UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,	§	
Plaintiff,	§	**Civ. No. ____**
vs.	§	**COMPLAINT**
CHINA MEDIAEXPRESS HOLDINGS, INC., and ZHENG CHENG,	§	
Defendants.	§	

Plaintiff, the United States Securities and Exchange Commission (the "Commission" or "SEC"), alleges:

SUMMARY

1. From its inception as a public company, China Media Express Holdings, Inc. ("China Media" or "Company") – led by its Chairman and Chief Executive Officer, Zheng Cheng ("Cheng") – massively overstated its cash balances in filings with the Commission and press releases issued to the investing public.

2. China Media purports to operate a television advertising network on inter-city and airport express buses in the People's Republic of China ("China").

3. Beginning in at least November 2009 and continuing thereafter, China Media – led by Cheng – materially overstated its cash balances in press releases and public filings with the Commission by a range of approximately 452% to over 40,000%. For example, on March 31, 2010, China Media filed its 2009 Form 10-K and reported $57 million in cash on hand for the

fiscal year ended December 31, 2009 when it actually had a cash balance of only $141,000. On November 9, 2010, the Company issued a press release announcing a cash balance of $170 million for the period ended September 30, 2010 when it actually had a cash balance of merely $10 million.

4. In addition to massively overstating its cash balances, China Media also materially misrepresented (in public filings and press releases) the nature of its business relationships with two multi-national corporations, claiming they were its advertising clients when, in fact, they were not.

5. As China Media made materially false representations about its business operations and financial condition, including its cash balances, the Company's stock price spiked. On October 15, 2009, the date China Media became a publicly traded company, its stock closed at $7.59 per share. Slightly more than one year later – when China Media, on November 9, 2010, falsely reported a cash balance of $170 million – the stock closed at $20.18 per share.

6. China Media's falsely reported increases in its cash balances allowed the Company to attract investors and raise money from stock sales. Between January 2010 and December 2010, a hedge fund paid China Media $53 million to purchase millions of shares of China Media's preferred and common stock.

7. Cheng had personal financial incentives that were tied to China Media's performance, as he had agreements to receive China Media stock if the Company met certain net income targets. For example, when China Media falsely met these net income targets for fiscal year 2009, Cheng personally received 600,000 China Media shares which, at the time of receipt, were worth approximately $6 million.

8. The Commission brings this action seeking permanent injunctive relief to prevent future violations of the federal securities laws, civil penalties, disgorgement, an officer and director bar, and any other appropriate relief.

JURISDICTION

9. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77t and 77v] and Sections 21 and 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u and 78aa].

10. Venue is proper in this judicial 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] because certain of the acts and omissions constituting violations alleged herein occurred in this judicial district.

11. Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices, and courses of business described in this Complaint.

DEFENDANTS

China Media

12. China Media is a Delaware corporation with principal offices in Hong Kong and Fuzhou, China. China Media purports to operate a media and advertising company that sells advertisements played on DVD players or television displays installed on its network of third-party owned buses pursuant to contractual arrangements between it and bus operators or owners.

13. In October 2009, China Media became a publicly-traded company via a reverse merger in which TM Entertainment Media, Inc., a Delaware corporation, was used as a special-purpose acquisition company to acquire Hong Kong Mandefu Holdings Limited ("Hong Kong Mandefu"), a Hong Kong corporation.

14. At all relevant times, China Media's stock was registered pursuant to Exchange Act Section 12(b) and traded on U.S. stock exchanges, including AMEX and NASDAQ.

15. On May 19, 2011, NASDAQ delisted China Media's stock for failure to timely file required financial reports. In March 2012, the Commission filed an action against China Media under Exchange Act Section 12(j) to deregister its securities for failure to file required documents with the Commission, and in August 2012, China Media's securities were deregistered.

Zheng Cheng

16. Zheng Cheng, a resident of China, has been the CEO and Chairman of China Media since its founding in October 2009. Prior to the reverse merger through which China Media was formed, Cheng was the Chairman and CEO of Hong Kong Mandefu, China Media's predecessor company.

