

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA**

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**UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION  
950 East Paces Ferry Road, N.E., Suite 900,  
Atlanta, GA 30326**

**Plaintiff,** : **Civil Action No.**  
: **1:13-CV-1598**

**v.**

**YUHE INTERNATIONAL, INC.  
301 Hailong Street  
Hanting District, Weifang, Shandong Province  
The People’s Republic of China,**

: **JURY TRIAL**  
: **DEMANDED**

**and**

**GAO ZHENTAO  
Chief Executive Officer  
Yuhe International, Inc.,  
301 Hailong Street  
Hanting District, Weifang, Shandong Province  
The People’s Republic of China,**

**Defendants.**

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**COMPLAINT FOR INJUNCTIVE RELIEF**

Plaintiff, the United States Securities and Exchange Commission

(“Commission”), files its complaint and alleges the following against Defendants

Yuhe International, Inc. (“Yuhe”) and Yuhe’s Chief Executive Officer (“CEO”) Gao Zhentao (“Gao”):

### **OVERVIEW**

1. This case concerns false public statements made by Yuhe, a China-based company under Gao’s direction and control whose stock, during the relevant time, traded in the United States on the NASDAQ. Between approximately December 2009 and June 2011, Yuhe misled its public investors by disseminating a series of materially false statements concerning a purported acquisition for more than \$15 million. In truth, the acquisition never occurred, and Gao used his power as CEO to divert more than \$12 million that purportedly was used for the acquisition to a private account he controlled.

2. Yuhe claims to be the largest supplier of day-old chickens in China. In December 2009, Yuhe announced that it had entered into an agreement with Weifang Dajiang Corporation (“Dajiang”) to acquire thirteen chicken breeder farms (the “Dajiang Acquisition”) for approximately \$15.2 million, of which \$12.1 million was allegedly paid immediately to Dajiang. The remainder was to be paid after formal delivery of the farms.

3. Yuhe continued to tout the Dajiang Acquisition in Commission filings during 2010 and 2011, providing updates concerning the farms' renovation, integration, and contribution to the company's revenue, and stating that the acquired farms would increase Yuhe's production capacity by 60%. In October 2010, Yuhe completed a public offering in the United States, selling more than four million shares of its common stock and generating net proceeds in excess of \$27 million.

4. In June 2011, a research company published a report on an investing website that claimed the Dajiang Acquisition never occurred. Yuhe fought back; Gao and others held a call with investors and issued two press releases denying the report's contents. The press releases reiterated that the Dajiang Acquisition had occurred, and the company provided purported evidence that the acquisition had taken place, including a purchase agreement and bank statements.

5. The very next day, however, Yuhe publicly admitted the fraud in a conference call with investors. During the call, Yuhe disclosed for the first time that the Dajiang Acquisition had never been completed. Gao took "full responsibility." He also admitted that \$12.1 million of the company's cash had been hidden in a separate account he personally controlled, but claimed "it wouldn't

impact the financials of the Company and hence no[t result in] volatility in the share price.”

6. Following Yuhe’s disclosure, Yuhe’s independent auditor resigned and Yuhe’s common shares plummeted from a closing price of \$4.08 per share before the fraud was revealed, to \$1.21 per share only two days later – a drop of more than 70% and a decline in market capitalization of approximately \$58 million – before NASDAQ halted trading later that day. NASDAQ subsequently delisted Yuhe’s common stock.

7. On July 21, 2011, Yuhe’s Audit Committee retained independent outside counsel to conduct an internal investigation. The internal investigation determined, among other things, that more than \$10 million had been diverted, Yuhe’s bank statements had been falsified, it was not clear whether funds ever had been used to buy any farms, and Gao had failed to disclose any of these facts to the Board.

8. In September 2012, the Audit Committee recommended that the Board implement certain remedial measures. In December 2012, Gao refused, and, as a result, on January 7, 2013, the three members of the Audit Committee resigned.

9. As of October 2013, Gao apparently remains in control of the company.

**VIOLATIONS AND RELIEF SOUGHT**

10. By engaging in the conduct alleged herein, Defendant Yuhe violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §77q(a)], Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A), 78m(b)(2)(B) and 78n(a)], and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 14a-3, and 14a-9, thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, 240.14a-3 and 240.14a-9].

