

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

JEFF PERRY and SCOTT P. COLE, On Behalf
Of Themselves And All Others Similarly
Situating,

Plaintiffs,

v.

DUOYUAN PRINTING, INC., WENHUA
GUO, XIQING DIAO, BAIYUN SUN,
WILLIAM D. SUH, CHRISTOPHER P.
HOLBERT, LIANJUN CAI, PUNAN XIE,
JAMES ZHANG, PIPER JAFFRAY & CO.,
ROTH CAPITAL PARTNERS, LLC, and
FRAZER, LLP,

Defendants.

Civil Action No. 10 Civ. 7235 (GBD)

**CONSOLIDATED COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

CLASS ACTION

JURY TRIAL DEMANDED

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U.S. DISTRICT COURT SDNY

Lead Plaintiffs Joseph E. Sciarro, Scott P. Cole, and Richard Pearson and Plaintiff Jeff Perry (collectively, "Plaintiffs"), individually and on behalf of all other persons similarly situated, by their undersigned attorneys, for their complaint against Defendants, allege upon personal knowledge as to themselves and their own acts, and upon information and belief as to all other matters, based on, *inter alia*, the investigation conducted by and through their attorneys, which included, among other things: a review of the Defendants' public documents; conference calls and announcements made by Defendants; Securities and Exchange Commission ("SEC") filings; wire and press releases published by and regarding Duoyuan Printing, Inc. ("Duoyuan Printing" or the "Company"); securities analysts' reports and advisories about the Company; and information readily obtainable on the Internet.

NATURE OF THE ACTION

1. This class action is brought on behalf of investors in Duoyuan Printing who have been victimized by a securities fraud that is breathtaking in its magnitude and severity.

Beginning with the Company's initial public offering of stock on November 6, 2009 (the "IPO" or the "Offering"), and continuing through March 28, 2011, the Company and its senior officers and directors overstated the Company's revenues by over 12,000% and induced thousands of investors to purchase the Company's stock at inflated prices.

2. Defendants' misconduct is best demonstrated by the financial reports Duoyuan Printing filed with Chinese regulatory authorities—in contrast to what they reported to the SEC. In filings made with the State Administration for Industry and Commerce (the "SAIC") in the People's Republic of China (the "PRC"), the Company reported that its principal operating subsidiary (known as Duoyuan Digital Press Technology Industries (China) Co., Ltd.)—together with its two manufacturing subsidiaries (known as Langfang Duoyuan Digital Technology Co., Ltd. and Hunan Duoyuan Printing Machinery Co., Ltd.)—had generated revenues of \$575,000 for the 2007 calendar year and cash of \$8,000 as of December 31, 2007; revenues of \$817,000 for the 2008 calendar year and cash of \$31,000 as of December 31, 2008; and revenues of \$398,000 for the 2009 calendar year and cash of \$146,000 as of December 31, 2009. In stark contrast, in filings made with the SEC, the consolidated Company reported revenues of \$67.3 million for the nine-month period ended December 31, 2007 and cash of \$7.8 million as of June 30, 2007; revenues of \$104.6 million for the calendar year ended December 31, 2008 and cash of \$14.2 million as of June 30, 2008; and revenues of \$119.3 million for the calendar year ended December 31, 2009 and cash of \$96.7 million as of December 31, 2009. Thus, Defendants reported revenue and cash balances in their SEC filings more than a hundred times greater than the revenue and cash balances they reported to Chinese regulatory authorities.

3. This fraudulent scheme would not have been possible without the active participation and assistance provided by the Company's underwriters and outside auditor.

Defendants Piper Jaffray & Co. (“Piper Jaffray”) and Roth Capital Partners, LLC (“Roth”) served as the underwriters of the IPO. Despite knowing about or recklessly ignoring the Company’s SAIC filings, however, these Defendants prepared and disseminated the Company’s Prospectus that included grossly inflated financial results.

4. Equally as instrumental in the fraud was Defendant Frazer, LLP (“Frazer” or the “Auditor”), which served as the Company’s independent registered public accounting firm. Frazer also knew (or should have known) about the Company’s SAIC filings but still agreed to include a report in the Company’s Registration Statement and Prospectus (the “IPO Materials”) which asserted that the Company’s financial statements were accurate.

5. Defendants’ scheme began to publicly unravel on September 13, 2010, when the Company disclosed that it had dismissed its recently hired independent registered public accounting firm, DeloitteTouche Tohmatsu CPA Ltd. (“Deloitte”), and that this dismissal had led the Company’s CEO, CFO and four members of the Board of Directors to immediately resign. These revelations caused the Company’s stock price to decline by \$3.60 per share, or more than 54%.

6. Thereafter, additional disclosures further revealed the magnitude of Defendants’ fraud. In November 2010, the Company disclosed that the SEC had initiated a formal investigation into whether the Company had engaged in fraud in the sale of securities and lied to its external auditor.

7. At around the same time, the Company retained Baker & McKenzie LLP (“Baker”) to conduct an internal investigation into matters relating to the Company’s termination of Deloitte and the claims made by the Plaintiffs here and by the SEC. In March 2011, however,

the Company announced that Baker had not completed its investigation—and that, because of this fact, the Company could not hire a new auditor.

8. On March 28, 2011, the NYSE delisted the Company's stock because the Company had not filed its Form 10-K for the fiscal year ended June 30, 2010, which was due in September 2010—six months earlier.

9. Duoyuan Printing, to this day, has yet to file its Form 10-K for the fiscal year ended June 30, 2010. Baker has still not completed its investigation and the Company has still not retained a new auditor. As of February 15, 2012, the Company's stock price closed at \$0.25 per share.

JURISDICTION AND VENUE

10. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. 240.10b-5. Additional claims arise under Sections 11, 12(a)(2) and 15 of the Securities Act, 15 U.S.C. §§ 77k and 77o.

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa and Section 22 of the Securities Act, 15 U.S.C. § 77v.

12. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, Section 22 of the Securities Act, 15 U.S.C. § 77v, and 28 U.S.C. § 1391(b). Duoyuan Printing securities were traded from November 6, 2009 to March 28, 2011, both dates inclusive, (the "Class Period"), on the New York Stock Exchange ("NYSE") which is located in the Southern District of New York.

13. In connection with the challenged conduct, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

Plaintiffs

14. Plaintiff Jeff Perry purchased Duoyuan Printing securities pursuant and/or traceable to the Registration Statement and Prospectus referenced herein, during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein. Mr. Perry's PSLRA certification was previously filed with the Court.

15. Lead Plaintiff Scott P. Cole purchased Duoyuan Printing securities pursuant and/or traceable to the Registration Statement and Prospectus referenced herein, during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein. Mr. Cole's PSLRA certification was previously filed with the Court.

16. Lead Plaintiff Joseph E. Sciarro purchased Duoyuan Printing securities pursuant and/or traceable to the Registration Statement and Prospectus referenced herein, during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein. Mr. Sciarro's PSLRA certification was previously filed with the Court.

17. Lead Plaintiff Richard Pearson purchased Duoyuan Printing securities pursuant and/or traceable to the Registration Statement and Prospectus referenced herein, during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or

misleading statements and/or material omissions alleged herein. Mr. Pearson's PSLRA certification was previously filed with the Court.

Defendants

18. Defendant Duoyuan Printing ("DYP" or the "Company") is a Wyoming Corporation with its principal executive offices located at No. 3 Jinyuan Road, Daxing Industrial Development Zone, Beijing, PRC. The Company purports to design, manufacture and sell offset printing equipment used in the offset printing process. The aggregate number of shares of Duoyuan Printing securities outstanding as of May 11, 2010 was approximately 30.5 million shares. Duoyuan Printing was actively traded during the Class Period on the NYSE under the ticker symbol "DYP." The Company's name was Asian Financial, Inc. until October 15, 2009 when it changed its name to Duoyuan Printing, Inc.

19. Defendant Wenhua Guo ("Guo") was at all relevant times herein the Company's Chairman of the Board of Directors. Guo is also CEO of Duoyuan Global Water, Inc. ("Duoyuan Global"), a manufacturer of water treatment equipment. Defendant Guo signed the Registration Statement in connection with the Offering. Guo also signed the SAIC filings made by Duoyuan China for each of its fiscal years ended December 31, 2007, 2008, and 2009.

20. Defendant Xiqing Diao ("Diao") has been the Company's CEO since September 8, 2010. Diao served as a Director and the Chief Operating Officer ("COO") of the Company between November 2005 and September 8, 2010. Diao also served as the interim CEO of the Company from July 9, 2009 to August 26, 2009. Defendant Diao signed the Registration Statement in connection with the Offering. Diao also signed the SAIC filing made by Langfang Duoyuan for its fiscal year ended December 31, 2008.

21. Defendant Baiyun Sun (“Sun”) has been the Company’s CFO since September 8, 2010. Sun served as the Controller of the Company from October 1, 2008 to September 8, 2010. Prior to that, she served as interim CFO of the Company from December 20, 2007 to March 1, 2008 and from May 21, 2008 to October 1, 2008. Prior to that, she served as the CFO of the Company from October 6, 2006 to July 18, 2007, and a Director and vice president of the Company between June 2001 and April 2007. Defendant Sun personally stamped the SAIC filing made by Hunan Printing for its fiscal year ended December 31, 2008. Sun signed the SAIC filing made by Hunan Printing for its fiscal years ended December 31, 2009. Sun was the legal representative of Hunan Printing in 2008 when Hunan Printing submitted the SAIC filing for its fiscal year ended December 31, 2007.

