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8 Counsel for Plaintiff

9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 PETER CHEUNG, INDIVIDUALLY AND
12 ON BEHALF OF ALL OTHERS
13 SIMILARLY SITUATED,

14 Plaintiff,

15 vs.

16 KEYUAN PETROCHEMICALS, INC.,
17 CHUNFENG TAO, AICHUN LI,
18 WEIFENG XUE, AND DELIGHT
19 REWARD LIMITED,

20 Defendants.

CASE No.:

COMPLAINT

CLASS ACTION

JURY TRIAL DEMANDED

21 Plaintiff Peter Cheung (“Plaintiff”), individually and on behalf of all other
22 persons similarly situated, by his undersigned attorneys, for his complaint against
23 Defendants, alleges the following based upon personal knowledge as to himself and
24 his own acts, and information and belief as to all other matters, based upon, *inter*
25 *alia*, the investigation conducted by and through his attorneys, which included,
26 among other things, a review of the defendants’ public documents, conference calls
27 and announcements made by defendants, United States Securities and Exchange
28 Commission (“SEC”) filings, wire and press releases published by and regarding

1 Keyuan Petrochemicals, Inc. (“Keyuan” or the “Company”), securities analysts’
2 reports and advisories about the Company, and information readily obtainable on
3 the Internet. Plaintiff believes that substantial evidentiary support will exist for the
4 allegations set forth herein after a reasonable opportunity for discovery.

5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action on behalf of a class consisting
7 of all persons other than Defendants who purchased the common stock of Keyuan
8 between August 16, 2010 and October 7, 2011, inclusive, (the “Class Period”)
9 seeking to recover damages caused by Defendants’ violations of federal securities
10 laws.

11 2. During the Class Period, Defendants issued materially false and
12 misleading statements and omitted to state material facts that rendered their
13 affirmative statements misleading as they related to the Company’s related party
14 transactions and internal controls.

15 **JURISDICTION AND VENUE**

16 3. The claims asserted herein arise under and pursuant to Sections 10(b)
17 and 20(a) of the Securities Exchange Act, and Rule 10b-5 promulgated thereunder
18 (17 C.F.R. §240.10b-5).

19 4. This Court has jurisdiction over the subject matter of this action
20 pursuant to Section 27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §
21 1331.

22 5. Venue is proper in this Judicial District pursuant to §27 of the
23 Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b).

24 6. In connection with the acts, conduct, and other wrongs alleged in this
25 Complaint, Defendants, directly or indirectly, used the means and instrumentalities
26 of interstate commerce, including but not limited to, the United States mails,
27 interstate telephone communications and the facilities of the national securities
28 exchange.

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PARTIES

7. Plaintiff Peter Cheung, as set forth in the accompanying certification, incorporated by reference herein, purchased Keyuan securities at artificially inflated prices during the Class Period and has been damaged thereby.

8. Defendant Keyuan is a Nevada Corporation, headquartered in China. Keyuan through its subsidiaries engages in the manufacture and sale of petrochemical products in China. Until October 6, 2011, Keyuan's stock was listed on the NASDAQ exchange under ticker "KEYP." On October 6, 2011, the NASDAQ de-listed the Company stock, it began to trade on over-the-counter on the "Pink Sheets" under ticker KEYP.PK.

9. Defendant Chunfeng Tao ("Tao"), was and is, Chairman of the Board and Chief Executive Officer of Keyuan.

10. Defendant Aichun Li ("Li"), was the Chief Financial Officer of the Keyuan until her resignation from the Company on October 12, 2011.

11. Defendant Weifang Xue ("Xue") was the Company Vice President of Accounting until August 2011. In the Company's SEC filings, Xue was noted as a key and essential employee of the Company.

12. Defendant Delight Reward Limited ("Delight Reward") is a British Virgin Islands Corporation, and at all times during the Class Period, a controlling shareholder of Keyuan. According to Keyuan's annual report for the fiscal year ended December 31, 2010, Delight Reward beneficially owns more than 80% of Keyuan's common stock.