11. By engaging in the conduct alleged herein, Defendant Gao violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §77q(a)], Sections 10(b), 13(b)(5), and 14(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§ 78j(b), 78m(b)(5) and 78n(a)], and Rules 10b-5, 13a-14, 13b2-1, 14a-3, and 14a-9, thereunder [17 C.F.R. §§ 240.10b-5, 240.13a-14, 240.13b2-1, 240.14a-3 and 240.14a-9], and aided and abetted Yuhe’s violations of Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act, and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 14a-3, and 14a-

9, thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, 240.14a-3 and 240.14a-9].

12. Based on these violations, the Commission seeks: (1) entry of a permanent injunction prohibiting the Defendants from further violations of the relevant provisions of the federal securities laws; (2) disgorgement of ill-gotten gains, plus prejudgment interest; (3) the imposition of civil monetary penalties due to the egregious nature of the violations; (4) the imposition of an officer and director bar against Defendant Gao; and (5) such other relief as the Court deems just and proper.

### **JURISDICTION AND VENUE**

13. The Commission brings this action pursuant to the enforcement authority conferred upon it by Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

14. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

15. Venue is proper in this district pursuant to Section 22 of the Securities Act, Section 27 of the Exchange Act and 28 U.S.C. § 1391 because certain acts, practices, transactions and courses of business constituting the violations occurred in the District of Columbia, including without limitation, Yuhe filing its required reports with the Commission.

16. In connection with the conduct alleged in this Complaint, Defendants Yuhe and Gao, directly and indirectly, made use of the mails, the means or instruments of transportation or communication in interstate commerce, the means or instrumentalities of interstate commerce, or the facilities of a national securities exchange.

17. Unless restrained and enjoined by this Court, Defendants Yuhe and Gao will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

### **THE DEFENDANTS**

18. **Yuhe International, Inc.** is a Nevada corporation whose principal offices are located in Weifang, Shandong Province, China. Yuhe sells broilers – chickens that are bred and raised for meat production – and claims to be the largest supplier of

day-old broilers in China. All of Yuhe's operations are carried out in China. Until May 16, 2011, when Yuhe filed its Form 10-Q for the period ended March 31, 2011, Yuhe regularly filed periodic financial reports with the Commission.

According to its December 31, 2010 Form 10-K, Yuhe had total annual revenues of \$67.5 million and assets of \$131.2 million.

19. Yuhe entered the U.S. securities market in March 2008 through a reverse merger with a Nevada shell corporation. Yuhe's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act, and its common stock traded on the NASDAQ under the ticker symbol "YUII." On October 20, 2010, Yuhe completed a registered public offering in the United States of more than four million shares of its common stock at a price of \$7 per share, raising approximately \$27 million. During fiscal year 2010, the common stock traded in the range of \$6.12 - \$12.28 per share, and, as of December 31, 2010, the company had more than 20.2 million shares of common stock outstanding.

20. On June 17, 2011, NASDAQ suspended trading of Yuhe's common stock, and, on December 16, 2011, NASDAQ filed a Form 25 with the Commission to delist the common stock. Yuhe's stock is currently quoted on OTC Link under the



symbol “YUII” at \$0.0299 per share as of October 17, 2013 (current market value of approximately \$605,000).

21. **Gao Zhentao**, 51 years of age, is a Chinese national who, upon information and belief, resides in the PRC. Gao has been Yuhe’s CEO and Chairman of the Board of Directors since March 12, 2008. As of December 31, 2010, Gao owned 35.67% of the total outstanding shares of Yuhe’s common stock and was Yuhe’s largest shareholder. Gao apparently remains the CEO of Yuhe and continues to control the company.

#### **YUHE ANNOUNCES THE DAJIANG ACQUISITION**

22. On December 31, 2009, Yuhe filed with the Commission a Form 8-K (signed by Gao) announcing that on December 24, 2009, it had entered into an agreement with Dajiang to purchase thirteen breeder farms for an aggregate price of approximately \$15.2 million.

23. On January 4, 2010, Yuhe filed another Form 8-K (signed by Gao), attaching a press release entitled “Yuhe International, Inc. Increases Number of Breeder Farms to 27.”