22. Defendant William D. Suh (“Suh”) was the Company’s CFO and a director until his resignation on September 6, 2010. Defendant Suh signed the Registration Statement in connection with the Offering. Suh also signed Form 10-Qs filed with the SEC on the following dates: November 16, 2009, February 10, 2010, and May 11, 2010. In addition, pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”), each of those Form 10-Qs contained signed certifications by Suh, stating that the financial information contained in them was accurate, and that they disclosed any material changes to the Company’s internal control over financial reporting.

23. Defendant Christopher P. Holbert (“Holbert”) has been the Company’s Vice President for International Markets since September 8, 2010. Holbert was the Company’s CEO from August 2009 until his resignation on September 8, 2010. Holbert served as a member of the Board of Directors and as the chairman of the Audit Committee and a member of the Compensation and Nominating and Corporate Governance Committees from July 2007 to August 2009. From September 2008 until August 2009, he served as a member of the board of

directors of Duoyuan Global. Holbert was also an auditor and a consultant for Deloitte. Defendant Holbert signed the Registration Statement in connection with the Offering. Holbert also signed Form 10-Qs filed with the SEC on the following dates: November 16, 2009, February 10, 2010, and May 11, 2010. In addition, pursuant to SOX, each of those Form 10-Qs contained signed certifications by Holbert, stating that the financial information contained in them was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

24. Defendant Lianjun Cai ("Cai") was, at all relevant times, a Director of Duoyuan Printing. He has served as chairman of the Company's Compensation Committee since April 2007 and has served on the Company's Audit Committee and Nominating and Corporate Governance Committee since at least November 2009. Defendant Cai signed the Registration Statement in connection with the Offering.

25. Defendant Punan Xie ("Xie") was, at all relevant times, a Director of Duoyuan Printing. He has served as chairman of the Company's Nominating and Corporate Governance Committee since April 2007 and has served on the Company's Audit Committee and Compensation Committee since at least November 2009. Defendant Xie signed the Registration Statement in connection with the Offering.

26. Defendant James Zhang ("Zhang") was, at all relevant times, a Director of Duoyuan Printing. He has served as chairman of the Company's Audit Committee since August 2009 and has served on the Company's Compensation Committee and Nominating and Corporate Governance Committee since at least November 2009. Defendant Zhang signed the Registration Statement in connection with the Offering.

27. The Defendants referenced above in ¶¶ 19-26 are collectively referred to herein as the “Individual Defendants.”

28. Defendant Piper Jaffray was an underwriter of the IPO and assisted in the preparation and dissemination of Duoyuan Printing’s IPO Materials. Defendant Piper Jaffray’s executive offices are located at 800 Nicollet Mall, Minneapolis, Minnesota 55402. Piper Jaffray has a location at 245 Park Avenue, 33rd Floor, New York, NY 10167. As an underwriter of the Offering, Piper Jaffray sold 3,873,551 of the total number of shares sold in the Offering.

29. Defendant Roth was an underwriter of the IPO and assisted in the preparation and dissemination of Duoyuan Printing’s IPO Materials. Defendant Roth’s executive offices are located at 24 Corporate Plaza Drive, Newport Beach, CA 92660. Roth has a location at 730 Fifth Avenue, 25th Floor, New York, NY 10019. As an underwriter of the Offering, Roth sold 2,582,367 of the total number of shares sold in the Offering.

30. The Defendants referenced above in ¶¶ 28-29 are together referred to herein as the “Underwriter Defendants.”

31. Defendant Frazer, formerly known as Moore Stephens Wurth Frazer and Torbet, LLP, Certified Public Accountants, served as the Company’s independent registered public accounting firm and audited the Company’s financial statements for fiscal years 2007, 2008, and 2009.

DUOYUAN PRINTING’S CORPORATE STRUCTURE

32. The Company conducts all of its operations, and generates all of its revenue, from three subsidiaries: (1) Duoyuan Digital Press Technology Industries (China) Co., Ltd. (“Duoyuan China”), the Company’s “principal operating subsidiary,” in which the Company has a 100% ownership stake; (2) Langfang Duoyuan Digital Technology Co., Ltd. (“Langfang

Duoyuan”), one of the Company’s “manufacturing subsidiaries,” which is 95% owned by Duoyuan China; and (3) Hunan Duoyuan Printing Machinery Co., Ltd. (“Hunan Duoyuan”), the Company’s other “manufacturing subsidiary,” which is 88% owned by Duoyuan China and 12% owned by Langfang Duoyuan. Duoyuan China, Langfang Duoyuan, and Hunan Duoyuan are collectively referred to herein as the “Three Subsidiaries.”

DEFENDANTS’ FALSE AND MISLEADING STATEMENTS

The IPO

33. On November 4, 2009, Duoyuan Printing filed an amended registration statement on Form S-1/A with the SEC (the “Registration Statement”), which became effective at 4:00 p.m. E.S.T. on November 5, 2009.

34. The Registration Statement was signed by Defendants Guo, Diao, Suh, Holbert, Cai, Xie, and Zhang. Defendants Piper Jaffray and Roth served as the underwriters of the Offering. Defendant Frazer audited the Company’s 2007, 2008, and 2009 financial statements, served as an expert for purposes of the IPO, and consented to the inclusion of their audited Company financial statements in the Offering documents, as further described below.

35. On November 6, 2009, pursuant to Rule 424(b)(4) of the Securities Act, Duoyuan Printing filed the final version of the public offering prospectus contained in the Registration Statement (the “Prospectus”). The Prospectus solicited investors for an IPO of 6,455,918 shares at a price of \$8.50 per share, including 955,918 shares being offered by selling shareholders, for net proceeds to the Company of approximately \$42.3 million.

36. The Registration Statement and Prospectus provided the Company’s financial results for the fiscal years ending June 30, 2007, 2008, and 2009, and limited financial information for the Company’s fiscal first quarter ending September 30, 2009. Significantly, the Consolidated

Financial Statements purported to reflect the income, operations, assets and financial status of the Three Subsidiaries and nothing else. Indeed, the Registration Statement and Prospectus stated: “The consolidated financial statements of Asian Financial, Inc. and subsidiaries (“the Company”) reflect the activities of Asian Financial, Inc., Duoyuan China — 100%, Langfang Duoyuan — 95.0%, and Hunan Duoyuan — 99.4%. All intercompany balances and transactions have been eliminated in consolidation.” The later quarterly results contain an identical statement save for the change in name from “Asian Financial, Inc.” to “Duoyuan Printing, Inc.”

37. Specifically, the Registration Statement and Prospectus reported Company revenues of \$67.3 million for the nine-month period ended December 31, 2007 and cash of \$7.8 million as of June 30, 2007; revenues of \$104.6 million for the calendar year ended December 31, 2008 and cash of \$14.2 million as of June 30, 2008; and revenues of \$76.9 million for the first three quarters of calendar year ended December 31, 2009 and cash of \$31 million as of June 30, 2009. These were false and misleading statements of material fact because they grossly overstated the Company’s revenue and cash.

38. Under a Section entitled, “Experts,” the Registration Statement and Prospectus explained that:

Our financial statements as of and for fiscal 2007, 2008 and 2009, included in this prospectus have been audited by Moore Stephens Wurth Frazer and Torbet, LLP, Certified Public Accountants, Brea, California, an independent registered public accounting firm, as stated in its reports appearing elsewhere in this prospectus. These financial statements have been so included in reliance upon the reports of this firm given upon their authority as experts in accounting and auditing.

39. Consistent with this assertion, the Registration Statement and Prospectus contained a report by Frazer (the “Auditor’s Report”), which stated that:

We have audited the accompanying consolidated balance sheets of Asian Financial, Inc. and subsidiaries as of June 30, 2009 and 2008, and the

related consolidated statements of income and other comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2009. Asian Financial, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. **We believe that our audits provide a reasonable basis for our opinion.**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asian Financial, Inc. and subsidiaries as of June 30, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

40. The Auditor's Report was false and misleading because Frazer's audit was not conducted in accordance with GAAS. The Auditor's Report was also false and misleading because Frazer knew or recklessly disregarded that the consolidated financial statements contained in the Registration Statement and the Prospectus grossly overstated revenue and cash and were not prepared in accordance with GAAP.

The Company's Subsequent 10-Qs

41. On November 16, 2009, the Company filed a quarterly report on Form 10-Q for the first quarter ended September 30, 2009 with the SEC, which was signed by Defendants Holbert and Suh. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Holbert and Suh, stating that the financial information contained in the 10-Q was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting.

42. In the 10-Q, the Company reported revenues of \$33.3 million for the quarter ended September 30, 2009. The Company also reported cash of \$42.4 million as of September 30, 2009.

43. On February 10, 2010, the Company issued a press release announcing its financial results for the second quarter ended December 31, 2009. The Company reported revenues of \$42.4 million for the quarter ended December 31, 2009. For the six months ended December 31, 2009, the Company reported revenues of \$75.7 million. The Company also reported cash of \$96.7 million as of December 31, 2009.

