investors that owning Prpts is tantamount to owning CKB stock. The Prpts have a purported price that rises over time, and "split" every few months. WIN168 posts these historical prices on its website. Investors can also view these purported prices in fraudulent "account statements," accessible through the CKB Website. In a video posted to the internet by Kiki Lin on November 11, 2011, Shern states that the value of the Prpts in each business pack is \$750. This claim is made repeatedly in Defendants' literature and promotional videos. Defendants Guo, Yao Lin, Wendy Lee, Heywood Chang, Toni Chen, and Heidi Mao have all logged-in to their back office accounts to display their own massive Prpt holdings to investors.

81. At least some CKB Promoters also have knowingly or recklessly misrepresented to investors that Prpts are liquid and can, among other uses, be traded for cash with other investors on an internal "Prpt exchange" accessible through the CKB Website. For instance, slides captured from Wendy Lee's E Stock Club website provide that the Prpts can be "sold in Members online auction market." Guo appears in the March 2013 video posted by Kiki Lin telling investors that "after two months, we c[an] actually sell our Prpt at the backstage and convert it into money." Heywood Chang explains in the November 2012 video posted by Heidi Mao, that an investor "can auction off some of the points to get cash value." In an undated videotaped presentation that she posted, Kiki Lin asserts that an investor could sell all of his or her Prpts in two days, but cautions that "people might start to regret" such sales when they see

the value continue to climb. Kiki Lin further claims the market has extremely high demand with 100 people wanting to buy Prpts for every 10 that want to sell.

82. None of these representations are true. Except in rare and tightly limited situations, Prpts cannot be converted to cash. Nor do other investors clamor for Prpts. Defendants have not made or backed a meaningful Prpt market. One CKB investor who attempted to withdraw his six-figure investment and return his Prpts to Defendants Chang and Chen was refused.

83. The Defendants' failures to disclose that the Prpts are not liquid and cannot be easily traded or converted to cash were material omissions.

D. Misrepresentations and Omissions About CKB's Relationship with Cackleberries

84. WIN168, Shern and certain CKB Promoters have also knowingly or recklessly misrepresented to investors CKB's relationship with a Canadian company called Cackleberries International Language Corporation ("Cackleberries"). Cackleberries developed an English-as-a-second-language ("ESL") program, which was the primary product purportedly sold by CKB from its inception through at least November 2012. For instance, in the November 2012 video posted to the internet by Heidi Mao, Heywood Chang falsely claimed that Santos and Shern were "very big stockholders" of Cackleberries and that CKB was a "partnership" between Cackleberries, Santos, and Shern. CKB Promoters David Guo, Heywood Chang, Wendy Lee, and Kiki Lin have told investors that 45% of the costs of developing the Cackleberries ESL program were paid for by the government of Canada. A previous incarnation of the CKB Website contained language falsely implying that CKB had created a Cackleberries product.

85. Those statements are false. In fact, WIN168 was simply a distributor hired by Cackleberries to market its ESL program in Asia. Under that distribution agreement, WIN168 was not authorized to sell the Cackleberries program anywhere in North America. When the CEO of Cackleberries asked Shern to see the marketing materials relating to Cackleberries, Shern avoided showing her any materials by falsely telling her that the name Cackleberries was not being used in his marketing materials. In approximately November 2012, Cackleberries terminated its distribution agreement after learning that CKB was violating the terms of the marketing agreement by, among other things, falsely claiming to own a Cackleberries product and marketing it in North America. As of July 2013, Cackleberries records reflected that CKB had purchased a total of approximately 18,750 copies of the ESL program from Cackleberries, of which only 2,806 copies have been accessed, far short of the sales numbers claimed by Defendants.

86. The truth about Cackleberries' relationship to CKB is highly material information. A number of individuals who received or were aware of Defendants' promotional efforts contacted the CEO of Cackleberries to inquire about that relationship. Defendants acted unlawfully by failing to disclose CKB's true relationship, or lack thereof, with Cackleberries. The failure to disclose the true relationship was a material omission.