24. The press release purported to provide additional details about the Dajiang Acquisition, including the following statements:

a. “Yuhe already paid 80% of the purchase price [approximately \$12.1 million] ... and will pay the remaining balance within two months after formal delivery of the farms, expected in early March 2010.”

b. “The breeder farms are in good condition and require only ... approximately \$2.5 million[] for renovation.”

c. “These farms will add 600,000 sets of parent breeders for Yuhe by the third quarter of 2010.”

25. Prior to the purchase, Yuhe owned only fourteen breeder farms. The January 4, 2010 press release quotes Gao, stating: “By purchasing these thirteen breeder farms, we are able to quickly increase our production capacity of day-old broilers.”

26. According to materials presented to investors by Yuhe at an investment conference (which were filed with the Commission in a Form 8-K, signed by Gao, on March 8, 2010), Yuhe estimated that the Dajiang Acquisition would increase Yuhe’s capacity by 60%.

27. Prior to the announcement, during October and November 2009, Yuhe's stock typically closed each day around \$6 a share, and never closed higher than \$6.55. Yuhe's stock price steadily climbed during December 2009, however, and on January 4, 2010 – the first trading day after the December 31, 2009 Form 8-K was filed, and the same day the second 8-K regarding the acquisition was filed – Yuhe's stock closed at \$10.07 a share on volume that was close to triple its average during the period from October 2009 to January 2010.

28. From January 2010 through June 2011, in press releases and filings with the Commission, Yuhe provided numerous updates concerning the status of the acquired farms.

29. For example, on March 31, 2010, Yuhe filed its 2009 Form 10-K (signed by Gao) and repeated that it had contracted to purchase the Dajiang farms and had already paid 80% of the total consideration. This amount was reflected in the financial statements within “deposits paid for acquisition of long term assets.” The thirteen breeder farms purchased in December 2009 were supposedly undergoing renovations and were expected to be in full operation by the third quarter of 2010.

Various iterations of these representations also appeared in Yuhe's Form S-3, filed June 2, 2010, and the Form 10-Qs for the first, second, and third quarters of 2010.

30. Also, on July 19, 2010, Yuhe filed a Form 8-K (signed by Gao) announcing its purchase of five additional farms and attaching a press release. The press release quotes Gao, stating that Yuhe was confident it could integrate the newly acquired farms based on its "smooth integration and operation of the breeder farms we acquired in 2009."

31. The July 19, 2010 press release also provided an update on the Dajiang Acquisition, stating: "Five of the Company's 13 newly purchased breeder farms have begun operations and [an] additional two breeder farms are expected to commence operations by the end of July 2010. The other six farms are expected to commence operations in the second half of 2010."

32. In its Form 10-Qs for the first, second, and third quarters of 2010 (all signed by Gao), Yuhe stated that it expected to pay the remaining balance for the farms by December 31, 2010. In its 2010 annual filing on Form 10-K, however, Yuhe changed the expected payment date, without explanation, and stated that it expected to pay the remaining balance by the end of December 2011.

33. On April 1, 2011, Yuhe filed a Form 8-K (signed by Gao) containing a press release that stated, in part: “The first acquisition conducted by the Company in December 2009 of 13 breeder farms in Shandong Province started contributing to our production in fiscal year 2010, and currently nine out of the 13 farms are fully operational.”

34. On May 17, 2011, Yuhe filed a Form 8-K (signed by Gao) and attached a press release that stated that Yuhe had officially taken possession of eleven of the thirteen farms acquired in the Dajiang Acquisition.

35. At no point prior to June 2011 did Yuhe ever publicly disclose that there was any problem, delay, or other issue with the Dajiang Acquisition.

### **YUHE’S PUBLIC STOCK OFFERING**

36. On June 2, 2010, Yuhe filed a Form S-3 Registration Statement (signed by Gao) and Prospectus with the Commission, which became effective on June 23, 2010. In the Registration Statement, Yuhe represented to investors that the company owned twenty-eight breeder farms, of which fifteen were in operation. The Registration Statement further stated that “[t]he remaining 13 breeder farms

were purchased in December 2009 and are undergoing renovations. They are expected to be in full operation by the third quarter of 2010.”

