TABLE OF CONTENTS

I. INTRODUCTION .................................................................................. 1
II. JURISDICTION AND VENUE ............................................................... 3
III. PARTIES ............................................................................................. 4
IV. SUBSTANTIVE ALLEGATIONS ............................................................ 7
    A. The Reported Business of Longtop............................................ 7
    B. Longtop Accesses the U.S. Capital Markets............................... 9
    C. The Truth Begins to Emerge....................................................... 10
V. FALSE AND MISLEADING STATEMENTS...................................... 18
VI. GAAP VIOLATIONS ............................................................................ 30
VII. ADDITIONAL SCIENTER ALLEGATIONS....................................... 31
    A. Longtop and the Individual Defendants...................................... 31
    B. The Auditor Defendants.............................................................. 34
        (i) DTT.................................................................................... 34
        (ii) Deloitte Limited.................................................................. 39
VIII. LOSS CAUSATION............................................................................... 41
IX. GROUP PLEADING ............................................................................... 42
X. INAPPLICABILITY OF STATUTORY SAFE HARBOR ....................... 43
XI. PRESUMPTION OF RELIANCE.......................................................... 44
XII. CLASS ACTION ALLEGATIONS APPLICABLE TO ALL CLAIMS..... 44
XIII. CAUSES OF ACTION............................................................................ 46
COUNT I
Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated
Thereunder Against Longtop and the Individual Defendants....................... 46
COUNT II
Violation of Section 20(a) of the Exchange Act Against the Individual Defendants ................................................................. 50

COUNT III
Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against DTT ......................................................... 51

COUNT IV
Violation of Section 20(a) of the Exchange Act Against Deloitte Limited ................................................................. 53
Lead Plaintiffs Danske Invest Management A/S and Pension Funds of Local No. One, I.A.T.S.E. ("Lead Plaintiffs") on behalf of themselves and all others similarly situated, bring this action (the "Action") as a class action individually and on behalf of all other persons and entities who purchased American Depositary Shares ("ADSS") of Longtop Financial Technologies, Ltd. ("Longtop" or the "Company") on the New York Stock Exchange ("NYSE") during the period June 29, 2009 through and including May 17, 2011 (the "Class Period"), and who were damaged thereby (the "Class").

I. INTRODUCTION

1. This is a securities class action brought under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5.

2. Longtop is a Cayman Islands corporation with principal offices in Hong Kong and Xiamen, China.

3. Throughout the Class Period, Longtop held itself out as a "leading provider of software and information technology, or IT, services targeting the financial services industry in China." In 2009 and 2010, Longtop was the highest ranked Chinese company in the "Global FinTech 100," an annual listing of the top global technology providers, published by American Banker, Banker Technology News, and Financial Insights.

4. Longtop reported explosive financial results throughout the Class Period. For its fiscal year ended 2008 (Longtop’s fiscal year ends March 31), Longtop reported total revenues of $65.9 million and net income of $2.9 million. In fiscal years 2009 and 2010, Longtop reported total revenues of $106.3 million and $169.1 million, respectively, and net income that ballooned to $43.5 million by fiscal 2009, and skyrocketed to over $59 million by fiscal 2010.
5. Longtop attributed much of its success to its strong gross margins, which it touted as substantially higher compared to its peers. For example, in fiscal 2010, the Company reported gross margins of 69% and non-GAAP operating margins of 49%, compared to peer companies that reported gross margins between 15-50% and operating margins of 10-25% or even lower.

6. Based on these remarkable financial results, Longtop was able to access hundreds of millions of dollars from the U.S. capital markets through an initial public offering ("IPO") of ADSs on October 25, 2007 at $17.50 per share, and a secondary offering of ADSs on November 23, 2009 at $31.25 per share (the "Secondary Offering").

7. By November 10, 2010, Longtop’s ADSs, which traded on the NYSE, reached a Class Period high of $42.73 per share.

8. Longtop’s ability to raise capital from the U.S. markets and have its ADSs traded on the NYSE was made possible by the imprimatur of Deloitte Touche Tohmatsu CPA Ltd. ("DTT"), a member of Deloitte Touche Tohmatsu Limited ("Deloitte Limited"). DTT, which served as Longtop’s outside auditor throughout the Class Period, had issued unqualified audit opinions on Longtop’s Class Period financial statements, and had consented to the use of its audit reports in Longtop’s registration statements filed with the U.S. Securities and Exchange Commission ("SEC") in conjunction with both the IPO and Secondary Offering.

9. Unbeknownst to investors and as specifically set forth below, in reality, Longtop had artificially inflated its financial results to create the false appearance of growth and prosperity. Specifically, Longtop falsified its financial results by (1) exaggerating its cash and cash equivalents and revenue while underreporting its bank loan balances, and (2) transferring its employee expenses to an off-balance sheet related entity, thereby enabling Longtop to materially understate expenses and materially overstate reported gross margins and net income.
10. Despite DTT's representations to the contrary, Longtop's audited financial statements were not prepared in conformity with generally accepted accounting principles ("GAAP"). Had DTT followed even the most basic auditing procedures in connection with its financial audits, as required by generally accepted auditing standards ("GAAS"), it would have known that Longtop's financial statements did not fairly present the business and operations of the Company throughout the Class Period.

11. As a result of this scheme, the per share price of Longtop’s ADSs dropped from a Class Period high of $42.73 to $0, as the truth was revealed in a series of stunning disclosures by third parties, denials by Longtop, and finally, the resignation of DTT. Longtop is now delisted from the NYSE and is the subject of an investigation by the SEC.

12. Rather than cooperating with the SEC investigation into Longtop’s massive fraud, DTT has refused to comply with an SEC subpoena and declined to produce any documents to the SEC, notwithstanding the fact that it has acknowledged to the SEC that it possesses "vast amounts of responsive documents."

13. Consequently, as a result of the fraudulent misconduct alleged herein, Lead Plaintiffs and the Class have suffered hundreds of millions of dollars in damages, which they now seek to recover.

II. JURISDICTION AND VENUE


15. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §1391. At all relevant times, Longtop’s stock traded as ADSs on the NYSE in this District under the symbol "LFT."
16. In connection with the wrongful acts and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail and the facilities of a national securities market.

III. PARTIES

Plaintiffs

17. Danske Invest Management A/S ("Danske") is an investment manager for Investeringsforeningen Danske Invest ("IDI") and Den Professionelle Forening Danske Invest Institutional ("DPFDII"), both of whom purchased or otherwise acquired Longtop ADSs during the Class Period in the amounts set forth in the certification Danske filed with the Court on July 22, 2011, and were damaged thereby. IDI and DPFDII have properly assigned their claims against Defendants to Danske. On September 21, 2011, Danske was appointed by Order of the Court to serve as Co-Lead Plaintiff in this Action.

18. Pension Funds of Local No. One, I.A.T.S.E. ("Local One") provides welfare, pension and annuity benefits to Local One union membership consisting of members who construct, install, maintain, and operate the lighting, scenery, sound equipment, and special effects for Broadway shows, concerts at Radio City Music Hall, Madison Square Garden and Carnegie Hall, and productions at The Metropolitan Opera and throughout Lincoln Center. Local One purchased or otherwise acquired Longtop ADSs during the Class Period, in the amounts set forth in the certification Local One filed with the Court on July 22, 2011, and was damaged thereby. On September 21, 2011, Local One was appointed by Order of the Court to serve as Co-Lead Plaintiff in this Action.

19. Pompano Beach General Employees Retirement System ("Pompano Beach") was created by the City Commission to provide retirement benefits to eligible general employees of the city of Pompano Beach. Its mission is to ensure the proper management and investment of
its assets in order to protect the benefits of its members and beneficiaries. Pompano Beach purchased or otherwise acquired Longtop ADSs during the Class Period and was damaged thereby. Pompano Beach is named herein as an additional plaintiff.

**Company Defendant**

20. Longtop is a corporation incorporated under the laws of the Cayman Islands with principal executive offices located at Flat A, 10/F, Block 8, City Garden, 233 Electric Road, North Point, Hong Kong.

21. During the Class Period, Longtop’s ADSs were traded on the NYSE and the Company filed annual reports on Form 20-F (“Forms 20-F”) and quarterly reports on Form 6-K (“Forms 6-K”) with the SEC. As of May 17, 2011, there were over 41 million shares of Longtop ADSs issued and outstanding. Longtop operated on a fiscal year that ended on March 31.

**Individual Defendants**

22. Wai Chau Lin a/k/a Weizhou Lian (“Lin”) has served as a director and Chief Executive Officer of Longtop since its inception in June 1996. Lin is a resident of the People’s Republic of China (“China”).

23. Derek Palaschuk (“Palaschuk”) served as Longtop’s Chief Financial Officer from September 2006 until his resignation on May 19, 2011. Palaschuk is a resident of China.

24. Hui Kung Ka a/k/a Xiaogong Ka (“Ka”) is one of the Company’s founders and has served as Longtop’s Chairman since the Company’s inception in June 1996. Ka is a resident of China. Ka is also referred to in Longtop filings as “Xiaogong Jia,” which is a transliteration of the Mandarin Chinese version of his name.

25. Thomas Gurnee (“Gurnee”) has served as an independent director and chairman of the audit committee of Longtop’s board of directors (the “Audit Committee”) since January 2007. According to Longtop’s own financial statements, the purpose of the Audit Committee is
to assist Longtop’s board of directors with its oversight responsibilities regarding “(i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications and independence, and (iv) the performance of our internal audit function and independent auditor.” Thus, as the chairman of the Audit Committee, Gurnee was in a unique position to ensure accurate reporting of Longtop’s financial results and compliance with GAAP.