17. As CEO, Cheng signed China Media's Forms 10-K, Forms 10-Q, and certifications required under the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") that were filed with the Commission. He also signed various letters to China Media's external auditor in which he represented that the Company's financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

FACTUAL ALLEGATIONS

A. China Media Reports Sudden and Large Increases in Operations and Profits

18. Almost immediately upon becoming a publicly-traded company, China Media reported significant increases in its business operations, financial condition, and profits. For example, in its Form 8-K dated November 16, 2009, China Media reported that between September 30, 2008 and the period ended September 30, 2009, its cash balances had increased

from approximately $23 million to $41 million, or 78%. China Media continued to report rapidly increasing cash balances throughout 2010. In fact, as of September 30, 2010, China Media reported that its cash balance had grown to $170 million; a staggering 315% increase since September 30, 2009, one year prior.

19. Similarly, China Media reported significant increases in its net income and revenue during the period. In its Form 10-K for the fiscal year ended December 31, 2009, China Media reported net income of $41.7 million on revenues of $95.9 million. This represented a 58% increase in the $26.4 million that Hong Kong Mandefu, China Media's predecessor company, reported as net income on revenues of $63.0 million for the year ended December 31, 2008.

20. Less than a year later, China Media reported even more gains in revenues. It reported revenues of $155 million for the first three quarters of 2010 compared to $64 million for the same period in 2009, representing a 142% increase.

21. As China Media reported these increases, its stock price spiked. On October 15, 2009, the date of the reverse merger, the company's stock closed at $7.59 per share. On November 9, 2010, when China Media reported that it had a cash balance of $170 million, its stock price closed at $20.18 per share. Thus, in slightly more than one year, China Media's stock price had increased 166%.

B. China Media Attracts Investors and Raises $53 Million

22. China Media's reported increases in revenues and cash balances allowed the Company to attract investors and raise money from stock sales. In particular, in January 2010, the Company executed a stock purchase agreement with a hedge fund to sell (i) 1 million shares

of China Media preferred stock and (ii) warrants to purchase approximately 1.5 million shares of China Media common stock for a total of $30 million.

23. In October 2010, the hedge fund purchased an additional 1.5 million shares from China Media for approximately $13 million, and then, in December 2010, the hedge fund exercised the warrants it received as part of the January 2010 share purchase agreement for approximately $10 million. Thus, in 2010, China Media obtained a total of approximately $53 million from the hedge fund.

24. China Media's January 2010 stock purchase agreement with the hedge fund, which Cheng signed, contained numerous representations. In particular, China Media represented to the hedge fund that its financial statements, as reflected in its Form 8-K released on November 16, 2009, fairly presented the Company's financial condition in accordance with GAAP.

25. Moreover, China Media represented in the stock purchase agreement that the required Sarbanes-Oxley certifications contained in China Media's public filings were, at the time of submission of each such certification, true and accurate.

26. Cheng had personal financial incentives that were tied to the Company's performance and he stood to reap financial gains if the Company's performance met certain benchmarks. For example, as part of the reverse merger agreement that brought China Media public, Cheng was promised stock and money from China Media in three categories: (i) China Media shares that Cheng would receive if China Media met certain net income targets for fiscal years 2009 and 2010; (ii) a portion of the cash proceeds that the Company would obtain from the exercise of select publicly-held warrants; and (iii) a portion of a promissory note owed to the former shareholders of Hong Kong Mandefu.

27. In fact, approximately one month after the hedge fund paid $30 million into a China Media bank account in January 2010 pursuant to the terms of the stock purchase agreement, China Media paid Cheng approximately $16 million as compensation owed to him under the terms of the reverse merger agreement.

28. Moreover, as a result of the net income amount reported by China Media for the fiscal year ended 2009, Cheng personally received 600,000 shares of China Media stock which – at the time of receipt – was worth approximately $6 million.

C. China Media's External Auditor Resigns

29. On March 3, 2011, China Media's external auditor informed China Media about significant issues encountered in its 2010 fiscal year-end audit. In particular, the external auditor informed China Media that during the audit process, it had suspicions concerning fraudulent bank confirmations and statements, invalid tax invoices, and falsified confirmations of accounts receivables and payables.

30. Accordingly, the external auditor requested that China Media take specific actions, including authorizing certain banks to directly provide the external auditor with copies of China Media's bank statements.