13. Tao, Li, Xue, and Delight Reward, are herein referred to collectively, as the "Individual Defendants."

14. During the Class Period, each of the Individual Defendants, as senior executive officers, agents, controlling shareholders and/or directors of Keyuan and its subsidiaries and affiliates, was privy to non-public information concerning the Company's business, finances, products, markets, and present and future business prospects, via access to internal corporate documents, conversations and

1 connections with other corporate officers and employees, attendance at
2 management and Board of Directors meetings and committees thereof, and via
3 reports and other information provided to them in connection therewith. Because of
4 their possession of such information, the Individual Defendants knew or recklessly
5 disregarded the fact that adverse facts specified herein had not been disclosed to,
6 and were being concealed from, the investing public.

7 15. The Individual Defendants participated in the drafting, preparation,
8 and/or approval of the various public, shareholder, and investor reports and other
9 communications complained of herein and were aware of, or recklessly
10 disregarded, the misstatements contained therein and omissions therefrom, and
11 were aware of their materially false and misleading nature. Because of their Board
12 membership, controlling ownership of, and/or executive and managerial positions
13 with Keyuan, each of the Individual Defendants had access to the adverse
14 undisclosed information about Keyuan's financial condition and performance as
15 particularized herein and knew (or recklessly disregarded) that these adverse facts
16 rendered the positive representations made by or about Keyuan and its business
17 issued or adopted by the Company materially false and misleading.

18 **SUBSTANTIVE ALLEGATIONS**

19 16. Throughout the Class Period, in violation of Generally Accepted
20 Accounting Principles ("GAAP"), SEC rules and the federal securities laws, the
21 Company failed to disclose numerous material related party transactions in the SEC
22 filings and financial statements rendering them false and misleading.

23 17. The Class Period begins on August 16, 2010 when the Company filed
24 with the SEC a materially false and misleading Form 10-Q, signed by defendants
25 Tao and Li, and separately certified by Tao and Li pursuant to the Sarbanes-Oxley
26 Act of 2002 ("SOX"), attesting to the accuracy of the 10-Q, and stating that "[a]ny
27 fraud, whether or not material" involving management or other employees who
28 have a significant role in Keyuan's internal control over financial reporting has
been disclosed. This 10-Q did not disclose any specific related party transactions.

1 18. On November 15, 2011, the Company filed with the SEC a materially
2 false and misleading Form 10-Q, signed by defendants Tao, Li and Xue, and
3 separately certified by Tao, Li, and Xue pursuant to SOX, stating that “[a]ny fraud,
4 whether or not material” involving management or other employees who have a
5 significant role in Keyuan’s internal control over financial reporting has been
6 disclosed. This 10-Q did not disclose any specific related party transactions.

7 19. Prior to market open on April 1, 2011, trading in the Company’s stock
8 was inexplicably halted. The last trade was at \$4.88/share.

9 20. Later in the morning, the Company filed a Form 12b-25 with the SEC
10 announcing that it would not be able to timely file its annual report for the fiscal
11 year ended December 31, 2010 due to issues raised by Keyuan’s auditor, KPMG,
12 LLP, relating “regarding certain cash transactions and recorded sales.” The
13 announcement also revealed that the Audit Committee has also commenced an
14 investigation. The Form 12b-25 states:

15 In connection with the Registrant’s financial statements as at December 31,
16 2010 and for the fiscal year then ended, issues were raised by the Registrant’s
17 independent auditor, primarily relating to unexplained issues regarding
18 certain cash transactions and recorded sales. The independent auditor
19 reported these issues to the Registrant’s Audit Committee. The Registrant’s
20 Audit Committee has engaged independent legal counsel and commenced an
21 investigation of the issues raised by the Registrant’s auditors. Inasmuch as
22 completion of Registrant’s 2010 financial statements is dependent, following
23 completion of the Audit Committee’s investigation, upon a satisfactory
24 resolution of the issues raised and any other matters that may come to light as
25 a result of further audit procedures, the Registrant was not able to complete
26 its Form 10-K Annual Report by March 31, 2011. Although the Registrant
27 believes that the Audit Committee shall undertake to complete its
28 investigation as soon as practicable, and the Registrant shall use its best
efforts to file the Annual Report by April 15, 2011, there can be no assurance
that it will be able to do so by such date.