44. On February 11, 2010, the Company filed a quarterly report on Form 10-Q for the second quarter ended December 31, 2009 with the SEC, which was signed by Defendants Holbert and Suh. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Holbert and Suh, stating that the financial information contained in the 10-Q was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting. The 10-Q contained the same assertions about revenues and cash contained in the February 10, 2010 press release.

45. On May 10, 2010, the Company issued a press release announcing its financial results for the third quarter ended March 31, 2010. The Company reported revenues of \$23.4

million for the quarter ended March 31, 2010, compared to \$17.4 million for the same period the previous year. The Company also reported cash of \$91.2 million as of March 31, 2010.

46. On May 11, 2010, the Company filed a quarterly report on Form 10-Q for the third quarter ended March 31, 2010 with the SEC, which was signed by Defendants Holbert and Suh. In addition, pursuant to SOX, the Form 10-Q contained signed certifications by Defendants Holbert and Suh, stating that the financial information contained in the 10-Q was accurate, and that they disclosed any material changes to the Company's internal control over financial reporting. The 10-Q contained the same assertions about revenues and cash contained in the May 10, 2010 press release.

47. The aforementioned press releases and financial statements contained in the Form 10-Qs contained false and misleading statements of material fact because they grossly overstated the Company's revenue and cash. The Sox certifications contained in the Form 10-Qs were false and misleading for the same reasons.

THE COMPANY'S ACTUAL FINANCIAL CONDITION

48. The Company's purported financial results referenced above in ¶¶ 37 and 41-47 were materially false and/or misleading because they drastically overstated the Company's revenues and cash holdings during the relevant reporting periods. In fact, as evidenced by filings made by the Company to Chinese regulators and other considerations identified herein, the Company's revenue was overstated by 11,000 percent and its cash by over 20,000 percent.

The Three Subsidiaries' SAIC Filings

49. The SAIC is the Chinese government body that regulates industry and commerce in China. It is primarily responsible for business registrations, and it issues and renews business licenses and acts as the government supervisor of corporations. All Chinese companies are

required to 1) file audited financial statements with the Chinese government annually or bi-annually; and 2) file amendment to its business registration records whenever there is a change to its owners, business address, legal representative and board of directors and etc. within 15 or 30 days of such changes depending on character of its business.

50. From 2007 through present, the Company's financial statements submitted to the SAIC were prepared in accordance with an accounting methodology that is substantially similar to U.S. GAAP. More particularly, both methodologies apply similar rules with respect to the recognition and reporting of revenue and cash.

51. The financial statements filed by certain of Duoyuan Printing's subsidiaries in the PRC with the SAIC are required to be audited by Chinese CPA firms in conformance with Chinese GAAP.¹

52. Chinese GAAP is substantially the same as U.S. GAAP. In particular for revenue recognition for sales of goods, U.S. GAAP, Chinese GAAP and Duoyuan Printing's stated revenue recognitions policy are the same.

53. There are no significant differences between Chinese GAAP and U.S. GAAP with respect to revenue recognition. Authoritative bodies have specifically noted that there are no differences between U.S. GAAP and Chinese GAAP.

54. The Committee of European Securities Regulators, in a paper entitled CESR's advice on the equivalence of Chinese, Japanese and US GAAPs (2007), noted that there were no significant differences between US GAAP and International Financial Reporting Standards ("IFRS").² Pg. 25, at 2nd entry on page.

¹ For example, PRC law requires that Duoyuan Printing's subsidiaries must file audited financial reports with the SAIC.

² Available at <http://www.iasplus.com/europe/0712cesrequivalence.pdf>. Last checked on

55. There are no significant differences between IFRS and Chinese GAAP on revenue recognition. *Id.* at 35, 6th entry on page. Thus, transitively, there are no significant differences between U.S. GAAP or Chinese GAAP on revenue recognition.

56. The law firm K & L Gates LLP has represented to the SEC in an October 27, 2010 letter that: “The basic accounting principles and practice of Chinese GAAP are similar to US GAAP. There are no substantial differences between Chinese GAAP and U.S. GAAP.”³

57. Thus, there are no significant differences between U.S. GAAP and Chinese GAAP that can explain the differences in Duoyuan Printing’s SAIC financial statements and those it filed with the SEC.

58. Duoyuan Printing’s Prospectus describes its revenue recognition policy as follows:

We recognize revenue in accordance with Staff Accounting Bulletin No. 104, ‘Revenue Recognition’, which specifies that revenue is realized or realizable and earned when four criteria are met:

- persuasive evidence of an arrangement exists, such as sales contracts;
- product is shipped or services have been rendered;
- the price to the buyer is fixed or determinable; and
- collectability of payment is reasonably assured.

59. The Chinese accounting standard governing revenue recognition for Duoyuan Printing’s PRC subsidiaries, ASBE 14, is similar. It states:

Chapter II Revenue from Selling Goods

Article 4 No revenue from selling goods may be recognized unless the following conditions are met simultaneously:

- (1) The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise;
- (2) The enterprise retains neither continuing management involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (3) The relevant amount of revenue can be measured in a reliable way;

February 8, 2012.

³ Source:

<http://www.sec.gov/Archives/edgar/data/1423242/000114420410055856/filename1.htm>

- (4) The relevant economic benefits associated with the transaction will flow to the enterprise; and
- (5) The relevant costs incurred or to be incurred can be measured in a reliable way.

60. Accordingly, there are no significant differences between US GAAP and Chinese GAAP for recognizing revenue for the sale of goods in Duoyuan Printing's case.

61. Differences between U.S. GAAP and Chinese GAAP are not the cause of the huge differences in revenue and income between Duoyuan Printing's SEC filed financial statements and its SAIC financial statements.

62. Under PRC law, the penalties for filing false financial statements with the SAIC are severe, and can include fines and revocation of the entity's business license.⁴ This is a powerful deterrent because if an entity's business license is revoked, the People's Bank of China⁵ requires that all bank accounts of that entity be closed.⁶ Additionally, without a business license, the entity cannot legally conduct any business in the PRC. Thus, Duoyuan Printing had a strong incentive to file accurate annual reports with the SAIC because its business could be shut down if it was caught filing false financial statements. Reflecting their importance, SAIC filings must be signed by the legal representative of the entity submitting it. The legal representative must state "I confirm that the content of the submitted company's annual inspection report is true."

63. In addition to these sanctions, China's criminal code provides that a person convicted of financial fraud is punishable by death if the money involved is large and represents an especially heavy loss to the state and the people. To this end, *The Register* reported that the Chinese government recently executed a securities trader found guilty of embezzling \$9.5

⁴ "Measures for the Annual Inspection of Enterprises" issued in February 24, 2006, Article 20.

⁵ People's Bank of China in PRC is equivalent to the Federal Reserve in the U.S.

⁶ "Measures for the Administration of RMB Bank Settlement Accounts" issued in April 2003 (No.5 [2003]), Article 49.

million. *See China Executes Securities Trader Over \$9.52m Fraud, The Register* (Dec. 8, 2009), available at http://www.theregister.co.uk/2009/12/08/china_execution/.

64. Pursuant to Chinese law, the Three Subsidiaries filed financial statements for their fiscal years ending December 31, 2007, 2008 and 2009. As Duoyuan Printing has no operations outside of the Three Subsidiaries, the aggregate of the revenue of the Three Subsidiaries is the sole source of revenue for Duoyuan Printing. Thus, Duoyuan Printing's yearly revenue cannot be greater than the aggregate of the yearly revenue of the Three Subsidiaries. Moreover, as Duoyuan Printing has no source of cash and assets outside of the Three Subsidiaries, its yearly figures for cash cannot be higher than the aggregate of those of the Three Subsidiaries. This is all the more true (with respect to both revenue and cash figures) given that Duoyuan Printing reports in the U.S. on a consolidated basis, which eliminates intra-company transactions.

65. Given the importance to Chinese companies of SAIC submissions, all of the Defendants knew of (or recklessly ignored), and had access to, the Company's filings with the SAIC. Indeed, several of the Defendants personally signed or stamped the Company's SAIC submissions, as follows. Defendant Guo signed the SAIC filings made by Duoyuan China for each of its fiscal years ended December 31, 2007, 2008, and 2009. Defendant Diao signed the SAIC filing made by Langfang Duoyuan for its fiscal year ended December 31, 2008. Defendant Sun personally stamped the SAIC filing made by Hunan Printing for its fiscal year ended December 31, 2008. Sun signed the SAIC filing made by Hunan Printing for its fiscal years ended December 31, 2009. Sun was the legal representative of Hunan Printing in 2008 when Hunan Printing submitted the SAIC filing for its fiscal year ended December 31, 2007.

66. In or about February 2011, Plaintiffs' counsel initiated an on-the-ground investigation of Duoyuan Printing that included, but was not limited to, an effort to obtain translated copies of the relevant SAIC filings. In November 2011, Plaintiffs' counsel successfully obtained translated copies of all such filings. These SAIC filings reveal a financial picture that bears no resemblance to the one painted by the Defendants in their various SEC filings.