26. Gurnee failed to carry out his duty, as Longtop’s audited financial statements were not prepared in conformity with GAAP or GAAS and did not fairly or accurately present the business and operations of the Company.

27. Gurnee is believed to reside in Nevada, and has a current address of 5920 Sky Terrace Court, Reno, Nevada 89511-4364. Gurnee obtained his Bachelor of Arts Degree from Stanford University in California and an MBA in Finance from the University of Santa Clara. Gurnee also served as the President and Chief Operating Officer of GlobiTech Incorporated, a company based in Sherman, Texas, from 2001 to 2005 and as the Chief Financial Officer of Artest, Inc., a California based semiconductor test subcontractor.

28. Lin, Palaschuk, Ka and Gurnee are collectively referred to hereinafter as the “Individual Defendants.”

**Auditor Defendants**

29. Deloitte Touche Tohmatsu CPA Ltd., or DTT, was Longtop’s auditor throughout the Class Period, and is located at 30/F Bund Center, No. 222, Yanan Road East, Shanghai, 200002, China. DTT is a “member firm” of Deloitte Touche Tohmatsu Limited. DTT issued unqualified audit opinions on Longtop’s financial statements for the March 2009 and 2010 fiscal years. DTT also specifically consented to the incorporation of its fiscal year 2009 audit report in Longtop’s Secondary Offering.
30. Defendant Deloitte Touche Tohmatsu Limited, or Deloitte Limited, is a company comprised of member firms around the world, including in the United States and China. Although Deloitte Limited purports to be a United Kingdom-based entity, almost every annual report that a Deloitte member firm filed with the U.S. Public Company Accounting Oversight Board ("PCAOB") for the year 2011 – 46 out of 50 reports (including the China, U.S. and England member firms) – lists Deloitte Limited’s address as 1633 Broadway, New York, NY 10019. Deloitte Limited and its member firms market themselves worldwide under the brand name “Deloitte.”

31. As more fully explained below, DTT and Deloitte Limited were directly, indirectly and/or collectively involved in auditing Longtop and played an integral part in the conduct, acts and omissions described herein.

32. DTT provided audit services to Longtop as an agent of Deloitte Limited, and provided those services on the authority, at the direction, and for the benefit of Deloitte Limited. Deloitte Limited controlled the acts of its member firms as described herein.

33. DTT and Deloitte Limited are collectively referred to herein as the “Auditor Defendants.”

IV. SUBSTANTIVE ALLEGATIONS

A. The Reported Business of Longtop

34. Throughout the Class Period, Longtop held itself out as a “leading provider of software and information technology, or IT, services targeting the financial services industry in China.” In 2007, when Longtop first availed itself of the U.S. capital markets, China’s IT banking sector was a niche market poised for rapid growth, and Longtop seemed the perfect company to fill the market void and profit greatly in the process, according to analysts.
35. For example, in November 2007, analysts at Avondale Partners, LLC reported seeing "strong secular growth trends in the China IT banking sector" noting that "due to competitive pressures and looming regulatory requirements, financial institutions in China are investing in IT at an urgent pace ...." Global market intelligence firm International Data Corporation projected the market for IT services and software for Chinese banks to grow by 22.3% and 21.7% per year, respectively, between 2006 and 2011, compared to 6.4% globally.

36. Analysts found Longtop to be a perfectly suited company to address the urgent need for technology solutions for Chinese banks, citing the Company's industry leading margins, strong customer list which included eight of China's top thirteen banks and China's top two insurance companies, and room for rapid growth.

37. Longtop reportedly experienced immense growth during the Class Period. For example, on June 29, 2009, the first day of the Class Period, Longtop filed its annual report for the fiscal year ended March 31, 2009 with the SEC on Form 20-F (the "2009 20-F"), and reported total revenues of $106.2 million and net income of $43.5 million (compared to revenues of $66.7 million and net income of $2.9 million for its fiscal year ended March 31, 2008). In the fiscal year ended March 31, 2010, Longtop's reported revenues had supposedly skyrocketed to $169.1 million and its net income ballooned to $59.1 million.

38. Longtop and analysts credited the Company's outstanding financial performance to having maintained gross margins and operating margins that dwarfed those of its peers. For example, in fiscal 2010, Longtop reported gross margins and operating margins of 62.5% and 35.8%, respectively, compared to its peer companies that reported gross margins between 15-50% and operating margins between 10-25%.
B. Longtop Accesses the U.S. Capital Markets

39. The Company seized on the well-documented growth and profit potential for established companies, like Longtop, in China’s IT banking sector, as well as its own purportedly strong reputation and DTT’s unqualified audit opinions, and held an IPO on October 24, 2007. Longtop raised nearly $200 million in its sale of over 8.5 million ADSs priced at $17.50.

40. Longtop’s reported financial performance allowed the Company to access more U.S. capital through the Secondary Offering. On November 17, 2009, Longtop held the follow-on Secondary Offering of 4.25 million ADSs at a per share price of $31.25.

41. DTT consented to the inclusion of prior audit reports (and unqualified opinions) relating to Longtop’s consolidated financial statements and the effectiveness of the Company’s internal control over financial reporting in documents filed in conjunction with the Secondary Offering.

42. Longtop was able to raise over $132 million in the Secondary Offering, a sum that contributed heavily to what Defendant Palaschuk described as a “robust” cash flow that would enable the Company “to continue to invest intelligently in our existing operations and grasp further consolidation opportunities through acquisitions that will help extend our leading position in China’s financial technology industry.”

43. The Individual Defendants also benefited directly from Longtop’s presence as a listed company on the NYSE. During the Class Period, the four Individual Defendants collectively sold over $97 million worth of Longtop ADSs.
C. The Truth Begins to Emerge

44. On April 26, 2011, the partial truth about Longtop's financial condition and growth prospects began to emerge when Citron Research ("Citron") issued a report calling into question the legitimacy of Longtop's financial statements dating back to its IPO.

45. Specifically, Citron reported:

Margins Far in Excess of Competitors
LFT reports spectacularly high margins — much greater than any peer company. In the fiscal year March 2010 LFT reported gross margins of 69% and non-GAAP operating margins of 49%. Peers report gross margins between 15-50% and operating margins of 10-25% or even lower. Management’s explanation for the high margins is that they have more standardized software sales than peers and standardized software has very high gross margins of around 90%. The company claims that these solutions and modules can be deployed to new customers with fewer man-hours and expenses. Furthermore, even if you believe the standardized software gross margin is 90%, then this implies that LFT is generating 60-65% gross margins on customized software development which is still much higher than peers. If the China space has taught us anything, it is that when something seems too good to be true, it probably is. So what is the real reason for these supersized margins?

Unconventional Staffing Model
Until recently, the vast majority of LFT’s employees were not directly employed by the company. As of March 31, 2010 LFT had 4,258 employees of which 3,413 (80%) were employed by third-party HR staffing companies. Of the employees at staffing companies, 95% (3,235) were from a single firm called Xiamen Longtop Human Resources Services Co (XLHRS), but this entity has no verifiable business presence except for LFT... LFT has consistently claimed that (XLHRS) is an unrelated party. The existence of Longtop Staffing has allowed LFT to transfer the majority of its cost structure off-balance sheet which creates opportunities for massive accounting fraud.

Does any of this sound unrelated to you?

- Xiamen Longtop Human Resources (XLHRS) shares a name with its only customer: Longtop Financial. XLHRS was formed in May of 2007, just months before LFT’s IPO;
• Even though it is its largest line item expenditure by far, XLHRS is never mentioned in filings until the annual report filed July 2008;
• XLHRS has no website and does not seem to be soliciting any customers, even though they just lost their only customer;
• LFT did not have any long term contract and did not have to pay any penalties or minimums in their relationship with XLHRS;
• XLHRS used the same email server as their only client—as evidenced by these help wanted ads placed by them that ask perspective employees to contact them at “longtop.com.” For example, this is a 2009 job listing listing for XLHRS using a Longtop.com email address...
• As of the writing of this report, Citron has reason to believe that XLHRS has for months been located in the same building as Longtop Financial.
• When the outsourcing agency relationship was challenged, the company’s response was to terminate it, and take all the employees in-house.

46. In other words, Citron reported that Longtop’s reported margins—which were much greater than its competitors—were the result of fraudulent off-balance sheet transfers with Xiamen Longtop Human Resources Services (“XLHRS”), an entity that Longtop wholly owned.

47. On this news, Longtop’s ADSs declined from $25.54 per share at the close of April 25, 2011 to $22.24 per share at the close of April 26, 2011—a decline of approximately 8%.

48. On April 27, 2011, Bronte Capital (“Bronte”) published an article that also challenged the accuracy of Longtop’s financial statements and questioned the need for Longtop’s recent Secondary Offering in light of the fact that the Company reported over $200 million in cash on hand. Specifically, Bronte explained:

But for the life of me I can’t see any reason why it really needed to raise $127 million in cash in December 2009 quarter? Its sort of like a mini-version of Microsoft going to the market to raise money. They are - according to their accounts - swimming in money. Indeed their current cash holdings represent something
like 200 quarters of capital expenditure. Come to think of it - the company has enough cash for 26 quarters - more than 6 years - of all pre-tax operating expenditures. Let's put this in context. Microsoft has about 36 billion in cash and short term investments and $38 billion in annual operating expenditure. Relative to expenses (and hence needs) Longtop has over 6 times as much cash as Microsoft. They are swimming in it. But they still went to market and raised more.

