

**UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA**

SECURITIES AND EXCHANGE COMMISSION
100 F Street, N.E.
Washington, DC 20549,

Plaintiff,

v.

DANIEL FONGNIEN CHIANG and
EVA YI-FEN CHEN,

Defendants.

Civil Action No.

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (“Commission”) alleges for its Complaint as follows:

SUMMARY

1. This is an insider trading case. In 2005, Defendant Daniel Chiang (“Chiang”), then a chairman of SINA Corporation (“SINA”), aided and abetted by his spouse, Defendant Eva Chen (“Chen”), directed the short sale of 70,000 SINA shares after learning that SINA would announce a decline in its revenues. At the time of the short sale, news of the revenue decline was both material and non-public. Chiang owed a duty of trust and confidence to SINA which required him to maintain the information as confidential and not use it to buy or sell SINA securities until it was announced to the public. The short sales, which Chiang directed through an account controlled by his spouse with her knowledge and consent, breached his duty of trust and confidence to SINA and violated federal securities law. As a result of their conduct, the defendants realized \$257,833 in unlawful trading profits.
2. By engaging in the conduct described above, Chiang violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. §

240.10b-5] promulgated thereunder, and Chen aided and abetted Chiang's violations, and unless enjoined, they will continue to engage in transactions, acts, practices, and courses of business similar to those alleged in this complaint.

3. With respect to Chiang, the Commission seeks an injunction against future violations of Section 10(b) and Rule 10b-5 thereunder, disgorgement of ill-gotten gains, prejudgment interest thereon, a statutory civil monetary penalty, and a bar for a period of five years from serving as an officer or director of a public company.

4. With respect to Chen, the Commission seeks an injunction against future violations of Section 10(b) and Rule 10b-5 thereunder, and a statutory civil monetary penalty.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action, pursuant to authority conferred by Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 77u(e) and 78aa].

6. Venue lies in this district pursuant to Section 27 of the Exchange Act [15 U.S.C. §78aa]. Certain of the transactions, acts, practices, and courses of business constituting the violations alleged herein occurred within the District of Columbia.

THE DEFENDANTS

7. Defendant Daniel Fongnien Chiang, age 49, is a citizen of Taiwan and the husband of Eva Yi-Fen Chen. During the relevant period, Chiang was the co-chairman of SINA Corporation's Board of Directors.

8. Defendant Eva Yi-Fen Chen, age 47, is a Taiwanese citizen and Legal Permanent Resident of the U.S., who lives in Pasadena, California. Chen is the CEO of Trend Micro Incorporated, and is the wife of Chiang.

RELATED ENTITY

9. SINA Corporation, which is headquartered in Shanghai, China, and which maintains an office in San Mateo, California, is an online media company and value-added information service provider for Chinese communities worldwide. SINA's common stock is registered with the Securities and Exchange Commission pursuant to Section 12(g) of the Exchange Act, and trades on the Nasdaq National Market System.

FACTUAL ALLEGATIONS

10. During the relevant time period, Chiang served as SINA's co-Chairman, and in that capacity he was entrusted with and had access to SINA's internal financial performance forecasts before that information was released to the public.

11. As an employee and director of SINA, Chiang owed SINA a duty of fiduciary trust and confidence. In addition, at all times while co-chairman of SINA, Chiang was aware of, and subject to, SINA's insider trading policy for employees, which explicitly prohibited employees from buying or selling SINA securities while having knowledge of material non-public information and from disclosing such information to others. The policy specifically defined material information to include "projections of future earnings or losses." In addition, SINA's insider trading policy specifically stated that "no officer or director may ever make a short sale of the company's stock."

12. For each of the eight consecutive quarters leading up to the start of SINA's 2005 fiscal year, the company had improved its quarter-over-quarter revenues, and for the fiscal years that ended in December of 2003 and 2004, the company had registered record year-over-year revenues.

13. In December 2004 and January 2005, SINA executives learned of two events that would negatively impact the company's 2005 first quarter revenues and likely end SINA's pattern of consistent improvements to its quarter-over-quarter and year-over-year revenue results. First, on December 31, 2004, SINA received notice from mobile telephone provider China Mobile that it had

instituted billing changes. The likely effect was that SINA would receive reduced revenue from mobile users for certain types of value-added services. Second, on January 24, 2005, SINA learned that the Chinese State Administration of Radio, Film and Television instituted changes that would restrict the manner in which SINA had heretofore advertised certain mobile value-added services on Chinese media.

14. Between January 26, 2005, and February 1, 2005, SINA personnel performed an internal analysis and assessed the extent to which the China Mobile and the Chinese State Administration policy changes would affect the company's future financial results. SINA personnel conducting the internal analysis determined that the company's revenues relating to mobile value-added services, which comprised approximately sixty percent of the company's fourth quarter 2004 revenues, could be significantly lower in the first quarter of 2005, which was scheduled to end on March 31, 2005. Specifically, the internal analysis revealed that first quarter 2005 mobile value-added revenues could be off by as much as twenty to thirty percent from the previous quarter, resulting in a twelve to eighteen percent decline in total revenues for the quarter.

15. On February 3, 2005, SINA's Board of Directors, including Chiang, received an internal email that attached SINA's 2005 confidential operating plan. The operating plan incorporated the internal analysis and its conclusions as to SINA's revenue projections for the first quarter of 2005.