67. According to the Company's financial statements that were included in the Registration Statement and Prospectus, the Company generated \$67.3 million in revenue during the nine-month period that ended December 31, 2007. The aggregate of the revenue reported in each of the Three Subsidiaries' SAIC filings for the entire calendar year ended December 31, 2007, however, was only \$575,000.

68. Similarly, although the Company's financial statements that were included in the Registration Statement and Prospectus indicate that the Company had \$7.8 million in cash as of June 30, 2007, the aggregate cash reported by the Three Subsidiaries' SAIC filings as of December 31, 2007 was only \$8,000.

69. In its Registration Statement and Prospectus, the Company reported revenue for each of the four quarters that comprise the calendar year ended December 31, 2008, the aggregate of which was \$104.6 million. The aggregate of the revenue reported in each of the Three Subsidiaries' SAIC filings for calendar year ended December 31, 2008, however, was only \$817,000.

70. Similarly, although the Company's financial statements that were included in the Registration Statement and Prospectus indicate that the Company had \$14.2 million in cash as of

June 30, 2008, the aggregate of the cash reported in each of the Three Subsidiaries' SAIC filings as of December 31, 2008 was a mere \$31,000.

71. In its Registration Statement and Prospectus, the Company reported revenue for the first three quarters of calendar year ended December 31, 2009, the aggregate of which was \$76.9 million. The aggregate of the revenue reported in each of the Three Subsidiaries' SAIC filings for the entire calendar year ended December 31, 2009, however, was only \$398,000.

72. Similarly, although the Company's financial statements that were included in the Registration Statement and Prospectus indicate that the Company had \$31 million in cash as of June 30, 2009, the aggregate of the cash reported in each of the Three Subsidiaries' SAIC filings as of December 31, 2009 was only \$146,000.

73. In its Form 10-Q for the quarter ended September 30, 2009, the Company reported \$33.3 million in revenue. The aggregate of the revenue reported in each of the Three Subsidiaries' SAIC filings for the entire calendar year ended December 31, 2009, however, was only \$398,000.

74. Similarly, in its Form 10-Q for the quarter ended September 30, 2009, the Company reported \$42.4 million in cash. In contrast, the aggregate of the cash reported in each of the Three Subsidiaries' SAIC filings as of December 31, 2009 was only \$146,000.

75. In its Form 10-Q for the quarter ended December 31, 2009, and in its press release related thereto, the Company reported \$42.4 million in revenue for the quarter and \$75.7 million in revenue for the preceding six month period. The aggregate of the revenue reported in each of the Three Subsidiaries' SAIC filings for the entire calendar year ended December 31, 2009, however, was only \$398,000.

76. Similarly, in its Form 10-Q for the quarter ended December 31, 2009, the Company reported \$96.7 million in cash. In contrast, the aggregate of the cash reported in each of the Three Subsidiaries' SAIC filings as of December 31, 2009 was only \$146,000.

77. In its Form 10-Q for the quarter ended March 31, 2010, and in its press release related thereto, the Company reported revenue of \$23.4 million as compared to \$17.4 million (after adjustments) for the quarter ended March 31, 2009. As discussed above, the aggregate of the revenue reported in each of the Three Subsidiaries' SAIC filings for the entire calendar year ended December 31, 2009, however, was only \$398,000.

78. Similarly, the Company reported cash of \$91 million in its Form 10-Q for the quarter ended March 31, 2010. This is in sharp contrast to the aggregate of the cash reported in each of the Three Subsidiaries' SAIC filings as of December 31, 2009—just three months earlier—of only \$146,000.

The Underwriter Defendants' Misconduct

79. The Underwriter Defendants negotiated the initial public offering price of the Company's IPO shares. In addition, they solicited and sold those shares to investors. According to the Prospectus, the Underwriter Defendants offered the shares to the public at \$8.50 per share. Beyond that, the Prospectus discloses that: "The underwriters propose to offer the common shares to certain dealers at the same price less a concession of not more than \$0.357 per common share. The underwriters may allow, and the dealers may reallow, a concession of not more than \$0.10 per common share on sales to certain other brokers and dealers. After this offering, these figures may be changed by the underwriters." In addition, the Company "granted to the underwriters an option to purchase up to an additional 968,388 common shares from [it] at the same price to the public, and with the same underwriting discount, as set forth above."

80. The Company agreed to pay the Underwriter Defendants underwriting fees of between \$3.8 million and \$4.4 million—depending upon, and the extent of, the Underwriter Defendants’ exercise of the over-allotment option.

81. It is well understood within the investment banking and financial communities that the Underwriter Defendants’ role and duty was to ensure that all material information was included in the offering documents and that no material information was omitted that was needed to make the information provided therein not misleading.

82. The Underwriter Defendants had a duty to perform a reasonable and diligent investigation of the statements contained in the Registration Statement and Prospectus to ensure that those statements were true and that there were no omissions of material fact which rendered the statements therein materially false and misleading. Neither of the Underwriter Defendants made a reasonable investigation nor possessed reasonable grounds to believe that the statements contained in the Registration Statement and Prospectus were true and without omissions of any material facts and were not misleading.

83. The Underwriter Defendants, by putting their name on the Registration Statement and Prospectus, were communicating to investors that they had in fact undertaken a reasonable due diligence investigation and were making full disclosure of all material information in the Registration Statement and Prospectus. Indeed, without having performed a reasonable due diligence investigation of the issuer, it would not be possible to make full disclosure.

84. In the area of selling securities and performing reasonable due diligence, underwriters are often referred to as “gatekeepers.” The underwriter (investment bank) controls what information is in the registration Statement and prospectus and it controls the dissemination

of that information to potential investors. There is much literature that supports the premise of underwriters being “gatekeepers.” Indeed, even the SEC has observed that in enacting Section 11 of the Securities Act: “Congress recognized that underwriters occupied a *unique position* that enabled them to discover and compel disclosure of essential facts about the offering. Congress believed that subjecting underwriters to the liability provisions [of the Act] would provide the necessary incentive to ensure their *careful investigation* of the offering.” Regulation of Securities Offerings, SEC Release No. 7606A, 63 Fed. Reg. 67174, 67230, Dec. 4, 1998.

85. In other words, underwriters, such as the Underwriter Defendants, have ultimate control over the contents and dissemination of the disclosure documents, *i.e.* the Registration Statement and the Prospectus. An underwriter must make full disclosure *or* not underwrite an offering if full disclosure is not provided. The role and duties of the Underwriter Defendants, in underwriting the common stock of Duoyuan Printing, were no less than the above.

86. In Duoyuan Printing’s IPO, as discussed above, the Underwriter Defendants had ultimate control over the contents and dissemination of the Registration Statement and Prospectus. The two managing underwriters would be expected by investors to have participated in the drafting of the Registration Statement and Prospectus and to have provided appropriate disclosure of material information.

87. If an investment bank, based on its due diligence investigation of the issuer, believes that any of the information in the Registration Statement and Prospectus is false or misleading, or omits material information, it has the authority to change the information, or if others refuse to change the information, then it should not underwrite the offering. But, if the investment bank allows its name (names) to appear on the cover of the Registration Statement and Prospectus, then it is communicating to potential investors that it is satisfied, based on its

reasonable due diligence investigation, that the Registration Statement and the Prospectus are accurate and not misleading.

88. It is well accepted and understood in the investment banking and financial communities that a reasonable due diligence investigation refers to an affirmative duty to verify the accuracy of disclosure concerning securities offerings; it also refers to the thorough investigation that is expected as part of virtually every issuance of securities. This view regarding what is expected from a reasonable due diligence investigation is confirmed by many texts, e.g., (i) *Conducting Due Diligence 2002* and *Conducting Due Diligence 2005*, both published by the Practising Law Institute; (ii) *Due Diligence Periodic Reports and Securities Offerings*, annual editions each year 2004 through 2010, by Professor Robert J. Haft and Arthur J. Haft; Thomson West; and (iii) *Corporate Finance and the Securities Laws*, by Charles J. Johnson, Jr. and Joseph McLaughlin; Aspen Publishers, 2004. The due diligence responsibility is the primary responsibility of investment banks. Also, as stated previously, the SEC has stated that: “Congress recognized that underwriters occupied a unique position that enabled them to discover and compel disclosure of essential facts about the offering.”

89. In summary, within the investment banking industry, the “duty to disclose” material information is an absolute requirement. Indeed, one of the foundations of the investment banking and securities business is the premise of full disclosure — and full disclosure means both not making any misleading statements in setting forth material facts and also making sure that there are no omissions of material facts.

90. The due diligence process by an investment bank is generally rigorous and thorough, with professional skepticism to be applied. The due diligence process is not just a “ho-hum” exercise of accepting a company’s/management’s views or their auditor’s opinion at face

value. The due diligence process is in fact the opposite. The investment bank should act as a “devil’s advocate” by digging and probing within a company. The investment bank should cross examine participants by asking many questions; should obtain and analyze various information, including any business financial models and projections; and should follow-up with more work as appropriate, depending upon what is learned and what “red flags” surface, if any.