49. On this news, Longtop's ADSs declined an additional 20% to close at $17.73 per share on April 27, 2011.

50. The following day, on April 28, 2011, Longtop held a conference call with investors to address the allegations raised by Citron and Bronte. During this call, the Company denied any wrongdoing and repeatedly assured investors of the accuracy of its financial statements. In doing so, Longtop emphasized the "very close dialogue" the Company has with its auditor, DTT. According to Defendant Palaschuk:

Although it is Longtop's practice not to respond to market rumors, especially when the company is in [a] quiet period ahead of earnings, management believes that in this case it is appropriate to have this call to rebut the absolutely false allegations of fraud and other alleged wrongdoings in an April 26 report [posted in] Citron reports.

The report starts with the allegation that every financial statement from IPO to date is fraudulent. There is absolutely no basis to support this allegation, and we are deeply outraged that anyone purporting to conduct reputable market research would make such a statement without basis.

51. Further:

I've been having very close discussions with our auditors since the day I joined the company. For me, I'm a professionally trained accountant; the most important relations I have other than with my family, my CEO, and then the next on the list is Deloitte as our auditor, because their trust and their support is extremely important. And it's not just because this has happened, it's been important for the last five years.
52. Defendant Palaschuk also specifically addressed the allegations concerning Longtop’s use of off-balance sheet XLHRS to hide employee-related costs, stating “I want to reiterate that all costs were recorded in Longtop, there has been no off-balance sheet accounting.” Defendant Palaschuk further stated that XLHRS “is definitely an unrelated party.”

53. In response to the Company’s assurances, Longtop’s ADSs rose nearly 11% to close at $19.66 per share on April 28, 2011.

54. Over the following weeks, Citron, Bronte, and other analysts issued follow-up reports raising additional questions about the validity of Longtop’s representations and financial statements. For example, OLP Global issued a report on May 9, 2011 in which it countered the Company’s denials by disclosing that two employees of Longtop’s legal department had been administering XLHRS’s state filings. OLP Global also reported that Longtop, using XLHRS, consistently under-contributed to state social welfare benefit funds, thus inflating Longtop’s margins by several million dollars. Specifically, OLP Global reported, in part:

This report discusses . . . 1) our research shows that two LFT employees have been administering XLHRS company filings. This is a clear indication that XLHRS has been operated by LFT. Since a significant portion of LFT’s cost of revenue and other employee-related expenses were paid through XLHRS, LFT’s involvement in XLHRS operations creates room for expense manipulation; 2) based on payments LFT made through XLHRS, we believe LFT is likely under-contributing social welfare benefits for employees, possibly a violation of China’s labor law . . .

**Issue #1:** Two LFT employees have been administering XLHRS company filings, a clear indication of LFT’s involvement in XLHRS operations. After reviewing XLHRS documents (Appendix 1), we found that LFT employees have been actively involved in the operations of XLHRS, a key fact that LFT management has adamantly denied. We fully expect LFT management to come up with an explanation (whether credible or not), but we encourage investors to ask the question – **If LFT were a bona fide client of yours, would you ask the employees of your ONLY client to administer your internal controls and**
serve as corporate contacts? **We think not.** Not to mention that these internal matters involve administrative minutia such as filing address change and routine tasks such as filing of an annual inspection report. Our discovery of LFT and XLHRS as related parties, coupled with management’s repeated denial of any operating links between the two, leads us to believe that the **integrity of the cost of revenue line item has been severely compromised.** In order to remedy this situation, we believe LFT’s financial statements need to be re-audited to include XLHRS, which may lead to material restatements.

**Issue #2:** Our research indicates that LFT has under-contributed social welfare benefits, creating inflated margins and possibly violating China’s labor law. We extrapolated LFT’s compensation-related information from XLHRS 2009 audited financial statements (Appendix II). XLHRS paid RMB 5.7 million in social welfare benefits on behalf of LFT, an amount that appear too low for a headcount of 3,235 LFT employees that were contracted through XLHRS as of March 31, 2010. **We estimate that total social welfare benefits contribution should be in the range of RMB 22-29 million, or 4x – 5x the amount LFT paid through XLHRS in 2009.** We believe there are two possible scenarios: 1) LFT simply did not make any contribution for certain employees, possibly a violation of China’s labor law; 2) LFT made contribution for all contracted employees as non-residents of Xiamen, using the minimum monthly base of RMB 900 and Xiamen’s low contribution rate. Should this be the case, LFT management has misled investors by making false statements (as recent as LFT’s conference call on March 18, 2011) regarding how LFT contributed social welfare benefits for its employees. Given recent change in LFT’s human resources practice, we believe LFT will be obligated to contribute the appropriate amount for employees in their respective cities of residence, which will negatively impact margins. (Emphasis in original).

55. In response, Longtop’s ADSs declined further, ultimately settling at $18.93 per share when the NYSE halted trading in Longtop’s ADSs on May 17, 2011 “to enable NYSE Regulation to assess the Company’s continued listing status in light of undisclosed material corporate developments regarding the Company.”

56. On May 19, 2011, in the midst of skepticism over the Company’s financial condition and business operations, Defendant Palaschuk suddenly resigned.
57. On May 23, 2011, Longtop announced that DTT had resigned, that the SEC had initiated an inquiry and that the Company would not be announcing its financial results for the fourth quarter of 2011 or filing its Form 20-F for the fiscal year ended March 31, 2011 on time. Specifically, the Company revealed:

**Longtop Financial Technologies Limited Announces Resignation of Independent Auditor and Chief Financial Officer, Initiation of Independent Investigation, SEC Inquiry and COO Appointment**

Hong Kong, China, May 23, 2011 - Longtop Financial Technologies Limited (“Longtop” or the “Company”) (NYSE: LFT) announced today that the Company’s registered independent accounting firm, Deloitte Touche Tohmatsu CPA Ltd. (“DTT”), has resigned as auditor of the Company by letter dated May 22, 2011. In its letter, DTT stated that it was resigning as the result of, among other things (1) the recently identified falsity of the Company’s financial records in relation to cash at bank and loan balances (and possibly in sales revenue); (2) the deliberate interference by certain members of Longtop management in DTT’s audit process; and (3) the unlawful detention of DTT’s audit files. DTT further stated that DTT was no longer able to rely on management’s representations in relation to prior period financial reports, that continued reliance should no longer be placed on DTT’s audit reports on the previous financial statements, and DTT declined to be associated with any of the Company’s financial communications in 2010 and 2011.

Longtop’s Audit Committee has retained US legal counsel and authorized the retention of forensic accountants to conduct an independent investigation into the matters raised by DTT’s resignation letter. The Audit Committee has also initiated a search for a new auditor. Further, Longtop was advised by the United States Securities and Exchange Commission (“SEC”) that the SEC was conducting an inquiry regarding related matters.

* * *

Longtop cannot predict when it will announce its financial results for Q4 2010, or when it will file its Form 20F for the fiscal year ended March 31, 2011.
58. DTT’s resignation letter, also released on May 23, 2011, further described Longtop’s “illegal acts” and stated that “continuing reliance should no longer be placed on our audit reports on the previous financial statements . . . .” Specifically, DTT’s letter stated, in relevant part:

As part of the process for auditing the Company’s financial statements for the year ended 31 March 2011, we determined that, in regard to bank confirmations, it was appropriate to perform follow up visits to certain banks. These audit steps were recently performed and identified a number of very serious defects including: statements by bank staff that their bank had no record of certain transactions; confirmation replies previously received were said to be false; significant differences in deposit balances reported by the bank staff compared with the amounts identified in previously received confirmations (and in the books and records of the Group); and significant bank borrowings reported by bank staff not identified in previously received confirmations (and not recorded in the books and records of the Group).

In the light of this, a formal second round of bank confirmation was initiated on 17 May. Within hours however, as a result of intervention by the Company’s officials including the Chief Operating Officer, the confirmation process was stopped amid serious and troubling new developments including: calls to banks by the Company asserting that Deloitte was not their auditor; seizure by the Company’s staff of second round bank confirmation documentation on bank premises; threats to stop our staff leaving the Company premises unless they allowed the Company to retain our audit files then on the premises; and then seizure by the Company of certain of our working papers.

In that connection, we must insist that you promptly return our documents. Then on 20 May the Chairman of the Company, Mr. Ka Xiao Gong called our Eastern Region Managing Partner, Mr. Paul Sin, and informed him in the course of their conversation that “there were fake revenue in the past so there were fake cash recorded on the books.” Mr. Ka did not answer when questioned as to the extent and duration of the discrepancies. When asked who was involved, Mr. Ka answered: “senior management . . .”

Reasons for our resignation
The reasons for our resignation include: 1) the recently identified falsity of the Group’s financial records in relation to cash at bank and loan balances (and also now seemingly in the sales revenue);
2) the deliberate interference by the management in our audit process; and 3) the unlawful detention of our audit files. These recent developments undermine our ability to rely on the representations of the management which is an essential element of the audit process; hence our resignation.

Prior periods' financial reports and our reports thereon
We have reached the conclusion that we are no longer able to place reliance on management representations in relation to prior period financial reports. Accordingly, we request that the Company take immediate steps to make the necessary 8-K filing to state that continuing reliance should no longer be placed on our audit reports on the previous financial statements and moreover that we decline to be associated with any of the Company’s financial communications during 2010 and 2011 . . .

In our view, without providing any legal conclusion, the circumstances mentioned above could constitute illegal acts for purposes of Section 10A of the Securities Exchange Act of 1934. Accordingly, we remind the Board of its obligations under Section 10A of the Securities Exchange Act, including the notice requirements to the U.S. Securities and Exchange Commission.