E. Defendants' "Lulling" Statements to Address Investor Questions

87. A number of the CKB Promoters have made false and misleading statements to allay investors' questions and concerns. Guo (in videos posted to the internet) and Yao Lin (in his testimonial posted to the CKB Website) each acknowledged that potential investors may be skeptical of CKB. But then, each falsely asserts that there has been widespread, positive press coverage of CKB. In fact, internet searches reveal few independent news reports on CKB, and

many of those suggest that CKB is an illegal pyramid scheme. A section of the CKB Website entitled “Media Coverage” features at least four purported “News Clipping[s]” from three Hong Kong papers, which, in reality, are advertisements placed by CKB that were designed to look like newspaper articles.

88. In a series of videos posted to the internet on October 31, 2011, Guo – apparently reacting to the concerns of potential investors – also claims to have “sent people from New York” to scrutinize CKB to help him overcome his own doubts. For good measure, in a March 2013 video posted to the internet by Kiki Lin, Guo tells investors they can rely on the endorsement of CKB by the United Nations, the Canadian government, the Christian God, Buddha and I Ching to reassure themselves.

89. In testimonials that have been posted to the CKB Website, Kiki Lin, JC Ma, Toni Chen, and Heywood Chang all describe their transformation from skeptics to believers. The nature of these testimonials, all of which effusively praise the CKB168 business opportunity, make it clear that they were meant to be accessible to any member of the investing public. Kiki Lin states in her testimonial that she was initially surprised at the promised returns from CKB, but “when [she] learned the operation secret of this company, [she] recognized that this was a once in a blue moon opportunity to get rich.” JC Ma states in her testimonial that initially, she did not “fully understand CKB’s whole system and its great potential,” but became more confident about the investment “after [she] became familiar with CKB’s highly dedicated and powerful management team and understood their careful plans to develop the business.” Similarly, Toni Chen and Heywood Chang wrote in their testimonial that “as an engineer, [Heywood] was a natural skeptic” and that “he had to research the company from top to bottom” before agreeing to invest. They then state that “[a]fter two weeks of intense research, he

understood the company, its products, and its growth plan” and on that basis, they invested all of their liquid assets into CKB.

90. These and other, similar lulling statements are highly material and are characteristic of the Defendants’ promotional efforts, which seek to exploit relationships of trust and close connections among members of the Asian-American community.

IV. The Defendants Have Raised Millions of Dollars from Investors

91. The misrepresentations described above are highly material. One investor that invested over \$400,000 in CKB states that promises about returns and descriptions of CKB’s business model, were critical to his decision to invest. He is not alone. On the basis of the misrepresentations described above, Defendants have raised millions from, at a minimum, hundreds of United States investors.

92. Bank records from Hong Kong and the United States reflect that, from approximately June 2011 through August 2013, at least 400 U.S. investors have deposited at least \$20.5 million, and likely much more, into financial accounts controlled by one or more Defendants. These investors provided their funds either to the OMA that recruited them, to one of the “up-line” OMAs within the pyramid, and/or directly to one of CKB’s Hong Kong bank accounts. The funds were provided through a variety of methods, including checks, wires, electronic bank transfers, and cash. The majority of these U.S. investors are either New York residents, including residents of this district, or California residents.

93. Of this \$20.5 million, approximately \$11 million was deposited into three accounts located at HSBC Hong Kong in the names of WIN168 and CKB168 Ltd. Another approximately \$1.5 million was deposited to accounts at Shanghai Commercial Bank in the name

of Cyber Kids Best. The other \$8 million of investor funds were identified from deposits to bank accounts held in the names of the CKB promoter Defendants located in the United States.

94. Approximately \$34,400 of CKB investor funds were deposited into three bank accounts controlled by David Guo and opened at branches within this district. Two accounts are in his name and one account is in the name of his company, Relief Defendants Rosanna LS Inc. Guo transferred approximately \$3,600 of investor funds to one of the CKB HSBC accounts in Hong Kong.

95. Approximately \$1.8 million of CKB investor funds were deposited into four bank accounts controlled by Kiki Lin. Two accounts are in her name and two accounts are in the name of her company, Relief Defendant USA Trade Group, Inc. Kiki Lin transferred approximately \$217,000 of investor funds to one or more of the CKB HSBC accounts in Hong Kong. In addition, Kiki Lin transferred approximately \$4,000 of investor funds to accounts in this district controlled by David Guo.