91. As Professor Robert J. Haft stated in his previously mentioned text: “The underwriter should look upon due diligence primarily as an attempt to find ‘red flags’ which indicate potential danger. To assist in this search, the underwriter should not hesitate to utilize experts [and attorneys] whenever it feels that neither the corporate finance department nor the firm at large has the expertise necessary to analyze a fundamentally important aspect of a company’s business. The underwriter should be prepared to pay whatever is reasonably necessary for expert advice, recognizing that in the final analysis it may well save money.” (Page 13 of the 2004-2005 text).

92. Specifically, the Underwriter Defendants failed to obtain and review Duoyuan Printing’s subsidiaries’ audited financial statements filed with the SAIC, and were therefore negligent in not failing to do so.

93. If the Underwriter Defendants did consult Duoyuan Printing’s subsidiaries’ audited financial statements filed with the SAIC, then they were negligent in failing to detect the discrepancies between the SAIC and SEC filings.

The Auditor’s Misconduct

94. Frazer’s audit report was false and misleading. It falsely asserted that Frazer had conducted an audit “in accordance with the standards of the Public Company Accounting Oversight Board (United States)” and that “the consolidated financial statements referred to

above present fairly, in all material respects, the consolidated financial position of Asian Financial, Inc. and subsidiaries as of June 30, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.”

95. Frazer knew that its audit report of Duoyuan Printing’s annual financial results would be disseminated in the Registration Statement and Prospectus, that it would be used in trade and commerce in the United States, and that it would be relied upon by investors. Frazer also knew (or recklessly ignored the fact) that its audit report was false and misleading

96. Generally Accepted Auditing Standards (“GAAS”) are those standards adopted by the Public Company Accounting Oversight Board (the “PCAOB”) to govern professional practice standards for registered public accounting firms to follow in the preparation and issuance of audit reports. The PCAOB has authority to adopt these standards pursuant to the Sarbanes-Oxley Act of 2002.

97. GAAS require that when planning the audit, an auditor such as Frazer should perform analytical procedures including “identify[ing] such things as the existence of unusual transactions and events, and amounts, ratios and trends that might indicate matters that have financial statement and audit planning ramifications.” AU 329.06.⁷ An auditor is also required to understand its client’s industry and business and to be knowledgeable about matters that relate to the nature of the entity’s business, including “matters, such as accounting practices common to the industry, competitive conditions, and, if available, financial trends and ratios.” AU 311.07.

98. GAAS also require that auditors plan and perform their audits to obtain reasonable assurance that the financial statements subject to audit are free of material misstatement, whether

⁷ “AU” and “AS” refer to generally accepted auditing standards currently promulgated by the PCAOB.

caused by error or fraud. AU 230. “Although fraud usually is concealed and management’s intent is difficult to determine, the presence of certain conditions may suggest to the auditor the possibility that fraud may exist. For example, an important contract may be missing . . . or the results of an analytical procedure performed during the audit may not be consistent with expectations.” AU 316.11.

99. During its audits, Frazer failed to perform adequate analytical procedures required by GAAS. Had Frazer understood Duoyuan Printing’s business and industry and performed the analytical procedures required by GAAS, it would have identified a myriad of considerations, which should have elevated Frazer’s risk assessments and resulted in additional procedures with heightened skepticism that would have, in turn, resulted in discovery of the true facts.

100. Frazer failed to adequately confirm representations of Duoyuan Printing’s management, for example. In this regard, Frazer ignored the fact that:

- i) Duoyuan Printing’s subsidiaries’ official filings with the SAIC, to which Frazer had access, showed that Duoyuan Printing made a tiny fraction of the revenue it stated it made in the IPO Materials, and had a tiny fraction of the cash it stated it had in the IPO Materials. Frazer should have reviewed the SAIC filings; and
- ii) Frazer failed to properly and reliably confirm Duoyuan Printing’s cash balances at banks. Frazer violated GAAS by failing to obtain sufficient evidence to support its opinion. AS 15 ¶ 3.

101. AS No. 15 ¶ 10 provides that “[w]hen using information produced by the company as audit evidence, the auditor should [...] [t]est the accuracy and completeness of the information.” Frazer could not have tested the accuracy and completeness of the information provided by management in Frazer’s audits. Otherwise, Frazer would have uncovered the discrepancies between the revenue and cash reported in Three Subsidiaries’ SAIC filings and the Company’s revenue and cash figures asserted in the IPO Materials.

102. AS No. 15 ¶ 22 requires auditors adequately to test a company's representations by direct confirmations. For example, in testing whether a company accurately reports its sales to customers, the auditor should directly confirm sales with these customers. AS No. 15 ¶ 22 provides three methods by which auditors can select the particular set or subset of transactions to verify. An auditor may test every item, certain specific items, or a sample of items.

103. Frazer did not obtain sufficient evidential matter to support its audit opinion regarding the financial statements. As Duoyuan Printing had only a small fraction of the revenue and cash it claimed in its SEC filings, even if Frazer determined that it need test only a sample—the smallest possible set—of customers, suppliers, and bank balances, a competent audit would have uncovered evidence that sales that Duoyuan Printing claimed occurred never took place, that suppliers never sold Duoyuan Printing goods, and that bank balances were fabricated.

104. AS No. 12 ¶ 9 requires the auditor to “obtain an understanding of relevant industry, regulatory, and other external factors [...] including the legal and political environment.” AS No. 12 ¶ 11 provides that “the auditor should consider [...] [r]eading public information about the company relevant to the likelihood of material financial statement misstatements.”

105. Frazer did not consult, and was therefore negligent in not consulting, Duoyuan Printing's subsidiaries' audited financial statements filed with the SAIC.

106. If Frazer did consult Duoyuan Printing's subsidiaries' audited financial statements filed with the SAIC, it was negligent in failing to detect the discrepancies between the SAIC and SEC filings.

107. AS No. 12 ¶ 65 provides that “the auditor should evaluate whether the information gathered from the risk assessment procedures indicates that one or more fraud risk factors are

present and should be taken into account [...] Fraud risk includes (1) an incentive or pressure to perpetrate fraud, (2) an opportunity to carry out the fraud.”

108. AU 316.85 A.2 states that auditors should consider fraud risk where “[s]ignificant operations [are] located or conducted across international borders in jurisdictions where differing business environments and cultures exist.” Here, because all of the Company’s operations are located in China, GAAS required Frazer to be particularly diligent in auditing the Company’s financial statements. Frazer violated this requirement, however.

109. AU No. 15 ¶ 29 provides that “[i]f audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, the auditor should perform the audit procedures necessary to resolve the matter.”

110. Frazer never conducted the audit work necessary to resolve the discrepancy between Duoyuan Printing’s subsidiaries’ SAIC filings and its SEC filings, or the discrepancy that would have been revealed had Frazer consulted with a significant proportion of Duoyuan Printing’s purported customers.

**ADDITIONAL FACTORS DEMONSTRATE THE SEVERITY OF AND
DAMAGES CAUSED BY DEFENDANTS’ FRAUD**

111. On March 3, 2010, the Company announced that it had dismissed Frazer and had retained Deloitte as its independent auditor.

112. Only six months later, however, on September 13, 2010, in a press release and Form 8-K filed with the SEC, the Company announced that it had dismissed Deloitte and that it had reorganized Duoyuan Printing’s top management in connection with the Company’s “desire to resolve open issues and file our 10-K on a timely basis.” In the Form 8-K, the Company disclosed, in relevant part, the following:

During the period from March 2, 2010 to September 6, 2010, there were no disagreements between the Company and Deloitte on matters of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte, would have caused Deloitte to make reference to the subject matter of the disagreement in their reports on the financial statements, except for the following:

- Deloitte requested that the Company provide permission to access original bank statements to complete its audit procedures to verify the identity of certain individuals and entities associated with third party distributors and vendors. As of the time of Deloitte's dismissal, the Company had not granted such permission because it believed the method and scope of the request was overly broad for the purpose of verifying the identity of such individuals and entities. Deloitte informed the Chairman of the Audit Committee of such disagreement and the matter was not resolved by the time of Deloitte's dismissal.

During the period from March 2, 2010 to September 6, 2010, there were no "reportable events" as that term is defined in Item 304(a)(1)(v) of Regulation S-K, except the following:

- In the course of its audit procedures, Deloitte identified supporting documentation for approximately RMB24 million of expenses related to advertising and tradeshow costs, the authenticity of which could not be verified to Deloitte's satisfaction. Deloitte suggested to the Audit Committee that it investigate these expenses. The Audit Committee has undertaken an independent investigation. At the time of its dismissal, Deloitte had not received subsequent information from the Audit Committee on the progress or outcome of the investigation.
- In the course of its audit procedures, Deloitte received information regarding certain distributors and vendors that appeared inconsistent with certain information that the Company had provided. Deloitte informed the Company and the Audit Committee of the inconsistencies. The Company worked to address these inconsistencies, but at the time of its dismissal, Deloitte had not received complete explanations from the Company to address all of its concerns.

- Deloitte advised the Audit Committee that it was informed by the Chief Executive Officer and Chief Financial Officer of the Company that they felt they did not have access to the information on the open matters referred to above nor were they in a position to assist the investigation. Deloitte expressed its concerns as to the impact of this on its ability to rely on the future representations from those members of management that it would otherwise seek to obtain as part of its normal audit procedures.