59. Based on DTT’s admissions, it is plainly evident that Longtop’s financial results were artificially inflated throughout the Class Period. Longtop had falsified its cash positions and bank loan balances by manipulating and lying about bank records and confirmations and later, by interfering with DTT’s contacts with those banks.

60. Further, as Citron first reported on April 26, but that Longtop had denied on April 28, and that OLP Global further reported on May 9, Longtop’s reported margins—which were much greater than its competitors—were the result of fraudulent off-balance sheet transfers with wholly-owned XLHRS that allowed Longtop to manipulate the cost of revenue and other employee-related expenses.

61. On May 17, 2011, the NYSE halted trading in Longtop’s ADSs, citing its inability to assess Longtop’s status in light of “undisclosed material corporate developments,” and the NYSE began delisting proceedings against Longtop on July 22, 2011.
62. The NYSE delisted Longtop on August 29, 2011 after finding its shares no longer suitable for listing and trading.

63. On November 10, 2011, the SEC charged Longtop with failing to comply with the SEC’s reporting requirements because it failed to file an annual report for the fiscal year ended March 31, 2011, and because DTT stated in May 2011 that its prior audit reports on Longtop’s financial statements contained in annual reports for 2008, 2009 and 2010 should no longer be relied upon. In announcing this action, the SEC stated “[w]e are taking this action to protect investors because it appears there is no current and reliable information available to the investing public about Longtop.”

64. To date, DTT has refused to cooperate with the SEC’s investigation into Longtop’s fraudulent activities, including producing documents in response to a subpoena, even though DTT has acknowledged possessing “vast amounts of responsive documents.”

V. FALSE AND MISLEADING STATEMENTS

2009 Year-End Results

65. On June 29, 2009, the first day of the Class Period, the Company filed the 2009 20-F with the SEC, signed by Defendants Lin and Palaschuk, which reported total revenues of $106.2 million, operating expenses of $25.5 million, net income of $43.5 million and a gross profit margin of 65.7% for the period. The 2009 20-F further reported cash and cash equivalents of $238.3 million and $486,000 in short term borrowings. The Company again stated that its financial statements were prepared in conformity with U.S. GAAP.

66. DTT permitted Longtop to reproduce its audit report in the 2009 20-F which stated, in relevant part:

We conducted our audit 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 effective internal
control over financial reporting was maintained in all material
respects. Our audit included obtaining an understanding of internal
control over financial reporting, assessing the risk that a material
weakness exists, testing and evaluating the design and operating
effectiveness of internal control based on the assessed risk, and
performing such other procedures as we considered necessary in
the circumstances. We believe that our audit provides a reasonable
basis for our opinion.

*   *   *

In our opinion, the Company maintained, in all material respects,
effective internal control over financial reporting as of March 31,
2009...

We have also audited, in accordance with the standards of the
Public Company Accounting Oversight Board (United States), the
consolidated financial statements and financial statement schedule
as of and for the year ended March 31, 2009 of the Company and
our report dated June 29, 2009 expressed an unqualified opinion on
those financial statements and financial statement schedule and
included an explanatory paragraph relating to the adoption of
FASB Interpretation No. 48 “Accounting for Uncertainty in
Income Taxes — an interpretation of FASB Statement No. 109,”
effective April 1, 2007.

67. The 2009 20-F also discussed Longtop's staffing levels and employee costs.
Longtop reported 2,602 employees, “includ[ing] 2,039... contracted employees... provided by
Xiamen Longtop Human Resource Services Co., Ltd, ... an unrelated party pursuant to a
human resource service agreement with us. Under [the] agreement, we have agreed to pay a
monthly service fee to Xiamen Longtop Human Resource Services Co,... to cover the cost of
those contracted employees as well as operational expenses. We consider these 2,131 persons to
be employees.”

68. Also in connection with the 2009 20-F, Defendants Lin and Palaschuk signed
certifications pursuant to the Sarbanes-Oxley Act of 2002 that affirmed the accuracy of
Longtop's reported financial results and the effectiveness of its internal controls over reporting.
69. The statements referenced in ¶65-68 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents and bank loans; (2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross margins; (3) falsely stated that wholly-owned and controlled XLHRS was an "unrelated party"; (4) fabricated its revenue and net income; (5) failed to prepare its financial results in accordance with GAAP; and (6) Defendant Lin had no reasonable basis for his positive statements about Longtop's business and financial results.

70. The statement at ¶66 was additionally false as to DTT because DTT failed to follow GAAS or GAAP in auditing and presenting Longtop's financial results, rendering the results not in compliance with PCAOB standards. Furthermore, as set forth below in more detail in Section VII, Deloitte Limited set the policies and determined the methodologies to which all member firms, including DTT, must adhere when servicing clients (such as Longtop). According to the marketing materials of Deloitte LLP (Deloitte's U.S. member firm):

[Deloitte Limited]'s board has adopted certain policies and protocols regarding professional standards and methodologies, and systems for quality control and risk management, in an effort to establish a consistently high level of quality, professional conduct and service in all member firms. Member firms provide services to clients, applying these policies . . .

2010 First Quarter Results

71. On August 19, 2009, Longtop issued a press release reporting its financial results for the quarter ended June 30, 2009, a copy of which was filed with the SEC on Form 6-K and signed by Defendant Palaschuk. The press release reported revenues of $28.5 million, operating expenses of $6.3 million, net income of $10.5 million and a gross margin of 62.6% for the period. The press release further reported cash and cash equivalents of $215.1 million.
72. Defendant Lin attributed the financial results to "healthy demand from Longtop's customers, which has allowed us to increase our full year guidance" and "strong demand across all customer and product segments." Lin further noted that "we see this trend continuing . . ."

73. The statements referenced in ¶¶71-72 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents; (2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross margins; (3) fabricated its revenue and net income; and (4) Defendant Lin had no reasonable basis for his positive statements about Longtop's business and financial results, nor the Company's outlook.

2010 Second Quarter Results

74. On November 16, 2009, Longtop issued a press release reporting its financial results for the quarter ended September 30, 2009 in an SEC filing on Form 6-K signed by Defendant Palaschuk. The press release reported revenues of $42.8 million, operating expenses of $10 million, net income of $21.4 million and a gross margin of 65.9% for the period. The press release further reported cash and cash equivalents of $226.4 million.

75. Discussing workforce-related costs, Longtop stated that "headcount related expenses [included in General and Administrative expenses of $2.7 million] include payroll, bonuses, employee benefits, share-based compensation, travel and entertainment and overhead costs that are allocated based on headcount."

76. The statements referenced in ¶¶74-75 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents; (2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross
margins; (3) falsely given the impression that the stated “headcount related expenses” included all costs associated with Longtop’s workforce; and (4) fabricated its revenue and net income.

Secondary Offering

77. On November 17, 2009, Longtop conducted a public offering of 4.25 million ADSs at $31.25 per share. In connection with the Secondary Offering, the Company filed a registration statement on Form F-3 that incorporated – with DTT’s consent – DTT’s 2009 audit report in which DTT expressed an unqualified opinion as to the Company’s consolidated financial statements, financial statement schedule and the effectiveness of Longtop’s internal control over financial reporting. A copy of DTT’s 2009 audit opinion was reproduced in the Company’s 2009 20-F and is set forth at ¶66.

78. Longtop also filed a prospectus with the SEC on Form 424B5 in conjunction with the Secondary Offering that incorporated by reference the 2009 20-F and the November 16, 2009 Form 6-K.

79. The statements contained in the registration statement and prospectus filed in connection with the Secondary Offering were materially false and misleading for the reasons set forth in ¶¶69 and 76.

2010 Third Quarter Results

80. On February 10, 2010, Longtop issued a press release reporting its financial results for the quarter ended December 31, 2009, a copy of which was filed with the SEC on Form 6-K and signed by Defendant Palaschuk. The press release reported revenues of $54.7 million, operating expenses of $9.7 million, net income of $29.3 million and a gross margin of 71.4% for the period. The press release further reported cash and cash equivalents of $389.7 million and $27.1 million in short term borrowings.
81. Defendant Lin attributed the financial results as coming “on the back of solid execution from our management and employees.” He stated “[w]e see ongoing strong demand from our customers...” and that “[b]ased on our sales pipeline and ongoing discussions with customers about their IT spending plans, Longtop’s growth prospects remain strong for fiscal 2011. I believe Longtop’s competitive position is strengthening and we are taking market share from our competitors...”

82. Also in the press release, Defendant Palaschuk boasted:

third quarter revenue and adjusted net income once more substantially exceeded guidance. A robust third quarter cash flow from operations of US$39.2 million and US$50.1 million for the first nine months together with the proceeds from the November 2009 secondary offering will allow us to continue to invest intelligently in our existing operations and grasp further consolidation opportunities through acquisitions that will help extend our leading position in China’s financial technology industry.

83. The statements referenced in ¶¶80-82 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents and bank loans; (2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross margins; (3) fabricated its revenue and net income; and (4) neither Defendant Lin nor Palaschuk had a reasonable basis for making positive statements about Longtop’s business and financial results or its outlook.

2010 Fourth Quarter and Year-End Results

84. On May 24, 2010, Longtop issued a press release disclosing its financial results for the quarter and fiscal year ended March 31, 2010, a copy of which was filed with the SEC on Form 6-K and signed by Defendant Palaschuk. The press release reported revenues of $43 million, operating expenses of $9 million, net income of $16.3 million and a gross margin of
61.5% for the quarter, and revenues of $169.1 million, operating expenses of $33.6 million, net income of $3.8 million and a gross margin of 66.7% for the fiscal year ended March 31, 2010. The press release further reported cash and cash equivalents of $331.2 million at March 31.