31. In a March 8, 2011 letter, the external auditor noted that China Media had not taken the requested actions and asked the Company to do so by the close of business the next day. On March 11, 2011, after China Media's repeated failure to respond to the external auditor's requests, the external auditor formally resigned from the engagement.

D. Cheng Offers Bribe to Influence Investigation of the External Auditor's Concerns and Admits Discrepancies Between China Media's Publicly-Reported and Actual Cash Balances

32. Soon after the external auditor's resignation, China Media's Audit Committee retained a global law firm (the "law firm") to conduct an internal investigation into the issues raised by the external auditor.

33. Given the external auditor's specific concerns about the accuracy of China Media's publicly-reported cash balances, the law firm made – as its highest and immediate priority – directly obtaining from China Media's banks copies of its bank statements from January 1, 2009 through the present. Accordingly, the law firm retained a Hong Kong-based accounting firm to provide forensic accounting services for the internal investigation. Among others, a senior accountant from the Hong Kong-based accounting firm was assigned to assist the law firm (the "senior accountant").

34. On May 3, 2011, the senior accountant and others met with Cheng to discuss, among other things, the need for letters from China Media authorizing its banks to directly provide the law firm with copies of the Company's bank statements.

35. After the meeting, the senior accountant returned to his hotel room where he received a call from Cheng in the late evening on May 3, 2011. Cheng asked the senior accountant to meet him in a café adjacent to the hotel to receive the authorization letters the law firm needed to obtain China Media's bank statements. Cheng insisted that the senior accountant meet him alone and expressly stated he did not want anyone from the law firm to accompany him. The senior accountant then went to the café to meet with Cheng.

36. During the ensuing conversation, Cheng told the senior accountant that he did not want the internal investigation team to review China Media's bank balances going back one or

two years because there would be discrepancies between China Media's publicly-reported and actual cash balances. Cheng then offered the senior accountant a bribe of RMB10 million (approximately $1.5 million) to "assist with the investigation." The senior accountant declined the bribe and immediately reported the incident to the law firm and his supervisors at the Hong Kong-based accounting firm. The Hong Kong-based accounting firm refused to continue to provide forensic accounting services for the investigation unless Cheng immediately stepped down as Chairman of China Media. When Cheng refused to do so, the Hong Kong-based accounting firm resigned from the engagement.

E. China Media Grossly Misrepresented Cash Balances in Public Filings

37. Approximately one month after Cheng's attempted bribe to the senior accountant, the law firm – this time with a new Hong Kong-based accounting firm providing forensic accounting services – obtained bank statements directly from each of the banks in which China Media held accounts. Cheng was a signatory on each of these bank accounts.

38. Consistent with Cheng's admission to the senior accountant just one month earlier that there would be discrepancies between China Media's publicly-reported and actual cash balances, China Media's bank statements that the law firm obtained directly from the banks indeed showed massive discrepancies.

39. As reflected in the table below, China Media's bank statements obtained directly from the bank by the law firm demonstrated that the Company had overstated its cash balances in its public filings and press releases from a range of 452% to over 40,000%.

SEC Filing Form	Reported Cash Balance (in 000s)	Actual Cash Balance (in 000s)	Overstatement (in 000s)	% Overstatement
8-K (dated 11/16/09)	$40,855	$269	$40,586	15,088%

10-K (dated 3/31/10)	$57,151	$141	$57,010	40,433%
10-Q (dated 5/14/10)	$114,396	$20,734	$93,662	452%
10-Q (dated 8/13/10)	$139,321	$11,414	$127,907	1,121%
10-Q (dated 11/9/10)	$169,947	$10,256	$159,691	1,557%

F. China Media Materially Misrepresented Nature of Relationship with Multi-National Corporations

40. In addition to materially misrepresenting its cash balances, China Media also materially misrepresented – in public filings, investor presentations, or press releases – its customer relationships with two multi-national corporations, namely Pepsi and Apple.

41. In its 2009 Form 10-K, and subsequently filed 2010 Forms 10-Q, China Media represented that it had "attracted several well-known international and national brands to its advertising network, including Pepsi." Also, in a November 2010 investor presentation, China Media attributed the following statement to Pepsi: "China MediaExpress promotes our products to tier 2 cities and towns by its large scale inter-city bus network, which is highly helpful to our sales expansion."