16. On February 4, 2005, Chiang participated in a SINA Board meeting during which the Board discussed the recent policy changes and how they would affect the company's first quarter 2005 financial results.

17. SINA's official 2005 first quarter financial performance projections, which were an outcome of the February 4 board meeting and the internal analysis, were scheduled to be released publicly after the close of the market on February 7, 2005.

18. Shortly after the conclusion of the February 4 SINA Board meeting, Chiang flew from China to Los Angeles, California, where he stayed with his wife, Chen, at her residence in Pasadena.

19. During the next two days, February 5 and 6, Chiang devised a scheme to sell short SINA common stock in advance of SINA's upcoming press release. Chiang hoped to profit from a drop in SINA's stock price that would predictably occur as a result of the public release of the negative financial performance projections. Chiang told Chen of his plan.

20. In order to conceal his involvement in the transaction, Chiang enlisted Chen to grant him access to a brokerage account she controlled, but which was not in either of their names. Chen knew that trading on this information was a breach of Chiang's duties of trust and confidence to SINA.

21. At 2:00 a.m. on February 7, with the permission and knowledge of his wife, Chiang accessed the account and placed eight separate SINA short sale orders, totaling 200,000 shares.

22. Because of the size and the nature of the orders, the brokerage firm called Chen's residence to confirm whether Chen intended to place all eight orders. Chen spoke to the representative of the brokerage firm and verified that all eight orders were intended.

23. Thereafter, at 9:20 a.m. on February 7, the brokerage firm executed four orders to sell short SINA shares, totaling 70,000 shares, at prices ranging from \$27.00 to \$27.25, for a total amount of \$1,895,000. Due to the limited buying power in the account, the brokerage firm did not execute the four remaining orders.

24. On the evening of February 7, 2005, after the close of the market, SINA issued its press release containing the 2005 first quarter revenue projections. The release stated that the company estimated that the sequential quarter-over-quarter decline in mobile value-added service revenues, based upon the policy changes by China Mobile and the Chinese State Administration,

could be between twenty and thirty percent, and that SINA's total revenues for the first quarter of 2005 would be between \$43 million and \$47 million, representing a \$10 million to \$14 million decline from the \$56.9 million total revenues that SINA achieved in the fourth quarter of 2004.

25. Following the press release, SINA's share price dropped in after hours trading to \$21.60, a 21 percent decline from the day's close of \$27.35. SINA opened at \$20.23 the following morning, a 26 percent decline from the previous day's close.

26. Because of the timeliness of the short sales, a representative of the brokerage firm called Chen's residence just after the press release was issued and asked whether Chen or her family had any relationship with SINA. Chen responded that no one in her family had any relationship with SINA.

27. Three days later, the brokerage firm received a telephone call from an attorney representing Chen. The attorney requested that the SINA short sale transaction be cancelled. The attorney claimed that the orders had been mistakenly placed by the nominee account holder, who happened to be Chen's mother who lived in Taiwan. At no time did the attorney disclose the involvement of Chiang or his relationship to Chen.

28. The brokerage firm could not cancel the transaction because it had already been executed in the market and settled. Because Chen was adamant about distancing herself from the transaction, the brokerage firm ultimately agreed, as a client accommodation, to allow Chen to surrender the short position in the account she controlled. As soon as the position was moved out of the account, it was covered for a profit of \$257,833.07.

CLAIM FOR RELIEF

COUNT ONE

FRAUD IN THE PURCHASE OR SALE OF SECURITIES

Violations of Section 10(b) of the Exchange Act

[15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

29. The Commission realleges and incorporates by reference paragraphs 1 through 28 above.

30. On February 3, 2005, Defendant Chiang learned material, non-public information concerning SINA's first quarter 2005 revenue projections. He further knew or recklessly disregarded the fact that he owed SINA a fiduciary duty to maintain that information in confidence until it was publicly disseminated.

31. In violation of his fiduciary duty to SINA and for his personal benefit, Chiang used that information to trade in the securities of SINA.

32. By the conduct described above, Chiang, directly or indirectly, violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT TWO

FRAUD IN THE PURCHASE OR SALE OF SECURITIES

Chen Aided and Abetted Chiang's Violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

33. The Commission realleges and incorporates by reference paragraphs 1 through 32 above.

34. Defendant Chen, knowing that her husband, Chiang, was breaching his fiduciary duty to SINA by using material non-public information to engage in SINA securities transactions, provided substantial assistance to him so that he could engage in those transactions in an account that would conceal his identity.

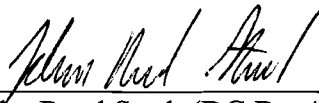
35. Based on the foregoing, Chen aided and abetted violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

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

- a) Permanently enjoining Defendants Chen and Chiang, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];
- b) Ordering Defendant Chiang to disgorge the ill-gotten gains derived from the unlawful trading alleged herein, plus prejudgment interest on that amount;
- c) Imposing a civil penalty against Defendant Chiang pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1];
- d) Imposing a bar against Defendant Chiang for a period of five years from serving as an officer or director of a public company pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)];
- e) Imposing a civil penalty against Defendant Chen pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and
- f) Granting such other relief as this Court deems just and proper.

Respectfully submitted,



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