85. Defendant Lin summarized the quarter and year-end results as follows in the May 24, 2010 Press Release:

we have concluded fiscal 2010 with another quarter of solid results. We look back at a year in which our *business flourished due to significant organic business expansion in the financial IT industry, and the synergies of the Sysnet acquisition that further boost our presence in the insurance IT solution market.* This quarter’s results once more indicate that Longtop’s business is based on the *indispensable and recurring* nature of our software and solutions... *Our outlook for 2011 is strong* based on our sound business fundamentals and feedback from our customers...

86. Also on May 24, 2010, Longtop hosted an investor conference call to discuss its fourth quarter and year-end results. Defendants Lin and Palaschuk participated in the call, during which Palaschuk commented on the Company’s gross margin. He stated:

The 100 basis point year-on-year decline in adjusted operating margin is at the gross margin level where we *expect adjusted gross margins of 66% as compared to 67% in 2009. The adjusted gross margin decline is due to the acquisition of Giantstone and other investments we’re making, including annual salary increase of around 10%.*

* * *

Our adjusted quarterly margin is expected to be 62%, 66%, 71% and 63%.

87. On July 16, 2010, the Company filed its annual report for the fiscal year ended March 31, 2010 with the SEC on Form 20-F (the “2010 20-F”), signed by Defendants Lin and Palaschuk, which reported total revenues of $169.1 million, operating expenses of $45.2 million, net income of $59.1 million and a gross margin of 62.5%. The 2010 20-F also reported cash and cash equivalents of $331.9 million.
88. The 2010 20-F also discussed Longtop’s staffing and employee costs, stating that the Company carries 4,258 employees, \textit{3,235 of whom are contract employees} ... provided by Xiamen Longtop Human Resource Services Co., Ltd., which Longtop again described as \textit{an unrelated party}.

89. DTT permitted Longtop to reproduce its audit report in the 2010 20-F which stated, in relevant part:

\begin{quote}
We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

* * *

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on the criteria established in Internal Control ... We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended March 31, 2010 of the Company and our report dated July 16, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph relating to the adoption of a new accounting standard.
\end{quote}

90. The 2010 20-F also attributed Longtop’s gross margin and revenue growth to its improving line of products. Specifically:

\begin{quote}
We introduced our first suite of standardized software solutions in 2003 and need to be constantly updating our standardized software solutions. \textit{These standardized solutions contributed substantially to our revenue growth and operating margins. In the near term,} ...
\end{quote}
we expect our revenue growth to be driven by our customized software solutions in response to changes in client demands and to a lesser extent by growth in our standardized solutions.

91. The 2010 20-F also included Defendants Lin and Palaschuk’s Sarbanes-Oxley certifications, which mirrored those contained in the 2009 20-F. See ¶68.

92. The statements referenced in ¶84-90 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents; (2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross margins; (3) falsely stated that wholly-owned and controlled XLHRS was an “unrelated party”; (4) fabricated its revenue and net income; (5) failed to prepare its financial results in accordance with GAAP; and (6) neither Defendant Lin nor Palaschuk had a reasonable basis for making positive statements about Longtop’s business and financial results or its outlook.

93. The statement at ¶89 was additionally false as to DTT because DTT failed to follow GAAS or GAAP in auditing and presenting Longtop’s financial results, rendering the results not in compliance with PCAOB standards. Furthermore, as set forth in more detail below in Section VII, Deloitte Limited set the policies and determined the methodologies to which all member firms, including DTT, must adhere when servicing clients (such as Longtop).

2011 First Quarter Results

94. On August 18, 2010, Longtop issued a press release reporting its financial results for the quarter ended June 30, 2010, a copy of which was filed with the SEC on Form 6-K and signed by Defendant Palaschuk. The press release reported revenues of $48.9 million, operating expenses of $9.4 million, net income of $17.9 million and a gross margin of 58.4% for the period. The press release further reported cash and cash equivalents of $342.4 million.
95. The press release also included a discussion down-playing the reported gross margin and revenue decline. According to the Company:

Excluding the impact of the Zhongbo acquisition, the Adjusted Total Gross Margin would have been 60.7% and in line with guidance.

As the first quarter is expected to be the lowest revenue quarter in fiscal 2011, Adjusted Total Gross Margin is expected to increase in future quarters, and full year Adjusted Total Gross Margin, excluding the impact of the Zhongbo acquisition, is expected to reach the Company’s previous guidance of 66.0%.

96. Defendant Lin described the first quarter 2011 results as “strong” and noted “the continuing strong demand for Longtop’s solutions due to long-term and structural technology growth trends in the financial services industry, which tend to be independent of the macroeconomic environment.” Lin continued “[i]n consideration of our growth momentum, we increase revenue and net income guidance for fiscal 2011.”

97. Defendant Palaschuk also commented on the results, stating:

We have delivered sound top and bottom line financial results during the first fiscal quarter, which is traditionally our lowest revenue and net income quarter in the fiscal year. The strong outlook, evidenced by a healthy backlog and pipeline in our core software development business, has allowed us to increase guidance, and for the first time in our history we expect to achieve US$100 million in Adjusted Net Income. As in previous years, in Q2 and Q3 2011 we expect significant improvements from this quarter in our margins as well as from cash flow from operations.

98. The statements referenced in ¶¶94-97 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents; (2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross margins; (3) fabricated its revenue and net income; and (4) neither Defendant Lin nor Palashuk
had a reasonable basis for making positive statements about Longtop’s business and financial results or its outlook.

2011 Second Quarter Results

99. On November 15, 2010, Longtop issued a press release reporting its financial results for the quarter ended September 30, 2010, a copy of which was filed with the SEC on Form 6-K and signed by Defendant Palaschuk. The press release reported revenues of $55.5 million, operating expenses of $10.1 million, net income of $25.7 million and a gross margin of 64.3% for the period. The press release further reported cash and cash equivalents of $379 million and $27.1 million in short term borrowings.

100. Defendant Lin highlighted the “ongoing strength in demand from across the full spectrum of our customer base...” and stated that “Longtop’s growth momentum and expanding market leadership are based on customers’ trust in our quality solutions and service, and we will work hard to continue to deserve their loyalty.”

101. Defendant Palaschuk likewise commented on the results, stating:

Our Company performance has once more exceeded guidance for both top and bottom line results. Our order intake, margins and cash flow from operations which was US$31.6 million significantly improved in the second quarter as we had anticipated. On the back of strong demand and execution, we are now raising our fiscal 2011 revenue guidance to US$242.5 million up from 225.0 million at the beginning of our fiscal year and Adjusted Earnings Per Share of US$1.76 up from US$1.64.

102. The statements referenced in ¶¶99-101 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents and bank loan balances; (2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross margins; (3) fabricated its revenue and net income; and (4) neither
Defendant Lin nor Palashuk had a reasonable basis for making positive statements about Longtop’s business and financial results, or the outlook.

2011 Third Quarter Results

103. On January 31, 2011, Longtop issued a press release disclosing its financial results for the quarter ended December 31, 2010, a copy of which was filed with the SEC on Form 6-K and signed by Defendant Palaschuk. The press release reported revenues of $72.5 million, operating expenses of $12.8 million, net income of $35.6 million and a gross margin of 68.8% for the period. The press release further reported cash and cash equivalents of $423.2 million and $10.6 million in short term borrowings.

104. Defendant Lin commented on the third quarter results, stating:

We have delivered the strongest cash flow from operations to date since our IPO in 2007 on the back of outstanding execution from our management and employees. The momentum has accelerated during fiscal 2011 with our organic growth rate for software development revenue of approximately 40% in the first nine months significantly higher than the 30% guidance we gave at the outset of the year while maintaining a relatively stable organic operating margin. With this momentum, we are once again raising guidance for the fiscal fourth quarter of 2011…. For fiscal 2012 we continue to see strong demand from our customers that execute on their long-term IT development plans irrespective of short-term changes in macroeconomic factors. Based on our sales pipeline and ongoing discussions with customers about their IT spending plans, Longtop’s growth prospects remain bright for fiscal 2012. I believe Longtop’s competitive position is stronger than ever and we continue to take market share from our competitors.

105. Defendant Palaschuk further noted that “our industry leading margins give us significant room for additional investments in our business.”

106. The statements referenced in ¶¶103-105 were materially false and misleading because they misrepresented and failed to disclose that Longtop had (1) falsified records in relation to its cash position, particularly its cash and cash equivalents and bank loan balances;
(2) improperly understated expenses, including those associated with its workforce, thereby artificially inflating gross margins; (3) fabricated its revenue and net income; and (4) neither Defendant Lin nor Palashuk had a reasonable basis for making positive statements about Longtop's business and financial results or its outlook.

VI. GAAP VIOLATIONS

107. The representations and certifications by Defendants Lin, Palaschuk and DTT that Longtop's financial results were prepared and reported accurately and in accordance with U.S. GAAP were materially false and misleading.

108. Clear and longstanding GAAP provisions require: (i) that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions, set forth in FASB Statement of Concepts No. 1, ¶34; (ii) that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events, and circumstances that change resources and claims to those resources, set forth in FASB Statement of Concepts No. 1, ¶40; (iii) that financial reporting should provide information about an enterprise's financial performance during a period set forth in FASB Statement of Concepts No. 1, ¶42; (iv) that financial reporting should be reliable in that it represents what it purports to represent, set forth in FASB Statement of Concepts No. 2, ¶¶58-59; and (v) completeness, meaning that nothing material is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions, set forth in FASB Statement of Concepts No. 2, ¶79.