113. Following the dismissal of Deloitte, Defendants Holbert and Suh resigned as the CEO and the CFO, respectively. The Company further disclosed that four of its directors resigned from the Board: Defendant Zhang, Defendant Diao, Paula Dobriansky, and Naoko Hatakeyama.

114. In the Form 8-K, the Company disclosed that Defendant Zhang, who was the Chairman of the Audit Committee and the Company's Independent Director resigned "over the disagreement with the Company and the Board for dismissing Deloitte." In his resignation letter, Defendant Zhang stated that Deloitte expressed "concerns to the Audit Committee over several financial irregularities and management control weakness."

115. Dobriansky's resignation letter stated, in relevant part, the following:

During the September 6 Board telephone call regarding the ongoing audit of Duoyuan Printing, I indicated my position that the company should address all allegations directly and expeditiously. This would require providing the necessary information solicited and continued usage of the same firm conducting the current audit. As I state, not to stay the course in the middle of this investigation is quite problematic.

As a board member who believes that transparency is essential to the fabric of any company, I expressed concern about this particular matter and would have liked to have seen an immediate resolution. Not to do so, I believe, impacts on the company's fundamental corporate governance. This is a troubling circumstance for me. Unfortunately, given the outcome of the recent phone call, I do not find that my board participation in Duoyuan Printing can continue.

116. The 8-K further stated that Defendants Diao and Sun were appointed CEO and CFO. Wenzhong Liu, Vice President of Sales and Marketing, was appointed Chief Operating Officer. Defendant Cai was appointed Chairman of the Audit Committee.

117. The result of these revelations was dramatic. The Company's stock price declined \$3.60 per share, or more than 54%, to close at \$2.99 per share on September 13, 2010.

118. The fallout continued, with the Company's stock price declining an additional \$0.58 per share, or almost 19%, to close at \$2.49 on September 15, 2010.

119. On September 27, 2010, in an 8-K filed with the SEC, the Company announced that effective September 26, 2010, the Company's board of directors had appointed Mr. Sik Siu Kwan as an independent director to serve on the Board and a member of the Company's Audit Committee until his successor was duly elected and qualified or until his earlier death, resignation or removal.

120. On September 28, 2010, the Company announced that it could not timely file its Form 10-K for the fiscal year ending June 30, 2010 because it had dismissed Deloitte, that its Audit Committee was conducting an internal investigation as to certain issues raised by Deloitte, and that the Company was in the process of engaging another accounting firm to serve as its independent registered public accounting firm.

121. The Company issued an almost identical announcement on November 16, 2010 with respect to its inability to timely file its Form 10-Q for the quarter ended September 30, 2010.

122. In or about November 2010, shortly after initiating this litigation, counsel for Plaintiffs were contacted by a confidential informant who identified itself as a former "partner" of Duoyuan Global and Duoyuan Printing, who had personally toured the Company's premises

and spoken with employees. During the conversation, it became clear that the informant was a supplier of construction materials to Duoyuan Global and Duoyuan Printing.

123. The informant explained that it had personally been to the factories for both Duoyuan Global and Duoyuan Printing and had spoken with many of the workers there. Based on these contacts, the informant stated that the companies “make nothing,” “do nothing,” and have few if any products. Moreover, the informant explained that the Company’s factories were extremely understaffed and that there were fewer than ten workers per factory.

124. When asked how the companies make money if they “make nothing,” the informant responded that “it must be from the stock market.” The informant stated that when business people from outside the companies were shown the factories, workers from other “sister companies and support staff were brought in to make it appear that more people worked at the factories.” The informant explained that the Company was completely controlled by Duoyuan Printing Chairman Guo and that he “decided everything.” It further explained that Guo had recently pushed all of the “foreigners” who worked at the Company out of their executive positions and replaced them with Chinese executives whom Guo could control.

125. On February 16, 2011, the Company announced that it was unable to timely file its Form 10-Q for the quarter ended December 31, 2010 for the same reason it could not file the prior quarterly reports. This announcement also revealed that the Company’s Audit Committee of the Board of Directors had engaged Baker to conduct an investigation as to certain issues raised by Deloitte and that, after such investigation was complete, the Company intended to engage another accounting firm to serve as its independent registered public accounting firm.

126. On March 18, 2011, the Company filed a Form 8-K with the SEC to provide an “update . . . following a chain of events beginning on September 6, 2010, when the Company’s

Audit Committee dismissed Deloitte” In this update, the Company disclosed, in relevant part, the following:

In November 2010, the staff of the U.S. Securities and Exchange Commission (“SEC”) notified the Company that, on October 7, 2010, the SEC initiated a formal investigation into whether the Company had engaged in fraud in the sale of securities, had filed materially false documents with the SEC, had failed to maintain adequate books and records, and had failed to maintain an adequate system of internal accounting controls, and whether the Company’s principal officers had made false certifications regarding the Company’s financial statements, and had engaged in deceit in dealings with the Company’s external auditor. On November 10, 2010, the SEC served the Company a subpoena for documents relating to the Company’s termination of Deloitte, the Company’s revenues and costs generally, and the Company’s relationship with Duoyuan Global Water, Inc.

In late November, 2010, the Company retained Baker & McKenzie to conduct an internal investigation into the matters relating to the Company’s termination of Deloitte, the matters raised by [this class action lawsuit], and the matters raised by the SEC investigation. Soon thereafter, Baker retained PricewaterhouseCoopers Ltd. (“PwC”) as a forensic consultant to assist in the internal investigation. . . . Substantial progress has been made, but the investigation is not complete. Without a substantially completed internal investigation, the Company is unable to retain a new external auditor. At the time of the dismissal of Deloitte, the Company was in discussion with an auditing firm to replace Deloitte. That auditing firm and others have indicated to the Company that they would not accept an appointment as the Company’s auditor until the internal investigation is substantially completed and comfort on the outstanding issues is offered.

The Company last filed an Annual Report on Form 10-K for the fiscal year ended June 30, 2009 and a Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. . . . Accordingly, the Company is not in compliance with its obligations to timely file reports for transition periods pursuant to Rule 13a-10 of the Securities Exchange Act of 1934. According to Section 802.01E of the New York Stock Exchange Listed Company Manual (the “Listed Company Manual”), the Company has an initial six-month period following the Filing Due Date to comply with the filing requirements subject to the NYSE monitoring the status of the Company’s filing. On April 13, 2011 this initial six-month period is to expire. The Company does not expect to be able to meet this initial time requirement and the Company will need to formally request to the NYSE for an additional trading extension well in advance of that date. The Company intends to formally request such a trading extension. There is

no guarantee that any additional trading extension will be granted by the NYSE and the NYSE may decide to commence suspension and delisting procedures of the Company at any time

127. In reaction to this news, on that day, the Company's stock price declined \$0.48 per share, or more than 23%, to close at \$1.59 per share.

128. Seeking Alpha, a website that provides investment-related information and has been named the "Most Informative Website" by Kiplinger's Magazine and has received Forbes' "Best of the Web" award, published a report on the Company on March 24, 2011. In it, Seeking Alpha explained that it had conducted a "comprehensive analysis of public information and extensive on-the-ground due diligence" and that it had "no positions in [the Company]," no "plans to initiate any positions within the next 72 hours," no "interest or investments in" the Company's stock, and that it has "strict rules for staff with regard to holdings and trading to ensure their impartiality." Thereafter, it recommended that "investors steer clear of Duoyuan Printing due to poor corporate governance and suspect revenue data."

129. With respect to the Company's poor corporate governance, the report noted the dismissal of Deloitte and the resignations of the Company's CEO, CFO and three independent directors. It then explained that Deloitte's dismissal occurred a month after Deloitte sought clarification of "\$4 million in expenses related to advertising and trade show costs." It went on to note that Deloitte was following up on information it received regarding certain distributors and vendors that appeared inconsistent with material provided by the Company and that the Company had refused to act in accord with Deloitte's investigation of this issue. The report explained that although this \$4 million discrepancy was a small fraction of the Company's cash balance and could have been easily reclassified as a non-tax-deductible expense, "this didn't happen, which prompts fears that the money might have been used for another purpose—one that Duoyuan management was unable to justify to Deloitte."

130. With respect to the Company's suspect revenue data, the report explained that Seeking Alpha had spoken with several of the Company's competitors and industry professionals (the names of which Seeking Alpha provided) and that the Company "doesn't appear to be as popular or reputable as it makes out" and that "no one that our research team spoke to regarded Duoyuan as a major player in the domestic market." The report went on to explain that:

Based on reported 2009 sales revenue of \$106 million, Duoyuan should be the second-largest offset printing equipment manufacturer in China. Yet Duoyuan doesn't feature in the top 10 list published by the Printing Equipment Industries Association of China (PEIAC), the only authoritative information platform for the segment. A PEIAC spokeswoman said that Duoyuan refused to join the association or reveal any information.

Furthermore, Duoyuan's stated revenues from multicolor large-format printing presses go against the grain of a segment that is by all accounts dominated by international companies. According to the company's annual reports, sales of large-format multicolor presses accounted for 46.7%, 52% and 51.2% of total revenue in 2007, 2008 and 2009, respectively. The Beijing-based marketing manager (name to be disclosed here) at Heidelberg (HEI.FWB), one of Duoyuan's major international competitors, noted that her company sold around 30 large-format multicolor presses globally each year, each at a price of about \$1 million. On this basis, the \$55 million in revenue Duoyuan claims to have generated from this segment is hard to believe.