21 21. During the afternoon on April 1, 2011, the Company filed an 8-K with
22 the SEC reiterating the matters set forth in the SEC filings earlier that day, and

1 announcing that the Company has been informed by its auditor that the Company's
2 previously issued financial statements cannot be relied upon. The 8-K states in
3 relevant part:

4
5 Item 4.02 Non-Reliance on Previously Issued Financial Statements

6 We are in the process of preparing our Annual Report on Form 10-K for the
7 year ending December 31, 2010, which is due on March 31, 2011. In
8 connection with our consolidated financial statements as at December 31,
9 2010 and for the fiscal year then ended, issues were raised by our
10 independent auditor, primarily relating to the unexplained issues regarding
11 certain cash transactions and recorded sales. The independent auditor
12 reported these issues to our Audit Committee, and our Audit Committee has
13 commenced an investigation of the issues raised. Inasmuch as completion of
14 our 2010 consolidated financial statements is dependent, upon a satisfactory
15 resolution, following completion of our Audit Committee's investigation, of
16 the issues raised and any other matters that may come to light as a result of
17 further audit procedures, we were not able to complete our Form 10-K
18 Annual Report by March 31, 2011. Although we believe that the Audit
19 Committee has undertaken to complete its investigation as soon as
20 practicable, and we will use our best efforts to file the Form 10-K Annual
21 Report by April 15, 2011, there can be no assurance that we will be able to
22 do so by such date.

23
24 In light of the investigation by our Audit Committee, our auditors have
25 informed us that there is a possibility that we may be required to make
26 certain adjustments to certain of our previously issued financial statements,
27 and that such previously issued financial statements may not be relied upon.
28 Although we are hopeful that the results of our Audit Committee's
investigation will not require material adjustments or restatements of our
historical financial statements, there can be no assurance that this will be the
case.

As set forth above, our Audit Committee is conducting an investigation of
the above referenced issues raised by our independent auditors during their
audit of the financial statements that are to be included in the subject Annual
Report. The investigation has just commenced and no conclusions have been
reached by the Audit Committee. As it is possible that the issues raised may
either result in material changes or restatements of our financial statements
previously filed, or be resolved to the satisfaction of both the Audit

1 Committee and the auditors, at this time, we cannot estimate the type of or
2 amount of change that may occur in connection with the audit of our 2010
3 consolidated financial statements or any financial statements previously filed.

4 22. On May 31, 2011, the Company filed an 8-K with the SEC announcing
5 that KPMG has resigned as the Company's auditor.

6 23. On July 5, 2011, the Company announced the appointment of GHP
7 Horwath, P.C. as the Company's new auditor.

8 24. On August 25, 2011, the Company filed an 8-K with the SEC
9 announcing that defendant Xue had resigned.

10 25. On October 6, 2011, the Company filed an 8-K that the Company's
11 stock would be delisted from the NASDAQ.

12 26. On October 7, 2011, after having been halted since April 1, 2011, the
13 Company's stock began trading over-the-counter on the "Pink Sheets." The
14 Company's stock opened for trade at \$1.05/share (down \$3.83/share) and
15 eventually closed at \$1.50/share, a decline of \$3.38/share or 69%.

16 27. On October 20, 2011 the Company filed its annual report for the fiscal
17 year ended December 31, 2010. The 10-K revealed for the first time numerous
18 previously undisclosed related party transactions. The 10-K identified the
19 following related parties:

Name of parties	Relationship
Mr. Chunfeng Tao	Majority stockholder
Mr. Jicun Wang	Principal stockholder
Mr. Peijun Chen	Principal stockholder
Ms. Sumei Chen	Member of the Company's Board of Supervisors and spouse of Mr. Wang
Ms. Yushui Huang	Vice President of Administration, Ningbo Keyuan
Mr. Weifeng Xue	Vice President of Accounting, Ningbo Keyuan through August 2011
Mr. Hengfeng Shou	Vice President of Sales, Ningbo Keyuan Petrochemical
Ningbo Kewei Investment Co., Ltd. (Ningbo Kewei)	A company controlled by Mr. Tao
Ningbo Pacific Ocean Shipping Co., Ltd (Ningbo Pacific)	100% ownership by Mr. Wang
Ningbo Hengfa Metal Product Co., Ltd (Ningbo Hengfa, former name "Ningbo Tenglong")	100% ownership by Mr. Chen
Shandong Tengda Stainless Steel Co., Ltd (Shandong Tengda)	100% ownership by Mr. Chen