109. Furthermore, Statement of Financial Accounting Standards No. 57 ("Related Party Disclosures") mandates disclosure of material related-party transactions. Specifically, financial statements shall include disclosures of material related-party transactions, other than
compensation arrangements, expense allowances, and other similar items in the ordinary course of business. The disclosures shall include:

a. The nature of the relationship(s) involved;

b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements;

c. The dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and

d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

110. Because Longtop's Class Period financial statements violated GAAP, they are presumptively misleading and inaccurate under SEC Regulation S-X, 17 C.F.R. §210.4-01(a)(1).

VII. ADDITIONAL SCIENTER ALLEGATIONS

A. Longtop and the Individual Defendants

111. The Individual Defendants, as directors and/or the most senior officers of Longtop during the Class Period, including Defendant Gurnee as Chair of Longtop's Audit Committee, are liable as direct participants in all of the wrongs complained of herein. Through their positions of control and authority, as well as their stock ownership, the Individual Defendants were in a position to control all of the Company's false and misleading statements and omissions including the contents of the Forms 20-F, the Forms 6-K and press releases, as set forth above.

112. As Longtop's 2010 20-F stated,

A small number of shareholders, including Hiu Kung Ka, our co-founder and chairman of our board of directors and Wai Chau Lin, our co-founder and chief executive officer, as at May 31, 2010 beneficially owned approximately 30% of our outstanding share
capital. As a result, these shareholders have substantial influence over our business.

113. Furthermore, because of their positions within Longtop, the Individual Defendants possessed the power and authority to control the contents of Longtop’s reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The Individual Defendants were provided with copies of the Company’s reports and press releases alleged herein to be materially false and misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected.

114. Because of their positions and access to material non-public information, the Individual Defendants knew and/or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading.

115. Moreover, the Company’s gross margin, cash and cash equivalent levels, revenue, bank loan balances and employee-related costs – each of which was falsely portrayed – were so important to Longtop’s survival that knowledge regarding the same may rightfully be attributed to the Company and its key officers, including the Individual Defendants.

116. The Company’s close relationship with and heavy reliance on XLHRS, which was on-site and at the Company’s headquarters, suggests that the Individual Defendants had full knowledge of the true structure and purpose of the purportedly unrelated company. Additionally, (1) XLHRS (Xiamen Longtop Human Resource Service) shares a name with Longtop, its only customer; (2) XLHRS was formed in May of 2007, just months before Longtop’s IPO; (3) XLHRS used the same email server as Longtop, as evidenced by help wanted ads placed by XLHRS that ask perspective employees to contact them at “longtop.com” and
email addresses ending "@longtop.com"; (4) XLHRS “operated” out of the same building as Longtop; (5) filings with China’s State Administration for Industry & Commerce from 2007, 2008 and 2009 indicate that employees of Longtop’s legal department handled and signed off on all XLHRS’s filings for that time; and (6) when the outsourcing agency relationship was challenged, Longtop was able to immediately terminate its relationship with XLHRS and take all the employees in-house without any contractual violations, legal action or apparent fees paid to XLHRS.

117. Moreover, Longtop’s chairman, Defendant Ka, went as far as to admit to DTT that “there were fake revenue in the past so there were fake revenue recorded in the books.” When asked who was involved, Defendant Ka answered “senior management.”

118. Defendant Palaschuk, the Company’s CFO, was intimately involved with Longtop’s financial reporting, touting his training as a professional accountant and his regular contact with both Defendants Lin and DTT. For example, Defendant Palaschuk stated: “I’ve been having very close discussions with our auditors since the day I joined the company. For me, I’m a professionally trained accountant; the most important relationships that I have other than with my family, my CEO, and then the next on the list is Deloitte as our auditor, because their trust and their support is extremely important. And it’s not just because this has happened, it’s been important for the last five years.”


120. Both Defendants Lin and Palashuk demonstrated an in-depth involvement in the presentation of the fraudulent financial results. For example, as set forth herein, either Defendant Lin or Defendant Palaschuk (and sometimes both) issued their own commentary in
conjunction with every Class Period release concerning the Company's finances and prospects for growth. And when the fraud began to come to light, Defendant Palaschuk continued this practice in communications with the market trying to explain away the accusations.

121. Defendants Lin and Palaschuk signed Sarbanes-Oxley certifications annually during the Class Period attesting to their responsibility for and knowledge of disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as well as Longtop's internal control over financial reporting.

122. Each of the Individual Defendants benefited directly from Longtop's fraud. During the Class Period, the four Individual Defendants collectively sold over $97 million worth of Longtop ADSs. Defendant Lin sold approximately 1.5 million shares – over one-third of his holdings – during the Class Period for a total of $50.7 million. Defendant Ka sold approximately 2 million shares – nearly 20% of his holdings – for a total of $40.4 million. Defendants Palaschuk and Gurnee sold 150,000 shares for $4 million and 62,500 shares for $2.2 million, respectively, during the Class Period.

B. The Auditor Defendants

(i) DTT

123. AU §230 sets forth the general requirements with respect to an auditor's obligation to plan and perform his/her work with professional care. "Due professional care imposes a responsibility upon [an auditor] to observe the standards of field work and reporting [as set forth above]." AU §230.02. Among the requirements of due care is that an auditor exercise "professional skepticism." "Professional skepticism is an attitude that includes a questioning mind and a critical assessment of the audit evidence." AU §230.07. In exercising professional skepticism, "[t]he auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be
satisfied with less than persuasive evidence because of a belief that management is honest.” AU §230.09.

124. In conducting the audit, the auditor must obtain “reasonable assurance that the financial statements are free from material misstatement, whether caused by error or fraud.” AU §230.10. The auditor’s objective is “to obtain sufficient competent evidential matter to provide him or her with a reasonable basis for forming an opinion.” AU §230.11. As required by Statement on Auditing Standards (“SAS”) 22, Planning and Supervision, an auditor should consider, among other things, matters relating to the entity’s business and the industry in which it operates and conditions that may require extension or modification of audit tests, such as the risk of material error or fraud or the existence of related party transactions. AU §311.03. Also, “[k]nowledge of the entity’s business helps the auditor in identifying areas that may need special attention . . ., evaluating the reasonableness of estimates, such as . . . the allowance for doubtful accounts . . ., and evaluating the reasonableness of management’s representations. AU §311.06.

125. An auditor is required to “assess audit risk and materiality . . . in determining the nature, timing and extent of audit procedures and in evaluating the results of those procedures.” AU §312.01. In considering audit risk, “the auditor should specifically assess the risk of material misstatement of the financial statements due to fraud.” AU §312.16 (emphasis added). If the auditor concludes that there is a heightened risk of material misstatement due to fraud or otherwise, he must take whatever steps are necessary to assure himself that the financial statements are not materially misleading. See generally AU §312 (requiring an auditor to limit audit risk to a low level, that is, a level appropriate for expressing an opinion on the financial statements). This is true in terms of the number and types of audit procedures he must perform,
the time that he must spend on the audit, the number and experience of personnel that must be
involved, and the level of supervision that should be employed. AU §312.17.

126. SAS 56, Analytical Procedures, requires the auditor to use “analytical procedures
in the planning and overall review stages of the audit.” AU §329.01. “Analytical procedures are
an important part of the audit process and consist of evaluation of the financial information made
by a study of the plausible relationships among both financial and non-financial data.” AU
§329.02. Further, “[p]articular conditions can cause variations in these relationships [and]
include, for example, specific unusual transactions or events... business changes... or
misstatements.” Id. Standards of the PCAOB specifically warn that “[u]nderstanding financial
relationships is essential in planning and evaluating the results of analytical procedures, and
generally requires knowledge of the client and the industry... in which the client operates.” AU
§329.03.

127. Here, DTT failed to adequately plan its audit of Longtop and use appropriate
analytical procedures insofar as it failed to gain even the most basic understanding of Longtop’s
financial records in relation to its cash at banks and bank loan balances. It was not until after
Citron, Bronte and other analysts questioned the legitimacy of Longtop’s financial results that
DTT began to specifically assess the risk of material misstatement of Longtop’s financial
statements due to fraud.

128. Had DTT exercised even the most cursory of audit procedures, it would have
discovered serious defects in Longtop’s financial records, including statements by Longtop’s
banks that they had no records of certain transactions; confirmation replies previously received
were said to be false; significant differences in deposit balances reported by the banks compared
with the amounts identified in previously received confirmations and in the books and records of
Longtop; and significant bank borrowings reported by the banks that were not identified in Longtop's books and records.

129. DTT's failure to undertake any meaningful investigation with respect to Longtop's cash and bank loan balances throughout the Class Period (as evidenced by DTT having withdrawn its audit opinions dating back to 2007) was, at the very least, reckless.

130. Similarly, in connection with Longtop's use of XLHRS as an off-balance sheet related party to hide certain employee expenses, AU §330.25 provides that "[t]he auditor's understanding of the client's arrangements and transactions with third parties is key to determining the information to be confirmed. The auditor should obtain an understanding of the substance of such arrangements and transactions to determine the appropriate information to include on the confirmation request."

131. Furthermore, SAS 45, Related Parties, requires the auditor to perform procedures "to identify related party relationships and transactions and to satisfy himself concerning the required financial statement accounting and disclosure." AU §334.01. Indeed, auditors must conduct procedures aimed at uncovering related-party transactions "even if the auditor has no reason to suspect that related-party transactions or control relationships exist." AU §334.04.