37. On October 19, 2010, Yuhe filed a Preliminary Prospectus Supplement, and, on October 20, 2010, it filed a Final Prospectus Supplement. The Prospectus Supplements incorporated by reference several filings described above, including Yuhe’s 2009 Form 10-K and amended 10-K, the Form 10-Qs for the first and second quarters of 2010, the Form 8-Ks filed May 17, July 19, and October 15, 2010, and all other Commission reports subsequently filed by Yuhe prior to the termination of the offering.

38. The Prospectus Supplements further represented to investors that five of the farms from the Dajiang Acquisition were operational and the remaining eight “are undergoing renovations and they are expected to be in full operation by the first quarter of 2011.”

39. From October 20, 2010 to November 2, 2010, Yuhe conducted a public offering, selling 4.14 million newly issued shares of common stock at a price of \$7.00 per share, and receiving net proceeds in excess of \$27 million.

40. In November 2010, Yuhe sent shareholders a proxy statement, signed by Gao, in connection with Yuhe's annual meeting at which Gao was on the slate of director candidates. That proxy statement was materially false and misleading because it incorporated by reference the financial statements as contained in the company's 2009 Form 10-K, signed by Gao.

### **THE DAJIANG ACQUISITION FRAUD UNRAVELS**

41. On June 13, 2011, GeoInvesting, a self-described investment research company, published a report entitled "Yuhe International: Too Risky an Investment" that questioned the validity of the Dajiang Acquisition. On June 16, 2011, the report was more widely disseminated on the website "Seeking Alpha."

42. The GeoInvesting report stated that an investigator had called the Chairman and General Manager of Dajiang, the purported seller of the farms, and he had denied that Yuhe had acquired any farms from Dajiang. The report further speculated that the \$12.1 million deposit already paid to acquire the farms may have been misappropriated.

43. On June 14 and 16, 2011, Yuhe issued two press releases (attached to a Form 8-K, filed with the Commission on June 20, 2011), for the purpose of rebutting

GeoInvesting's report. In the June 14, 2011 press release, Yuhe cited, and provided Internet links to, several documents "as evidence of its acquisitions conducted in December 2009, when it entered into an agreement to purchase 13 breeder farms from Weifang Dajiang Corporation, for a total acquisition consideration of approximately \$15.2 million."

44. The purported evidence of the Dajiang Acquisition provided to the public by Yuhe included (i) the formal, signed and stamped purchase agreement between Yuhe and Dajiang; (ii) the pay check stub, as well as Dajiang's stamped receipt, for the payment remitted to Dajiang; (iii) a bank statement showing the transaction history; and (iv) an independent asset evaluation report on the acquired farms issued by a third-party asset evaluation agency.

45. In addition, in the June 16, 2011 press release, Yuhe purported to provide additional "incremental documentation relating to the acquisition conducted in December 2009," including a notice appointing staff to the acquired farms and a renovation contract for one of the acquired breeder farms along with an associated pay stub.

46. The June 16, 2011 press release further quoted Gao, stating:



The renovation contracts and employee appointment updates are solid evidence of our take-over progress of the acquisition we entered into with Weifang Dajiang Corporation in December, 2009. Yuhe generally conducts a two to three-month facility restoration and employee training program to facilitate a smooth transition on the acquired breeder farms, after all existing breeding stocks are retired from the acquired breeder farms. We will continue to disclose incremental documentation, if necessary, to validate our business and to provide greater transparency in our operations for our shareholders.

47. Also on June 16, 2011, GeoInvesting released a transcript of another call it claimed to have had with Dajiang's Chairman in which he again insisted that Dajiang and Yuhe had never reached an agreement.

#### **YUHE ADMITS ITS FRAUDULENT CONDUCT**

48. On June 17, 2011, Yuhe hosted a conference call to address the volatility in its shares. Yuhe subsequently filed a Form 8-K on June 23, 2011 attaching a transcript of the call.

49. During the call, Yuhe disclosed for the first time that the Dajiang Acquisition had never been completed.

50. Yuhe also claimed that Gao, without the knowledge of the Board or CFO, had used the \$12.1 million that was supposed to have been used in the Dajiang

Acquisition to purchase substitute farms to cover up the fact that the Dajiang Acquisition had not occurred.

51. In the transcript, Gao and other Yuhe officers explained the reasons they had misled the market about the failure of the Dajiang Acquisition. The reasons cited included the following: (1) management was concerned that news of the failure “would provoke negative reactions from the capital market;” (2) “management was under huge pressure to deliver what we previously promised;” and (3) disclosure “would increase negative investor sentiments and adversely affect[] the share price.”