Our research team tried to contact Sun Baiyun, CFO of Duoyuan, but was told she was on sick leave and it was unclear when she would return. The investor relations department refused to comment on the expenses issue.

131. On the day Seeking Alpha's report was published, the Company's stock price reacted by declining \$0.09 per share to close at \$1.64 per share.

132. On March 28, 2011, after the close of trading, NYSE Regulation, Inc. issued a press release announcing that it had determined that the common stock of the Company would be suspended prior to the opening on April 4, 2011. This was in view of the fact that the Company

was a late filer and was under review by NYSE Regulation due to its fail to timely file its June 30, 2010 Form 10-K and its fiscal 2011 Form 10-Q filings.

133. On March 29, 2011, in reaction to this news, the Company's stock price declined \$0.41 per share, or more than 25%, to close at \$1.19 per share.

134. The fallout continued the next day, with the Company's stock price declining an additional \$0.16 per share, or almost 14%, to close at \$1.03 per share on March 30, 2011.

135. On April 4, 2011 the Company's common stock began trading on the over-the-counter market under the trading symbol "DYNP," quoted through the facilities of the OTC Markets Group, Inc.

136. On May 31, 2011, the Company received a notice from NYSE Regulation, Inc. providing additional reasons as to why the Company was no longer suitable for continued listing, among which were: (i) the Company and/or its management has engaged in operations which, in the opinion of the NYSE, are contrary to the public interest and make further dealings or listing of the Company's common stock on the NYSE inadvisable or unwarranted, which are based on the circumstances under which the Company (a) terminated Deloitte after it identified questionable activity and reported difficulty obtaining information and documentation necessary to complete its audit, (b) disregarded the opinions of the Company's former independent directors with respect to terminating Deloitte, (c) has yet to have retained an independent auditor and has not presented any evidence to NYSE Regulation, Inc. that it will be able to retain one at any time in the near future, and (d) experienced the resignations of its Chief Financial Officer and two independent directors (including the chair of the Audit Committee); and (ii) the Company has failed to provide support for its \$50 million stockholders' equity calculation, leading NYSE Regulation to determine that the

Company has failed to observe good accounting practices in reporting its earnings and financial position.

137. On June 17, 2011 the Company filed a Form 8-K with the SEC stating that on June 13, 2011, Sik Siu Kwan notified the Board of Directors that, effective immediately, he would be resigning as an independent non-executive director of the Board and member of the Audit Committee.

138. On September 30, 2011 the Company filed a Form 8-K with the SEC stating that the NYSE Regulation, Inc. Board of Directors' Committee for Review rejected the Company's appeal of the decision of the staff of NYSE Regulation, Inc. to delist the Company.

139. On May 16, 2011 the Company filed Form 12B-25 with the SEC stating that the internal investigation for which it had retained Baker was still not substantially completed, and that for that reason the Company was still unable to retain a new independent auditor.

140. Duoyuan Printing, to this day, has yet to file its Form 10-K for the fiscal year ended June 30, 2010. As of February 15, 2012, the Company's stock price closed at \$0.25 per share.

CLASS ACTION ALLEGATIONS

141. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who: (1) purchased or otherwise acquired the securities of Duoyuan Printing pursuant and/or traceable to the Company's Registration Statement and Prospectus issued in connection with the Company's IPO; or (2) purchased or otherwise acquired Duoyuan Printing securities from November 6, 2009 to March 28, 2011, both dates inclusive (the "Class Period"). Excluded from the Class are the Defendants herein, the officers and directors of the Company during the Class Period, members

of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which Defendants have or had a controlling interest.

142. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Duoyuan Printing securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiffs at this time and can be ascertained only through appropriate discovery, Plaintiffs believe that there are thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Duoyuan Printing or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

143. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

144. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

145. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the Company and its business, operations and management;
- whether the Individual Defendants caused Duoyuan Printing to issue false and misleading financial statements during the Class Period;

- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Duoyuan Printing securities during the Class Period were artificially inflated because of Defendants' conduct complained of herein; and
- the extent to which the members of the Class have sustained damages, and the proper measure of damages.

146. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

147. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Duoyuan Printing securities were traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiffs and members of the Class purchased and/or sold Duoyuan Printing securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

148. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

CLAIMS FOR RELIEF

COUNT I

**(Against the Company, Guo, Suh, and Holbert for Violation of
Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder)**

149. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

150. This Count is asserted against the Company, Guo, Suh, and Holbert and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

151. During the Class Period, the Defendants named in this Count engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiffs and the other members of the Class; made various 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 employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Duoyuan Printing securities; and (iii) cause Plaintiffs and other members of the Class to purchase Duoyuan Printing securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, the Defendants named in this Count took the actions set forth herein.

152. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants named in this Count made statements identified above in the Registration Statement, Prospectus, SEC quarterly filings, and/or press releases that were materially false and

misleading in that they failed to disclose material adverse information and misrepresented the truth about Duoyuan Printing's finances and business prospects.

153. As the senior managers and/or directors of Duoyuan Printing, Guo, Suh, and Holbert had knowledge of the details of Duoyuan Printing's internal affairs. By virtue of their positions in the Company, and the other facts alleged above, the Defendants named in this Count had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiffs and the other members of the Class; or, in the alternative, the Defendants named in this Count acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to them. Said acts and omissions of the Defendants named in this Count were committed knowingly or with reckless disregard for the truth. In addition, each of the Defendants named in this Count knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

154. Additional information showing that the Defendants named in this Count acted knowingly or with reckless disregard for the truth is peculiarly within their knowledge and control.

155. Guo, Suh, and Holbert are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, Guo, Suh, and Holbert were able to and did, directly or indirectly, control the content of the statements of Duoyuan Printing. As officers and/or directors of a publicly-held company, Guo, Suh, and Holbert had a duty to disseminate timely, accurate, and truthful information with respect to Duoyuan Printing's businesses, operations, future financial condition and future prospects.

156. During the Class Period, Duoyuan Printing securities were traded on an active and efficient market. Plaintiffs and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants named in this Count made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of Duoyuan Printing securities at prices artificially inflated by the wrongful conduct of the Defendants named in this Count. Had Plaintiffs and the other members of the Class known the truth, they would not have purchased said securities, or would not have purchased them at the inflated prices that were paid. At the time of the purchases by Plaintiffs and the Class, the true value of Duoyuan Printing securities was substantially lower than the prices paid by Plaintiffs and the other members of the Class. The market price of Duoyuan Printing securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiffs and Class members.

157. By reason of the conduct alleged herein, the Defendants named in this Count knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

158. As a direct and proximate result of the wrongful conduct of the Defendants named in this Count, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

159. This action was filed within two years of discovery of the fraud and within five years of Plaintiffs' purchases of securities giving rise to the cause of action.

COUNT II

**(Against Frazer for Violation of Section 10(b) of the Exchange Act and
Rule 10b-5 Promulgated Thereunder)**

160. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

161. This Count is asserted against Defendant Frazer and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

162. Defendant Frazer served as the Company's independent auditor. In that capacity, it performed audits of the Company's books, records, and financial statements for the years 2007, 2008, and 2009. Following such audits, Defendant Frazer issued opinion letters stating that the Company's financial statements had been conducted in conformance with GAAS and that the statements conformed with GAAP.

163. Such statements were false and misleading for the reasons set forth in paragraphs 94-110.

164. As Duoyuan Printing's Auditor, Frazer had full access to the Company's books, records and personnel, and knew, or recklessly disregarded, among other things, the fact that Duoyuan Printing's subsidiaries' official filings with the SAIC showed that Duoyuan Printing made a tiny fraction of the revenue it stated it made in the Prospectus, and had a tiny fraction of the cash it stated it had in the Prospectus.

165. By reason of the conduct alleged herein, Frazer knowingly or recklessly, directly or indirectly, has violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

166. As a direct and proximate result of Frazer's wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

167. This action was filed within two years of discovery of the fraud and within five years of Plaintiffs' purchases of securities giving rise to the cause of action.

COUNT III

(Against the Individual Defendants for Violation of Section 20(a) of the Exchange Act)

168. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

169. During the Class Period, the Individual Defendants participated in the operation and management of Duoyuan Printing, and conducted and participated, directly and indirectly, in the conduct of Duoyuan Printing's business affairs. Because of their senior positions, they knew the adverse non-public information about Duoyuan Printing's false financial statements.

170. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Duoyuan Printing's financial condition and results of operations, and to promptly correct any public statements issued by Duoyuan Printing which had become materially false or misleading.

171. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Duoyuan Printing disseminated in the marketplace during the Class Period concerning Duoyuan Printing's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Duoyuan Printing to

engage in the wrongful acts complained of herein. The Individual Defendants were therefore “controlling persons” of Duoyuan Printing within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Duoyuan Printing securities.

172. Each of the Individual Defendants, therefore, acted as a controlling person of Duoyuan Printing. By reason of their senior management positions and/or being directors of Duoyuan Printing, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause Duoyuan Printing to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Duoyuan Printing and possessed the power to control the specific activities which comprise the primary violations about which Plaintiffs and the other members of the Class complain.

173. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Duoyuan Printing.

174. This action was filed within two years of discovery of the fraud and within five years of Plaintiffs’ purchases of securities giving rise to the cause of action.

COUNT IV

(Against All Defendants Except Baiyun Sun For Violations of Section 11 of the Securities Act)

175. Plaintiffs repeat and reallege each and every allegation contained above, except for any allegations of fraud, recklessness or intentional misconduct. As this cause of action is based expressly on claims of strict liability and/or negligence under the Securities Act, for purposes of this Count IV, Plaintiffs expressly disclaim and exclude any allegations that could be construed

as alleging fraud or intentional or reckless misconduct, including but not limited to those allegations in paragraphs 122-124.

176. This Section 11 claim is asserted against all Defendants except for Baiyun Sun.

177. This claim is brought by Plaintiffs on their own behalf and on behalf of other members of the Class who acquired Duoyuan Printing stock in and/or pursuant to or traceable to the Company's IPO. Each Class member acquired his, her, or its shares pursuant to and/or traceable to, and in reliance on, the Registration Statement. Duoyuan Printing is the issuer of the securities via the Registration Statement.

178. The Individual Defendants, except for Baiyun Sun, all signed the Registration Statement.

179. Defendants Piper Jaffray and Roth were underwriters of the IPO and were named and discussed as such in the Registration Statement.

180. Defendant Frazer was Duoyuan Printing's certified independent public accountant at the time of the IPO; audited the Company's Consolidated Financial Statements for fiscal years 2009, 2008, and 2007, which were contained in the Registration Statement; and issued a report included in the Registration Statement, the veracity of said report being based on the authority of Frazer as experts in accounting and auditing.

181. Each of the Defendants named in this Count owed to the purchasers of the stock obtained via the Registration Statement the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement at the time they became effective to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading.

182. None of the Defendants named in this Count made a reasonable investigation or possessed reasonable grounds for the belief that the challenged statements they made (identified above) contained in the Registration Statement were true or that there was no omission of material facts necessary to make the statements made therein not misleading.

183. Defendants named in this Count issued and disseminated, caused to be issued and disseminated, and participated in the issuance and dissemination of, material misstatements to the investing public that were contained in the Registration Statement, which misrepresented or failed to disclose, among other things, the challenged facts set forth above. By reason of the conduct alleged herein, each Defendant named in this Count violated and/or controlled a person who violated Section 11 of the Securities Act.

184. Duoyuan Printing is the issuer of the stock sold via the Registration Statement. As the issuer, the Company is strictly liable to Plaintiffs and the Class for the material misstatements and omissions therein.

185. At the times they purchased their shares of Duoyuan Printing, Plaintiffs and members of the Class did so without knowledge of the true facts concerning the misstatements and omissions alleged herein.

186. Duoyuan Printing has not issued an earnings statement covering a period of at least twelve months beginning after the effective date of the IPO.

187. This claim was brought within one year after Plaintiffs discovered or reasonably could have discovered the untrue statements and omissions in the Registration Statement that should have been made and/or corrected through the exercise of reasonable diligence, and within three years of the effective date of the Registration Statement.

188. By virtue of the foregoing, Plaintiffs and the other members of the Class are entitled to damages under Section 11 as measured by the provisions of Section 11(e), from the Defendants named in this Count, and each of them, jointly and severally.

COUNT V

**(Against All Defendants Except Baiyun Sun
for Violation of Section 12(a)(2) of the Securities Act)**

189. Plaintiffs repeat and reallege each and every allegation contained above, except for any allegations of fraud, recklessness or intentional misconduct. As this cause of action is based expressly on claims of strict liability and/or negligence under the Securities Act, for purposes of this Count V, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, including but not limited to those allegations in paragraphs 122-124.

190. Defendants named in this Count were sellers, offerors, underwriters and/or solicitors of sales of the Duoyuan Printing securities offering pursuant to the Prospectus.

191. The Prospectus contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. The actions of solicitation by Defendants named in this Count included participating in the preparation of the false and misleading Prospectus.

192. Defendants named in this Count owed, to the purchasers of Duoyuan Printing securities which were sold in the Company's IPO, the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus, to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. The Defendants named in this Count knew of, or

in the exercise of reasonable care should have known of, the misstatements and omissions contained in the Prospectus as set forth above.

193. Plaintiffs and other members of the Class purchased or otherwise acquired Duoyuan Printing securities pursuant to and traceable to the defective Prospectus. Plaintiffs did not know, and in the exercise of reasonable diligence could not have known, of the untruths and omissions.

194. Plaintiffs, individually and representatively, hereby offer to tender to the Defendants named in this Count those securities which Plaintiffs and other Class members continue to own, on behalf of all members of the Class who continue to own such securities, in return for the considerations paid for those securities, together with interest thereon.

195. By reason of the conduct alleged herein, the Defendants named in this Count violated, and/or controlled a person who violated, section 12(a)(2) of the Securities Act. Accordingly, Plaintiffs and members of the Class who hold Duoyuan Printing securities purchased pursuant and/or traceable to the IPO have the right to rescind and recover the consideration paid for their Duoyuan Printing securities and, hereby elect to rescind and tender their Duoyuan Printing securities to the Defendants named in this Count. Plaintiffs and Class members who have sold their Duoyuan Printing securities are entitled to rescissionary damages.

196. This claim was brought within one year after Plaintiffs discovered or reasonably could have discovered the untrue statements and omissions in the Registration Statement that should have been made and/or corrected through the exercise of reasonable diligence, and within three years of the effective date of the Registration Statement.

COUNT VI

**Violation of Section 15 of the Securities Act
Against the Individual Defendants**

197. Plaintiffs repeat and reallege each and every allegation contained above, excluding all allegations that contain facts necessary to prove any elements not required to state a Section 15 claim, including without limitation, scienter.

198. This count is asserted against the Individual Defendants and is based upon Section 15 of the Securities Act.

199. The Individual Defendants, by virtue of their offices, directorships and specific acts were, at the time of the wrongs alleged herein and as set forth herein, controlling persons of Duoyuan Printing within the meaning of Section 15 of the Securities Act during the relevant time period. The Individual Defendants had the power and influence and exercised the same to cause Duoyuan Printing to engage in the acts described herein. Each of the Individual Defendants was in a position to control and did in fact control Duoyuan Printing and the issuance of the false and misleading statements and omissions contained in the Registration Statement and Prospectus.

200. The Individual Defendants did not make a reasonable investigation and did not possess reasonable grounds for the belief that the statements contained in the Registration Statement and Prospectus were accurate and complete in all material respects. Had they exercised reasonable care, they would have known of the material misstatements and omissions alleged herein.

201. This claim was brought within one year after Plaintiffs discovered or reasonably could have discovered the untrue statements and omissions in the Registration Statement that should have been made and/or corrected through the exercise of reasonable diligence, and within three years of the effective date of the Registration Statement.

202. By virtue of the conduct alleged herein, the Individual Defendants are jointly and severally liable for the aforesaid wrongful conduct and are liable to Plaintiffs and the Class for damages suffered.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiffs as the Class representatives and designating Plaintiffs' counsel as Class counsel;
- B. Awarding damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Plaintiffs and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as the Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiffs hereby demand trial by jury of all issues that may be so tried.

Dated: February 16, 2012

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Counsel for Plaintiffs and the Class

CERTIFICATE OF SERVICE

I, Leonid Prilutskiy, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury as follows:

I am an employee of the Rosen Law Firm, P.A. I am over the age of eighteen. On February 16, 2012, I served the following **AMENDED CLASS ACTION COMPLAINT FOR VIOLATION OF THE SECURITIES LAWS** by U.S. mail to defendants and/or counsel of record for defendants at the addresses listed below:

Alfred Robert Pietrzak Joel M. Mitnick Thomas Andrew Paskowitz Sidley Austin LLP 787 Seventh Avenue New York, NY 10019 <i>Attorneys for Defendants Duoyuan Printing, Inc., Wenhua Guo, Xiqing Diao, Baiyun Sun, Lianjun Cai, and Punan Xie</i>	Joseph De Simone Mayer Brown LLP 1675 Broadway New York, NY 10019 <i>Attorney for Defendant William D. Suh</i>
Harry Arthur Woods, Jr. Crowe & Dunlevy, P.C. 20 N. Broadway Avenue, Suite 1800 Oklahoma City, OK 73102 <i>Attorney for Defendant Christopher P. Holbert</i>	Thomas J. Mullaney Leventhal & Klein, LLP 60 Bay Street, 7th Floor Staten Island, NY 10301 <i>Attorney for Defendant Christopher P. Holbert</i>
Terri L. Combs Faegre Baker Daniels, LLP 801 Grand Avenue, Suite 3100 Des Moines, IA 50309 <i>Attorney for Defendants Piper Jaffray & Co. and Roth Capital Partners, LLC</i>	Michael Krauss Faegre & Benson LLP 2200 Wells Fargo Center 90 South Seventh Street Minneapolis, MN 55402 <i>Attorney for Defendants Piper Jaffray & Co. and Roth Capital Partners, LLC</i>

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on February 16, 2012, in New York, New York.



Leonid Prilutskiy