132. AU §334.06 specifically warns that "auditors should... be aware of the possibility that transactions with related parties may have been motivated solely, or in large measure, by conditions similar to the following: (a) lack of sufficient working capital or credit to continue to the business; (b) an urgent desire for a continued favorable earnings record in the hope of supporting the price of the company's stock; (c) an overly optimistic earnings forecast; [and] (d) dependence on a single or relatively few products, customers, or transactions for the continuing success of the venture. . . ."
133. According to AU §334.07, "[d]etermining the existence of [relationships] requires the application of specific audit procedures..." AU §334.08 includes the following procedures for identifying the existence of previously undetermined relationships: "(e) **Review the extent and nature of business transacted with major customers, suppliers, borrowers, and lenders for indications of previously undisclosed relationships**... [and] (g) Review accounting records for large, unusual, or nonrecurring transactions or balances, paying particular attention to transactions recognized at or near the end of the reporting period..." (Emphasis added.) AU §334.09 then provides that: "[a]fter identifying related party transactions, the auditor should apply the procedures he considers necessary to obtain satisfaction concerning the purpose, nature, and extent of these transactions and their effect on the financial statements. The procedures should be directed toward obtaining and evaluating sufficient competent evidential matter and should extend beyond inquiry of management."

134. DTT was obligated to undertake these critical audit procedures to ensure there were no undisclosed related-party transactions. Even the most cursory of audit procedures would have alerted DTT to the fact that Longtop had transferred the majority of its cost structure off-balance sheet to XLHRS, thereby creating the opportunity for a massive fraud, and DTT was obligated to test the veracity of Longtop’s repeated statements that XLHRS was “unrelated to us.”

135. Indeed, a perfunctory review of the relationship would have exposed the following:

(i) **XLHRS was formed in May 2007, just months before Longtop’s IPO;**

(ii) **Although XLHRS is Longtop’s largest line item expenditure by far, it is never mentioned in Longtop filings until the 2009 20-F;**

(iii) **As Citron reported, XLHRS had for months been located in the same building as Longtop;**
(iv) XLHRS (Xiamen Longtop Human Resources Services) shares a name with its only customer: Longtop;
(v) XLHRS has no website and does not appear to have any other customers; and
(vi) XLHRS used the same email server as its only client—as evidenced by help wanted advertisements placed by XLHRS asking perspective employees to contact XLHRS at “longtop.com.”

136. Three separate financial research firms – Citron Research, OLP Global and Bronte Capital – each reported on one or more of the above red flags. Had DTT properly exercised the duties incumbent upon an auditor to identify and conduct procedures aimed at uncovering related-party transactions, the relationship between Longtop and XLHRS would have raised significant doubts as to the true nature of such dealings, the reliability of Longtop’s representations, the fairness of Longtop’s financial statements and whether those statements were prepared in conformity with GAAP.

137. DTT’s failure to undertake any meaningful investigation with respect to these interrelated party transactions with XLHRS, and the impact of these transactions on Longtop’s financial results—particularly on reported and gross margins and net income—was, at the very least, reckless.

138. DTT’s culpable conduct continues to date with its refusal to produce documents or otherwise cooperate with the SEC in its investigation into Longtop’s downfall, even in the face of a widely-publicized SEC enforcement action (SEC v. Deloitte Touche Tohmatsu, CPA Ltd, Dkt. No. 11 Misc. 512 (D.D.C. filed Sept. 8, 2011)).

(ii) Deloitte Limited

139. DTT performed the audit services as an agent of Deloitte Limited, and provided those services on the authority, at the direction, under the control, and for the benefit of Deloitte Limited.
140. DTT is a “member firm” of Deloitte Limited. According to Deloitte Limited marketing materials, Deloitte Limited and its member firms are “Reaching new heights, As One.”

141. Consistent with this mantra, Deloitte Limited sets the policies and determines the methodologies to which all member firms, including DTT, must adhere. According to its marketing materials:

[Deloitte Limited]’s board has adopted certain policies and protocols regarding professional standards and methodologies, and systems for quality control and risk management, in an effort to establish a consistently high level of quality, professional conduct and service in all member firms. Member firms provide services to clients, applying these policies . . .

142. DTT’s 2011 Annual Report filed with the PCAOB echoes the marketing materials, stating Deloitte Limited “facilitate[s] high quality professional conduct and service” by “adopt[ing] policies and protocols regarding professional standards, methodologies and systems for quality control and risk management” and that Deloitte member firms “become members of [Deloitte Limited] to coordinate their approach to client service, professional standards, shared values, methodologies, systems of quality control and risk management.”

143. Deloitte Limited also requires each member firm to verify annually that it has complied with the auditor independence policies set out by Deloitte Limited which subjects member firms to a “practice review” at least every three years during which Deloitte Limited reviews each member firm’s compliance with internal policies and external requirements.

144. Deloitte Limited aggregates member firm revenues; touts its “over 170,000 professionals”; and is member-firm funded. Deloitte Limited also reports committing “US$500 million to grow its strategic markets, including China . . .” since 2005.
145. Member firms are expected, and reported, to assist each other. Indeed, Deloitte Limited’s U.S. member firm, Deloitte LLP, has formed a “Chinese Services Group” which “coordinates with the Deloitte... member firm in China and the appropriate subsidiary of Deloitte LLP” to assist U.S. companies investing and operating in China and to help Chinese firms access U.S. capital markets.

146. For these reasons, Deloitte Limited is a controlling person of its member firm DTT and its employees, and based on the conduct alleged herein, is liable in that capacity for DTT’s wrongful conduct.

VIII. LOSS CAUSATION

147. Defendants’ unlawful conduct alleged herein directly caused the losses incurred by Lead Plaintiffs and the Class. Throughout the Class Period, the price of Longtop’s ADSs was artificially inflated as a direct result of Defendants’ materially false and misleading statements and omissions.

148. The true facts became known by investors and the market through a series of partial corrective disclosures, some by third parties and ultimately, some by Defendants. By making contemporaneous additional misstatements in the form of denials in response to partial disclosures by third parties, or by failing to reveal the falsity of all statements at one time, artificial inflation remained in the price of Longtop ADSs throughout the entirety of the Class Period.

149. As the true facts became known and/or the materialization of the risks that had been concealed by Defendants occurred, the price of Longtop ADSs declined as the artificial inflation was removed from the market price of the ADSs, causing substantial damage to Lead Plaintiffs and the members of the Class.
150. The declines in the price of Longtop's ADSs and the resulting losses are directly attributable to the disclosure of information and materialization of risks that were previously misrepresented or concealed by the Defendants. Had Lead Plaintiffs and other members of the Class known of the material adverse information not disclosed by Defendants or been aware of the truth behind their material misstatements, they would not have purchased Longtop ADSs at artificially inflated prices.

IX. GROUP PLEADING

151. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly-defined group of the Individual Defendants. Each of the Individual Defendants, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. The Individual Defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein; were aware, or recklessly disregarded, that the materially false and misleading statements were being issued regarding the Company; and approved or ratified these statements, in violation of the federal securities laws.

152. The Individual Defendants acted with scienter in that each knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the
issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Longtop, their control over, and/or receipt and/or modification of Longtop’s allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Longtop, participated in the fraudulent scheme alleged herein.

X. INAPPLICABILITY OF STATUTORY SAFE HARBOR

153. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not “forward looking statements” when made. To the extent there were any forward-looking statements, there was no meaningful cautionary statement identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Longtop and the Individual Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Longtop who knew that those statements were false when made. Moreover, to the extent that Longtop and the Individual Defendants issued any disclosures designed to “warn” or “caution” investors of certain “risks,” those disclosures were also false and misleading because they did not disclose that Longtop and the Individual Defendants were actually engaging in the very actions about which they purportedly warned and/or had actual knowledge of undisclosed material adverse facts that rendered such “cautionary” disclosures false and misleading.
XI. PRESUMPTION OF RELIANCE

154. At all relevant times, the market for Longtop’s publicly traded securities was an efficient market for the following reasons, among others:

a. Longtop ADSs met the requirements for listing, and were listed and actively traded on the NYSE, a highly efficient and automated market;

b. As a regulated issuer, Longtop filed periodic public reports with the SEC;

c. Longtop regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

d. Longtop was followed by numerous securities analysts employed by major brokerage firms throughout the Class Period who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

155. As a result, the market for Longtop’s publicly-traded ADSs promptly digested current information regarding Longtop from all publicly-available sources and reflected such information in Longtop’s ADS prices. Under these circumstances, all purchasers of Longtop’s ADSs during the Class Period suffered similar injury through their purchase of Longtop’s ADSs at artificially inflated prices, and a presumption of reliance applies.

XII. CLASS ACTION ALLEGATIONS APPLICABLE TO ALL CLAIMS

156. Lead Plaintiffs bring this Action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons and entities who purchased or otherwise acquired Longtop ADSs on the NYSE between June 29, 2009 and May 17, 2011, inclusive, and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, 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.

157. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Longtop’s ADSs were actively traded on the NYSE. While the exact number of Class members is unknown to Lead Plaintiffs at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Millions of Longtop ADSs were traded publicly during the Class Period on the NYSE and as of May 17, 2011, there were over 41 million shares of Longtop ADSs issued and outstanding. Record owners and other members of the Class may be identified from records maintained by Longtop and/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.

158. Lead 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 the federal laws that is complained of herein.

159. Lead 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.

160. 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:

(i) Whether the federal securities laws were violated by Defendants’ acts as alleged herein;

(ii) Whether statements made by Longtop and the Individual Defendants to the investing public during the Class Period omitted and/or misrepresented
material facts about the business, operations, and prospects of Longtop; and

(iii) To what extent the members of the Class have sustained damages and the proper measure of damages.