52. Regarding the \$12.1 million of company cash that had been transferred to a separate account controlled by Gao (purportedly to be used to purchase substitute farms), Gao explained during the call that “it wouldn’t impact the financials of the Company and hence no[t result in] volatility in the share price.” Gao further stated that he took “full responsibility for not disclosing the change in a timely manner.”

53. After the June 17, 2011 conference call, Yuhe’s independent auditor resigned and stated that further reliance should no longer be placed on its previously issued audit reports for fiscal year 2010. In its resignation letter, the auditor said that its

resignation was based on “management’s misrepresentation and failure to disclose material facts surrounding certain acquisition transactions and off balance sheet related party transactions.” Yuhe has not filed any amended or new financial reports since it admitted on June 17, 2011 that it had not completed the Dajiang Acquisition.

54. As a result of these disclosures, Yuhe’s stock price plummeted. On June 15, 2011, Yuhe’s stock price closed at \$4.08 per share. On June 17, 2011, the day that Yuhe admitted the Dajiang Acquisition never occurred, the stock price closed at \$1.21 per share, down more than 70% from its closing price only two days earlier and resulting in a decline in market capitalization of approximately \$58 million in two days, and nearly \$180 million from its prior 52-week high.

55. NASDAQ suspended trading in Yuhe later in the day on June 17, 2011. On December 15, 2011, NASDAQ announced that it was formally delisting the common stock of Yuhe. NASDAQ had not allowed any exchange-based trades of Yuhe stock in the interim.

**YUHE'S AUDIT COMMITTEE'S INVESTIGATION**

56. On July 21, 2011, Yuhe issued a press release announcing that the Board had authorized its Audit Committee to conduct an internal investigation into the issues concerning the Dajiang Acquisition. The Audit Committee retained independent outside counsel to conduct the investigation, who, in turn, retained a forensic accountant.

57. Over the next thirteen months, Yuhe's independent outside counsel and the forensic accountant reviewed internal Yuhe records, visited farms, reviewed bank statements, and interviewed Yuhe employees. In August 2012, the internal investigation concluded and the independent outside counsel subsequently briefed the Audit Committee on the results of the investigation.

58. The investigation concluded, among other things, that:

a. Company cash frequently went into separate bank accounts controlled by Gao, including Gao's personal accounts and others associated with other private companies that Gao controls, and more than \$10 million had been diverted;

b. Yuhe cash frequently was used to pay expenses for a private company controlled by Gao;

c. During the course of the investigation, Yuhe's independent outside counsel and forensic accountant had been provided falsified bank statements for Yuhe, which Gao and Yuhe's Chief Accounting Officer admitted were falsified to cover up the fact that Yuhe's accounts contained only limited funds;

d. It was not clear if Yuhe funds ever had been used to buy substitute farms; and

e. Gao failed to disclose these facts to the Board.

59. In September 2012, the Audit Committee briefed the Board on the results of the investigation and recommended that the Board implement certain remedial measures, including requiring the return of misappropriated funds, hiring a new CEO, and retaining a Big Four accounting firm as the new auditor.

60. In December 2012, Gao refused to implement any of the measures. As a result, on January 7, 2013, the Audit Committee resigned.

61. Gao apparently remains at the company and in control of its day-to-day operations.

62. Yuhe's common stock currently is quoted on OTC Link under the symbol "YUII," and as of October 17, 2013, traded at \$0.0299 per share.

**COUNT I—FRAUD**

**Violations by Yuhe and Gao of Section 17(a)(1) of the Securities Act  
[15 U.S.C. § 77q(a)(1)]**

63. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

64. From at least December 2009 through June 2011, Defendants Yuhe and Gao, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

65. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

66. While engaging in the course of conduct described above, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

67. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**COUNT II—FRAUD**

**Aiding and Abetting by Gao of Violations of Section 17(a)(1)  
of the Securities Act [15 U.S.C. § 77q(a)(1)]**

68. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

69. Defendant Yuhe violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

70. Defendant Gao, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Yuhe in connection with its violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

71. By reason of the foregoing, Defendant Gao aided and abetted Yuhe's violations of, and unless enjoined, will aid and abet further violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

**COUNT III—FRAUD**

**Violations by Yuhe and Gao of Sections 17(a)(2) and 17(a)(3) of the Securities  
Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

72. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

73. From at least December 2009 through June 2011, Defendants Yuhe and Gao, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and 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; and

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

74. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].