1	Ningbo Xinhe Logistic Co., Ltd (Ningbo Xinhe)	10% ownership by Ms. Huang
2	Ningbo Kunde Petrochemical Co, Ltd. (Ningbo Kunde)	Mr. Tao's mother was a 65% nominee shareholder for Mr. Hu, a third party
3	Ningbo Jiangdong Jihe Construction Materials Store (Jiangdong Jihe)	Controlled by Mr. Xue's Brother-in-law
4	Ningbo Wanze Chemical Co., Ltd (Ningbo Wanze)	Mr. Tao's sister-in-law is the legal representative
5	Ningbo Zhenhai Jinchi Petroleum Chemical Co., Ltd (Zhenhai Jinchi)	Controlled by Mr. Shou

7 28. The 10-K identified the following amounts involving related parties:

	Year ended December 31,	
	2010	2009
9		
10	Sales of products (a)	\$111,860,732 \$21,491,643
11	Purchase of raw material (b)	\$ 25,014,808 \$ 4,730,580
12	Purchase of transportation services (c)	\$ 3,659,000 \$ 1,437,411
13	Credit line of guarantee provision for bank borrowings (d)	\$159,775,200 \$79,206,053
14	Short-term financing from related parties (e)	\$ 30,839,377 \$18,550,629
15	Short-term financing to related parties (e)	\$ 30,949,048 \$18,550,629
16	Amount due from related parties (f)	\$ 5,332,193 \$ 261,493
17	Amount due to related parties (g)	\$ 115,535 \$ 4,506,396

15 29. The 10-K also identified the related party nature of certain other
16 transactions as follows:

Name of parties	Relationship
18 Ningbo Litong Petrochemical Co., Ltd (Ningbo Litong)	Former 12.75% nominee shareholder of Ningbo Keyuan
19 Ningbo Jiangdong Haikai Construction Materials Store (Jiangdong Haikai)	Controlled by cousin of Mr. Weifeng Xue, Vice President of Accounting
20 Ningbo Jiangdong Deze Chemical Co., Ltd	Controlled by cousin of Mr. Weifeng Xue, Vice President of Accounting
21 (Jiangdong Deze)	President of Accounting
22 Ningbo Anqi Petrochemical Co., Ltd (Ningbo Anqi)	Controlled by cousin of Mr. Weifeng Xue, Vice President of Accounting

23 30. The amounts involving these parties are as follows:

	Year ended December 31,	
	2010	2009
25		
26	Sales of products (h)	\$29,625,766 \$17,922,288
27	Purchase of raw material (i)	\$18,994,104 \$ 3,280,566
28	Credit line of guarantee for bank borrowings (j)	\$ - \$62,309,250
	Short-term financing from these parties (k)	\$74,983,618 \$19,117,579
	Short-term financing to these parties (k)	\$77,030,336 \$19,232,699
	Amounts due from these parties	\$ 2,217,854 \$ 115,191

31. The 10-K also revealed certain restatement adjustments and potential violations of law. The 10-K states in relevant part:

The Investigation identified possible violations of PRC laws and U.S. Securities laws, including the maintenance of an off-balance sheet cash account that was used primarily to pay service providers and other Company related expenses. Total activity in the off-balance sheet cash account amounted to approximately \$800,000 through December 31, 2010 with a net income statement effect of approximately \$12,000, and \$400,000 for the period from January 1, 2011 to March 31, 2011, with a net income statement effect of approximately \$192,000, at which time the Company ceased its use. The Investigation identified certain other issues that could result in potential violations of PRC or U.S. laws. The Company is working with its legal counsel to evaluate the matters identified in the Investigation and to determine the extent to which the Company may be exposed to fines and penalties. In addition, the Company has retained a Foreign Corrupt Practices Act (“FCPA”) expert to review potentially relevant transactions and to assist the Company with the design and implementation of a detailed FCPA program. The Company has preliminarily concluded that the extent to which it may be exposed in the PRC is limited. However, management is currently unable to determine the final outcome of these matters and their possible effects on the consolidated financial statements.”