96. Approximately \$450,000 of CKB investor funds were deposited into five bank accounts and one credit card account controlled by Yao Lin and opened at branches within this district. Three of these bank accounts were in his name and two bank accounts and one credit card account were in the name of his company, Relief Defendant Ouni International. Yao Lin transferred approximately \$36,000 of investor funds to one or more of the CKB HSBC accounts in Hong Kong.

97. Approximately \$2.2 million of CKB investor funds were deposited into nine bank accounts controlled by Wendy Lee. Three were accounts in her own name, three were accounts over which she held a power of attorney, and three were accounts in the names of her companies: United Diagnostics Corp., and Relief Defendants E Stock Club Corp. and EZ Stock Club Corp.

Wendy Lee transferred approximately \$565,000 of investor funds to one or more of the CKB HSBC accounts in Hong Kong and another \$100,000 to one of the Shanghai Commercial bank accounts. In addition, Wendy Lee transferred approximately \$44,000 of investor funds to accounts in this district controlled by Yao Lin.

98. Approximately \$1.3 million of CKB investor funds were deposited into five bank accounts controlled by Toni Chen. Approximately \$800,000 of CKB investor funds were deposited into four bank accounts controlled by Heywood Chang. Four were accounts in their own names, one was an account over which Toni Chen held a power of attorney, and four were accounts in the names of their companies: Greenguard Financial Inc. and Relief Defendants HTC Consulting LLC and Arcadia Business Consulting Inc. Toni Chen and Heywood Chang transferred approximately \$526,000 of investor funds to one or more of the CKB HSBC accounts in Hong Kong. In addition, Toni Chen and Heywood Chang transferred approximately \$12,000 of investor funds to accounts in this district controlled by Yao Lin.

99. Approximately \$200,000 of CKB investor funds were deposited into three bank accounts controlled by JC Ma. Two were accounts held in her own name and one was an account over which she held a power of attorney. JC Ma transferred approximately \$40,000 in investor funds to one or more of the CKB HSBC accounts in Hong Kong.

100. Approximately \$1.2 million of CKB investor funds were deposited into six bank accounts controlled by Heidi Mao. One was an account in her own name and five were accounts over which she held a power of attorney. Heidi Mao transferred approximately \$230,000 to one or more of the CKB HSBC accounts in Hong Kong.

101. The vast majority of investor funds received into these accounts have been transferred to other accounts controlled by one or more of the Defendants, accounts controlled by

other CKB promoters, or spent. As of approximately August 13, 2013, two of the HSBC accounts had been closed and a total of approximately \$6.9 million was left in the remaining CKB HSBC account and the Shanghai Commercial bank accounts. By mid-August 2013, there was only approximately \$450,000 remaining in the domestic bank accounts controlled by Defendants that received investor funds.

FIRST CLAIM FOR RELIEF
Violations of Section 17(a)(1) and (3) of the Securities Act
(Against all Defendants)

102. Paragraphs 1 through 101 are realleged and reincorporated by reference as if fully set forth herein.

103. From at least June 2011 through the present, Defendants directly and indirectly, singly and in concert, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, and in connection with the offer or sale of securities, have: (a) with scienter, employed devices, schemes or artifices to defraud; or (b) engaged in one or more transactions, acts, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers.

104. By engaging in the conduct described above, Defendants have violated, are violating, and unless restrained and enjoined, will continue to violate Section 17(a)(1) and (3) of the Securities Act, 15 U.S.C. § 77q(a).

SECOND CLAIM FOR RELIEF
Violations of Section 17(a)(2) of the Securities Act
(Against WIN168, Shern and the CKB Promoters)

105. Paragraphs 1 through 101 are realleged and reincorporated by reference as if fully set forth herein.

106. From at least June 2011 through the present, Defendants WIN168, Shern and the CKB Promoters directly and indirectly, singly and in concert, by the use of the means and instruments of transportation or communication in interstate commerce or by the use of the mails, and in connection with the offer or sale of securities, have obtained money or property by means of one or more untrue statements of material fact or omissions of material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

107. By engaging in the conduct described above, WIN168, Shern and the CKB Promoters have violated, are violating, and unless restrained and enjoined, will continue to violate Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a).