**COUNT IV—FRAUD**

**Aiding and Abetting by Gao of Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

75. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

76. Defendant Yuhe violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

77. Defendant Gao, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Yuhe in connection with its violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

78. By reason of the foregoing, Defendant Gao aided and abetted Yuhe's violations of, and unless enjoined, will aid and abet further violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

**COUNT V—FRAUD**

**Violations by Yuhe and Gao of 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]**

79. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

80. From at least December 2009 through June 2011, Defendants Yuhe and Gao, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes, and artifices to defraud;
- b. made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

81. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements

of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

82. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless 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].

#### **COUNT VI—FRAUD**

#### **Aiding and Abetting by Gao of Violations of 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]**

83. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

84. Defendant Yuhe violated 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].

85. Defendant Gao, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Yuhe in connection with its violations of 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].

86. By reason of the foregoing, Defendant Gao aided and abetted Yuhe'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 thereunder [17 C.F.R. § 240.10b-5].

**COUNT VII—FAILURE TO FILE ACCURATE PERIODIC REPORTS**

**Violations by Yuhe of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)]  
And Rules 12b-20, 13a-1, 13a-11, and 13a-13 Thereunder  
[17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13]**

87. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

88. Defendant Yuhe, an issuer of a security registered pursuant to Section 12 of the Exchange Act, filed reports with the Commission that contained materially false and misleading information.

89. By reason of the foregoing, Defendant Yuhe 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, 13a-11, and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

**COUNT VIII—FAILURE TO FILE ACCURATE PERIODIC REPORTS**

**Aiding and Abetting by Gao of Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11, and 13a-13 Thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13]**

90. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

91. Defendant Yuhe violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

92. Defendant Gao, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Yuhe in connection with its violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

93. By reason of the foregoing, Defendant Gao aided and abetted Yuhe'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, 13a-11, and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

**COUNT IX—FAILURE TO KEEP ACCURATE BOOKS AND RECORDS  
AND MAINTAIN SUFFICIENT INTERNAL CONTROLS**

**Violations by Yuhe of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act  
[15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)]**

94. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

95. Defendant Yuhe, an issuer of a security registered pursuant to Section 12 of the Exchange Act, failed to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflected Yuhe's transactions and dispositions of its assets.

96. Defendant Yuhe also failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were: (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.

97. By reason of the foregoing, Defendant Yuhe violated, and unless enjoined, will further violate Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

**COUNT X—FAILURE TO KEEP ACCURATE BOOKS AND RECORDS  
AND MAINTAIN SUFFICIENT INTERNAL CONTROLS**

**Aiding and Abetting by Gao of Violations of Sections 13(b)(2)(A) and  
13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)]**

98. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

99. Defendant Yuhe violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

100. Defendant Gao, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Yuhe in connection with its violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

101. By reason of the foregoing, Defendant Gao aided and abetted Yuhe's violations of, and unless enjoined, will aid and abet further violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

**COUNT XI—FALSIFYING BOOKS AND RECORDS AND  
CIRCUMVENTING OR FAILING TO IMPLEMENT  
SUFFICIENT INTERNAL CONTROLS**

**Violations by Gao of Section 13(b)(5) of the Exchange Act [15 U.S.C. §  
78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1]**

102. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

103. By engaging in the conduct described above, Defendant Gao knowingly circumvented or knowingly failed to implement a system of internal accounting controls, or knowingly falsified Yuhe books, records, or accounts described in Section 13(b)(2) of the Exchange Act.

104. Defendant Gao also, directly or indirectly, falsified, or caused to be falsified, Yuhe books or records subject to Section 13(b)(2)(A) of the Exchange Act.

105. By reason of the foregoing, Defendant Gao violated, and unless enjoined, will further violate Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1].