42. These claims, however, were not true. Pepsi had no direct advertising relationship with China Media, and the only advertising contract China Media had with any entity related to Pepsi was with a Pepsi local bottler that generated a mere $21,000 in revenue for China Media. Moreover, Pepsi did not make the statement attributed to it in China Media's November 2010 investor presentation.

43. On December 28, 2010, China Media issued a press release announcing that it had launched SWITOW, which was a shopping platform for its contracted advertisers. In this press release, China Media claimed that it had signed contracts with many prestigious global and

Chinese domestic companies or their distributors, such as Apple, to feature their most popular products on SWITOW.

44. On February 3, 2011, China Media claimed that it had signed a contract with the Eading Group, one of Apple's official distributors in China to advertise Apple products, specifically iPads, in China Media's SWITOW magazine.

45. The claims described in ¶¶ 43 - 44, however, were not true. China Media had no contractual relationships with Apple or any of its official distributors in China to advertise Apple's products.

G. China Media Lacked Adequate Recordkeeping and Internal Controls

46. China Media failed to make and keep books, records, and accounts that accurately and fairly reflected its financial results and business activities. In particular, China Media maintained and created forged bank statements that grossly overstated its true cash balances.

47. Moreover, China Media failed to devise and maintain internal accounting controls sufficient to provide reasonable assurances that transactions were recorded so as to permit the preparation of financial statements in accordance with GAAP. In particular, China Media did not maintain sufficient internal controls regarding the receipt, verification, and use of its cash.

H. Cheng Lied to China Media's External Auditor and Falsely Certified China Media's Financial Statements

48. Cheng, in connection with China Media's 2009 year-end audit and 2010 Form 10-Q reviews, signed management representation letters to China Media's external auditor in which he falsely represented that the Company's financial statements were prepared in accordance with GAAP.

49. Moreover, Cheng signed Sarbanes-Oxley certifications in which he falsely certified that China Media's public filings were, at the time of submission of each such

certification, true and correct when he knew there were discrepancies between the Company's actual and reported cash balances, and that the filings therefore contained material misstatements and omissions.

FIRST CLAIM FOR RELIEF

[All Defendants]
Violations of Securities Act Section 17(a)

50. Paragraphs 1 through 49 are alleged and incorporated by reference.

51. By engaging in the conduct described above, including but not limited to paragraphs 18-39, Defendants China Media and Cheng, in the offer or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, directly or indirectly, acting with the requisite state of mind, (i) employed devices, schemes, or artifices to defraud; (ii) obtained money or property by means of untrue statements of a material fact or omissions to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engaged in transactions, practices, or a course of business that operated as a fraud or deceit upon purchasers.

52. By engaging in the conduct described above, Defendants China Media and Cheng violated Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF

[All Defendants]
Violations of Exchange Act Section 10(b) and Rule 10b-5 thereunder

53. Paragraphs 1 through 52 are incorporated by reference.

54. By reason of the conduct described above, including without limitation the conduct described in Paragraphs 18-39, Defendants China Media and Zheng Cheng, directly or indirectly, in connection with the purchase or sale of securities, by the use of the means or

instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, knowingly or recklessly (i) employed devices, schemes, or artifices to defraud; (ii) made untrue statements of material fact or 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 (iii) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any persons, including purchasers and sellers of the securities.

55. By engaging in the conduct described above, Defendants China Media and Cheng violated Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

THIRD CLAIM FOR RELIEF

[China Media]
Violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13

56. Paragraphs 1 through 55 are incorporated by reference.

57. As described in paragraphs 18-47, China Media, whose securities were registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78(l)], failed to file annual, current, and quarterly reports (on Forms 10-K, 8-K, and 10-Q) with the Commission that were true and correct, and failed to include material information in its required statements and reports as was necessary to make the required statements and reports, in the light of the circumstances under which they were made, not misleading.

58. As described in paragraphs 46-47 above, China Media failed to make and keep books, records, and accounts that accurately and fairly reflect its financial results and business activities.