THIRD CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5

(Against All Defendants for Violations of Rule 10b-5(a) and (c) and Against WIN168, Shern and the CKB Promoters for Violations of 10b-5(b))

108. Paragraphs 1 through 101 are realleged and reincorporated by reference as if fully set forth herein.

109. From at least June 2011 through the present, Defendants directly and indirectly, singly and in concert, by the use of any means or instrumentality of interstate commerce, or of the mails, or of the facilities of a national securities exchange, and in connection with the purchase or sale of securities, have, with scienter: (a) employed devices, schemes or artifices to defraud; (b) made one or more untrue statements of material fact or one or more omissions of material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in one or more acts, practices or courses of business which operated or would operate as a fraud or deceit upon any person.

110. By engaging in the conduct described above, Defendants have violated, are violating, and unless restrained and enjoined, will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

FOURTH CLAIM FOR RELIEF
Unregistered Securities Offerings in Violation of Sections 5(a) and 5(c) of the Securities Act
(Against all Defendants)

111. Paragraphs 1 through 101 are realleged and reincorporated by reference as if fully set forth herein.

112. Defendants, directly or indirectly, have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

113. No registration statement has been filed or has been in effect with respect to any of the offerings or sales alleged herein, nor did any exemption from the registration requirements exist with respect to the securities and transactions described in this Complaint.

114. By engaging in the conduct described above, Defendants have violated, are violating, and unless restrained and enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. § 77e(a) and 77e(c).

FIFTH CLAIM FOR RELIEF
Unregistered Broker-Dealer in Violation of Section 15(a)(1) of the Exchange Act
(Against Shern and the CKB Promoters)

115. Paragraphs 1 through 101 are realleged and reincorporated by reference as if fully set forth herein.

116. From at least June 2011 through the present, Shern and the CKB Promoters, by the use of means or instrumentalities of interstate commerce or of the mails, have engaged in the

business of effecting transactions in, or inducing or attempting to induce the purchase or sale of, securities as a “broker.”

117. During that time period, neither Shern nor the CKB Promoters were registered with the Commission as a broker-dealer or associated with a broker-dealer registered with the Commission. Nor did any exemption from the broker-dealer registration requirements exist with respect to the securities and transactions described in this Complaint.

118. By engaging in the conduct described above, Shern and the CKB Promoters violated and, unless restrained and enjoined, will continue to violate Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

Enter a Final Judgment finding that Defendants each violated the securities laws and rules promulgated thereunder as alleged against them herein.

II.

Enter an Order temporarily and preliminarily, and a Final Judgment permanently, restraining and enjoining Defendants and their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from committing future violations of each of the securities laws and rules promulgated thereunder, or alternatively, from aiding and abetting such future violations, as respectively alleged against them herein.

III.

Enter an Order freezing the assets of Defendants and Relief Defendants, and all assets under their control.

IV.

Enter an Order directing Defendants and Relief Defendants to file with this Court and serve upon the Commission, within three (3) business days, or within such extension of time as the Commission staff agrees in writing or as otherwise ordered by the Court, a verified written accounting, signed by each of them under penalty of perjury.

V.

Enter an Order requiring Defendants and Relief Defendants to repatriate all funds and assets obtained from the fraudulent activities described herein that are now located outside the Court's jurisdiction.

VI.

Enter an Order permanently restraining and enjoining Defendants and Relief Defendants from destroying, altering, concealing or otherwise interfering with the access of the Commission to relevant documents, books and records.

VII.

Enter an Order permitting expedited discovery.

VIII.

Enter an Order permitting alternative means of service of all Defendants.

IX.

Enter a Final Judgment directing Defendants and Relief Defendants to disgorge all ill-gotten gains, including prejudgment interest, resulting from the violations alleged herein.

X.

Enter a Final Judgment directing Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

XI.

Grant such other and further relief as this Court deems just and proper.

DEMAND FOR JURY TRIAL

A jury trial is demanded on all issues so triable.

Dated: Washington, DC
October 9, 2013

Respectfully submitted,



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