161. 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 makes 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.

162. The prosecution of separate actions by individual Class members would create the risk of inconsistent or varying adjudications with respect to the individual Class members, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual Class members that would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair their ability to protect their interests.

163. Defendants have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

XIII. CAUSES OF ACTION

COUNT I

Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against Longtop and the Individual Defendants

164. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein. This Count is being brought pursuant to Section 10(b) of the Exchange
Case 1:11-cv-03658-SAS Document 45-1 Filed 11/18/11 Page 20 of 29

Act, 15 U.S.C. §78(j)(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. 240.10b-5, on behalf of Lead Plaintiffs and all members of the Class against Longtop and the Individual Defendants.

165. Throughout the Class Period, Longtop and the Individual Defendants carried out a plan, scheme and course of conduct that: (i) deceived the investing public, including Lead Plaintiffs and other Class members, as alleged herein; and (ii) caused Lead Plaintiffs and other members of the Class to purchase Longtop’s ADSs at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Longtop and each of the Individual Defendants took the actions set forth herein.

166. Longtop and the Individual Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company’s ADSs in an effort to maintain artificially high market prices for Longtop’s ADSs in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

167. Longtop and the Individual Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the United States mail, engaged and participated in a continuous course of conduct to conceal adverse material information about Longtop’s financial well-being and prospects, as specified herein.

168. Longtop and the Individual Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Longtop’s value and performance and continued substantial growth, which included the making of, or the
participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Longtop and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company’s securities during the Class Period.

169. Each of the Individual Defendant’s primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company’s management team or had control thereof; (ii) each of these Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company’s internal budgets, plans, projections and/or reports; (iii) each of these Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of, and had access to, other members of the Company’s management team, internal reports and other data and information about the Company’s finances, operations, and sales at all relevant times; and (iv) each of these Defendants was aware of the Company’s dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

170. The Individual Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants’ material misrepresentations and/or omissions were issued knowingly or
recklessly and for the purpose and effect of concealing Longtop’s financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities.

171. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Longtop’s ADSs was artificially inflated throughout the Class Period. In ignorance of the fact that market prices of the Company’s ADSs were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Longtop and the Individual Defendants, or upon the integrity of the market in which the securities traded, and/or in the absence of material adverse information that was known to or recklessly disregarded by Longtop and the Individual Defendants, Lead Plaintiffs and the other members of the Class acquired Longtop’s ADSs during the Class Period at artificially inflated prices and were damaged thereby.

172. At the time of the misrepresentations and/or omissions, Lead Plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had Lead Plaintiffs and the other members of the Class known the truth regarding Longtop’s true financial condition and business practices, Lead Plaintiffs and other members of the Class would not have purchased or otherwise acquired Longtop ADSs, or, if they had acquired such ADSs during the Class Period, they would not have done so at the artificially inflated prices that they paid.

173. By virtue of the foregoing, Longtop and the Individual Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and are liable to Lead Plaintiffs and the members of the Class, each of whom has been damaged as a result of such violations.
COUNT II

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

174. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein. This Count is brought pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. §78t(a), on behalf of Lead Plaintiffs and all members of the Class against the Individual Defendants.

175. By reason of their positions of control and authority as officers of Longtop, the Individual Defendants had the power and authority to cause Longtop to engage in the wrongful conduct complained of herein. The Individual Defendants were able to and did control, directly and indirectly, the content of the public statements made by Longtop during the Class Period, thereby causing the dissemination of the false and misleading statements and omissions of material facts as alleged herein.

176. As set forth above, Longtop violated Section 10(b) of the Exchange Act by its acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of Longtop and, as a result of their own aforementioned conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act, jointly and severally with, and to the same extent as Longtop is liable under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, to Lead Plaintiffs and other members of the Class who purchased or otherwise acquired Longtop common stock during the Class Period. Moreover, as detailed above, during the Class Period during which the Individual Defendants served as officers of Longtop, each of the Individual Defendants is responsible for the material misstatements and omissions made by Longtop.
177. As a direct and proximate result of the Individual Defendants’ wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company’s ADSs during the Class Period.

**COUNT III**

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

178. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein. This Count is being brought pursuant to Section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. 240.10b-5, on behalf of Lead Plaintiffs and all members of the Class against DTT.

179. Throughout the Class Period, DTT directly and indirectly, by the use of means and instrumentalities of interstate commerce of the United States mail, engaged and participated in a continuous course of conduct to conceal adverse material information about Longtop, including its true financial results.

180. DTT made untrue and misleading statements of material fact and omitted to state material facts necessary in order to make its statements not misleading. Specifically, DTT knew, or but for its reckless disregard of the truth should have known, that Longtop had fundamentally misrepresented the nature of its business and that its financial statements for the fiscal years ended March 31, 2009 and 2010 were materially misstated and were not presented in conformity with GAAP. In addition, DTT’s audit of those financial statements was not performed in accordance with the standards of the PCAOB.

181. The specific false and misleading statements for which DTT is charged with liability under Section 10(b) are certain “expertise” statements contained in Forms 20-F and in the registration statements and prospectuses for Longtop’s Secondary Offering, including but not
limited to Longtop’s financial statements and the notes thereto, as well as DTT’s unqualified audit reports on the Company’s financial statements issued during the Class Period. As set forth above, for each of Longtop’s year-end financial statements issued during the Class Period, DTT stated that it performed its audits in “accordance with the standards of the Public Company Accounting Oversight Board (United States),” and DTT “expressed an unqualified opinion on those financial statements and financial statement schedule,” which “present[ed] fairly, in all material respects, the financial position of Longtop. . . .”

182. These statements were false and misleading because, in fact, DTT’s audits represented an extreme departure from the standards of the PCAOB and, therefore, DTT had no reasonable basis to support its opinion that Longtop’s financial statements fairly presented the Company’s financial position and results of operations in conformity with GAAP and the requirements of the PCAOB.

183. In sum, as Longtop’s long-time auditor, DTT had unfettered access to Longtop’s books and records throughout the audit period, and it certainly had knowledge of GAAP and the requirements of the PCAOB, as detailed above. Had DTT conducted its audits in accordance with the PCAOB, it would have reacted to the numerous, obvious “red flags” set forth above and, in so doing, would have discovered the truth about Longtop’s operations. Instead, DTT ignored those red flags and knowingly or recklessly failed to employ even the most basic procedures designed to detect fraud or to ensure that the financial statements were free from material misstatement. Thus, in effect, DTT abandoned its role as “independent auditor” and, in the process, knowingly or recklessly issued an unqualified audit opinion on Longtop’s materially false and misleading financial statements, which had the effect of artificially inflating Longtop’s stock price. From all of these facts, there is a strong inference that DTT acted with scienter.
184. Lead Plaintiffs and the members of the Class relied upon either the integrity of the market or upon the statements and reports of DTT in purchasing Longtop ADSs at those artificially inflated prices.

185. As a direct and proximate result of DTT’s conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their purchases of Longtop ADSs. Had Lead Plaintiffs and the other members of the Class known of the material adverse information not disclosed by DTT, or been aware of the truth behind DTT’s material misstatements, they would not have purchased Longtop ADSs at artificially inflated prices.

186. By virtue of the foregoing, DTT has violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and is liable to Lead Plaintiffs and the members of the Class, each of whom has been damaged as a result of such violation.

COUNT IV

Violation of Section 20(a) of the Exchange Act
Against Deloitte Limited

187. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein. This Count is brought pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. §78t(a), on behalf of Lead Plaintiffs and all members of the Class against Deloitte Limited.

188. As set forth above, DTT and its employees committed primary violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by virtue of the misconduct alleged in Count III.

189. Deloitte Limited acted as a controlling person of DTT and its employees within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of the unified international structure of the auditing firm and the relationships among member firms as alleged
above, Deloitte Limited had the power to influence and control, and did influence and control,
directly or indirectly, the decision-making of its member firms and their partners. Deloitte
Limited's actual control of DTT’s conduct is demonstrated by, *inter alia*, Deloitte Limited’s
centralized global leadership structure, which sets the strategy, policies, and standards for
Deloitte globally, including for DTT. Through this relationship, Deloitte Limited possessed the
power to direct and/or cause the direction of the management of DTT’s affairs, including DTT’s
conduct of its audits and preparation of its audit reports.

190. Deloitte Limited was provided with, or had unlimited access to, copies of its
member firms’ work papers for audits of Longtop, as well as copies of internal documents,
reports, memoranda, communications, press releases, public filings, and other statements alleged
by Lead Plaintiffs to be misleading and used in furtherance of the plan, scheme, and course of
conduct set forth herein, and had the ability to prevent the issuance of the false and misleading
statements or to cause the statements to be corrected, as well as prevent the scheme and
fraudulent course of conduct from being perpetrated.

191. Deloitte Limited had direct involvement in its members firms’ audits of Longtop,
and therefore is presumed to have had the power to control or influence the particular conduct
giving rise to the securities law violations, and exercised that power, as set forth herein. By
virtue of its position as a controlling person of its member firms and their employees, and based
on its conduct alleged herein, Deloitte Limited is liable pursuant to Section 20(a) of the
Exchange Act.

192. As a direct and proximate result of Deloitte Limited’s wrongful conduct, Lead
Plaintiffs suffered damages in connection with their respective purchases of Longtop ADSs for
which Deloitte Limited is jointly and severally liable.
PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs pray for relief and judgment, as follows:

(i) Determining that this action is a proper class action under Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

(ii) Awarding compensatory damages in favor of Lead 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;

(iii) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(iv) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.
Dated: November 18, 2011

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