**COUNT XII—FALSE CERTIFICATION**

**Violations by Gao of Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14]**

106. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

107. In Yuhe's annual reports on Forms 10-K for the fiscal years 2009 and 2010 and in Yuhe's interim reports on Forms 10-Q during 2010 and 2011, Gao signed a certification required by Exchange Act Rule 13a-14. In doing so, Gao falsely certified that, among other things, he reviewed each of these reports and that:

- (a) based on his knowledge, the reports did not contain any untrue statement of material fact or omit to state a material fact necessary to make statements made, in light of the circumstances under which such statements were made, not misleading;
- (b) based on his knowledge, the financial statements and other financial information contained in the reports fairly presented, in all material respects, Yuhe's financial condition, results of operations and cash flows; and

(c) he was responsible for establishing and maintaining adequate internal controls over financial reporting, had designed and evaluated such controls, and had disclosed any changes of weaknesses to Yuhe's auditor and audit committee.

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

### **COUNT XIII—PROXY VIOLATIONS**

#### **Violations by Yuhe and Gao of Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Rules 14a-3 and 14a-9 thereunder [17 C.F.R. §§ 240.14a-3 and 240.14a-9]**

109. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

110. Defendants Yuhe and Gao, by engaging in the conduct described above, directly or indirectly, by use of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange or otherwise, solicited or permitted the use of their names to solicit proxies, consents or authorizations in respect of non-exempt securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], by means of a proxy statement that

contained statements which, at the time and in light of the circumstances under which they were made, were false and misleading with respect to material facts, or which omitted to state material facts necessary in order to make the statements therein not false or misleading, or necessary to correct statements in earlier communications with respect to the proxy solicitation which had become false or misleading.

111. By reason of the foregoing, Defendants Yuhe and Gao violated, and unless enjoined, will continue to violate Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Rules 14a-3 and 14a-9 thereunder [17 C.F.R. §§ 240.14a-3 and 240.14a-9].

#### **COUNT XIV—PROXY VIOLATIONS**

##### **Aiding and Abetting by Gao of Violations of Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Rules 14a-3 and 14a-9 thereunder [17 C.F.R. §§ 240.14a-3 and 240.14a-9]**

112. Paragraphs 1 through 62 are hereby re-alleged and are incorporated herein by reference.

113. Defendant Yuhe violated Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Rules 14a-3 and 14a-9 thereunder [17 C.F.R. §§ 240.14a-3 and 240.14a-9].

114. Defendant Gao, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance to Yuhe in connection with its violations of Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Rules 14a-3 and 14a-9 thereunder [17 C.F.R. §§ 240.14a-3 and 240.14a-9].

100. By reason of the foregoing, Defendant Gao aided and abetted Yuhe's violations of, and unless enjoined, will aid and abet further violations of Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)] and Rules 14a-3 and 14a-9 thereunder [17 C.F.R. §§ 240.14a-3 and 240.14a-9].

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff Commission respectfully prays that the Court:

**I.**

Issue findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Defendants Yuhe and Gao committed the violations alleged herein.

## II.

Issue judgments, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Yuhe, its officers, agents, servants, employees, and attorneys from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act [15 U.S.C. §§78j(b), 78m(a), 78m(b)(2)(A), 78m(b)(2)(B), and 78n(a)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 14a-3, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, 240.14a-3 and 240.14a-9].

## III.

Issue judgments, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendant Gao, his agents, servants, employees, and attorneys from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b), 13(b)(5), and 14(a) of the Exchange Act [15 U.S.C. §§78j(b), 78m(b)(5), and 78n(a)] and Rules 10b-5, 13a-14, 13b2-1, 14a-3, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.13a-14, 240.13b2-1, 240.14a-3 and 240.14a-9], and from aiding and abetting violations of

Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act [15 U.S.C. §§78j(b), 78m(a), 78m(b)(2)(A), 78m(b)(2)(B), and 78n(a)] and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 14a-3, and 14a-9 thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, 240.14a-3 and 240.14a-9].

#### **IV.**

Issue an Order, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and/or Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78(d)(2)], prohibiting Gao 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)].

#### **V.**

Issue an Order requiring the disgorgement by Defendants of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

**VI.**

Issue an order 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)] imposing civil monetary penalties against Defendants Yuhe and Gao.

**VII.**

Grant such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

**DEMAND FOR JURY TRIAL**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands trial by jury in this action of all issues so triable.

Dated: October 18, 2013

Respectfully submitted,

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION

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