59. As described in paragraphs 46-47 above, China Media failed to devise and maintain internal accounting controls sufficient to provide reasonable assurances that its transactions were recorded so as to permit the preparation of financial statements in accordance with GAAP.

60. China Media thus violated Section 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a) and 78m(b)(2)(A) & (B)] and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

FOURTH CLAIM FOR RELIEF

[Cheng]
Violations of Exchange Act Rule 13a-14

61. Paragraphs 1 through 60 are incorporated by reference.

62. By engaging in the conduct described above, including but not limited to paragraph 49, Cheng, as China Media's chief executive officer, falsely certified that China Media's 2009 Form 10-K and Forms 10-Qs from the first through the third quarters of 2010 contained no material misstatements or omissions.

63. Based on the foregoing, Cheng violated Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14].

FIFTH CLAIM FOR RELIEF

[Cheng]
Violations of Exchange Act Rule 13b2-2

64. Paragraphs 1 through 63 are incorporated by reference.

65. By reason of the conduct described above, including but not limited to paragraph 48, Cheng made materially false or misleading statements to China Media's external auditor in

connection with the audit of China Media's financial statements for the year ended December 31, 2009 and reviews of the Company's 2010 Form 10-Qs.

66. Based on the foregoing, Cheng violated Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2].

SIXTH CLAIM FOR RELIEF

[Cheng]
Aiding and Abetting China Media's Reporting Violations

67. Paragraphs 1 through 66 are incorporated by reference.

68. As detailed above, China Media, whose securities were registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781], failed to file annual, current, and quarterly reports (on Forms 10-K, 8-K, and 10-Q) with the Commission that were true and correct, and failed to include material information in its required statements and reports as was necessary to make the required statements and reports, in the light of the circumstances under which they were made, not misleading. China Media thus violated Section 13(a) [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

69. By engaging in the conduct described above, including but not limited to paragraphs 18-49, Defendant Cheng knowingly provided substantial assistance to and thereby aided and abetted China Media in its violations of Exchange Act Section 13(a) [15 U.S.C. § 78m(a)] and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

(a) Permanently enjoining Defendants China Media and Cheng from violating, directly or indirectly, Securities Act Section 17(a) [15 U.S.C. § 77q(a)];

(b) Permanently enjoining Defendants China Media and Cheng from violating, directly or indirectly Exchange Act Section 10(b) [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

(c) Permanently enjoining Defendant Cheng from violating, directly or indirectly, Exchange Act Rule 13b2-2 [17 CFR § 240.13b2-2];

(d) Permanently enjoining Defendant Cheng from violating, directly or indirectly, Exchange Act Rule 13a-14 [17 CFR § 240.13a-14];

(e) Permanently enjoining Defendant China Media from violating, directly or indirectly, Exchange Act Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13];

(f) Permanently enjoining Defendant Cheng from aiding and abetting violations of Exchange Act Section 13(a) [15 U.S.C. § 78m(a)] and Exchange Act Rules 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13];

(g) Ordering Defendants China Media and Cheng to disgorge ill-gotten gains, with prejudgment interest, including, but not limited to, gains from stock sales, salaries, bonuses, and other benefits wrongfully obtained as a result of the conduct alleged herein;

(h) Imposing civil monetary penalties against Defendants China Media and Cheng pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)];

(i) Pursuant to Securities Act 20(g) [15 U.S.C. § 77t(g)] and Exchange Act Section 21(d)(2) [15 U.S.C. § 78u(d)(2)], prohibiting Defendant Cheng from acting as an officer or director of any issuer that has a class of securities registered pursuant to Exchange Act Section 12 [15 U.S.C. § 78l], or that is required to file reports pursuant to Exchange Act Section 15(d)

(j) [15 U.S.C. § 78o(d)]; and

(i) Granting such other and further relief as the Court deems just and appropriate.

Dated: June 20, 2013

Respectfully submitted,

Kenneth J. Guido (Bar No. 151605))
Attorney for Plaintiff
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-4030
Tel: (202) 551-4480
Fax: (202) 772-9282
guidok@sec.gov

Of counsel:

Antonia Chion
Ricky Sachar
Kwame Clement
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-4030