32. On October 19, 2011, the Company filed an 8-K with the SEC that Keyuan’s Q2 and Q3 2009 10-Qs would be restated, because of, among other things, to add “disclosures of our related party transactions to ensure that we include all of the disclosures required under US GAAP and the rules and regulations of the Securities Exchange Commission.”

33. On November 1, 2011, the Company filed its restated 10-Q of the second quarter ended June 30, 2010. The 10-Q revealed the related party transactions, set forth in the 2010 10-K listed above, for the second quarter, and others. The 10-Q states in relevant part:

Note 25 - Related Party Transactions and Relationships

The Company considers all transactions with the following parties to be the related party transactions.

Name of parties	Relationship
Mr. Chunfeng Tao	Majority stockholder
Mr. Jicun Wang	Principal stockholder
Mr. Peijun Chen	Principal stockholder
Ms. Sumei Chen	Member of the Company's Board of Supervisors and spouse of Mr. Wang
Ms. Yushui Huang	Vice President of Administration, Ningbo Keyuan
Mr. Weifeng Xue	Vice President of Accounting, Ningbo Keyuan
Mr. Hengfeng Shou	Vice President of Sales, Ningbo Keyuan
	Petrochemical
Ningbo Kewei Investment Co., Ltd. (Ningbo Kewei)	A company controlled by Mr. Tao
Ningbo Pacific Ocean Shipping Co., Ltd (Ningbo Pacific)	100% ownership by Mr. Wang
Ningbo Hengfa Metal Product Co., Ltd (Ningbo Hengfa, former name "Ningbo Tenglong")	100% ownership by Mr. Chen
Shandong Tengda Stainless Steel Co., Ltd (Shandong Tengda)	100% ownership by Mr. Chen
Ningbo Xinhe Logistic Co., Ltd (Ningbo Xinhe)	10% ownership by Ms. Huang
Ningbo Kunde Petrochemical Co, Ltd. (Ningbo Kunde)	Mr. Tao's mother was a 65% nominee shareholder for Mr. Hu, a third party
Ningbo Jiangdong Jihe Construction Materials Store (Jiangdong Jihe)	Controlled by Mr. Xue's Brother-in-law
Ningbo Wanze Chemical Co., Ltd (Ningbo Wanze)	Mr. Tao's sister-in-law is the legal representative
Ningbo Zhenhai Jinchi Petroleum Chemical Co., Ltd (Zhenhai Jinchi)	Controlled by Mr. Shou

Related party transactions and amounts outstanding with the related parties as of and for the three months ended March 31, 2010 and 2009 are summarized as follows:

	Three months ended June 30,	
	2010	2009
Sales of products (a)	\$26,369,453	\$ -
Purchase of raw material (b)	\$ -	\$ -
Purchase of transportation services (c)	\$ 1,593,080	\$ -
Credit line of guarantee provision for bank borrowings (d)	\$ 4,400,700	\$43,238,150
Short-term financing from related parties (e)	\$ 2,934,200	\$ 5,247,767
Short-term financing to related parties (e)	\$ 2,934,200	\$ 5,247,767
		34.
	Six months ended June 30,	
	2010	2009
Sales of products (a)	\$ 47,186,862	\$ -
Purchase of raw material (b)	\$ 5,734,319	\$ -
Purchase of transportation services (c)	\$ 3,044,389	\$ -
Credit line of guarantee provision for bank borrowings (d)	\$124,686,500	\$52,032,350
Short-term financing from related parties (e)	\$ 4,400,700	\$ 6,639,621
Short-term financing to related parties (e)	\$ 4,400,700	\$ 6,639,621

35. On November 1, 2011 the Company also filed its restated 10-Q for the third quarter ended September 30, 2010. The 10-Q revealed the related party transactions, set forth in the 2010 10-K listed above, for the second quarter, and others. The 10-Q states in relevant part:

The Company considers all transactions with the following parties to be the related party transactions.

Name of parties	Relationship
Mr. Chunfeng Tao	Majority stockholder
Mr. Jicun Wang	Principal stockholder
Mr. Peijun Chen	Principal stockholder
Ms. Sumei Chen	Member of the Company's Board of Supervisors and spouse of Mr. Wang
Ms. Yushui Huang	Vice President of Administration, Ningbo Keyuan
Mr. Weifeng Xue	Vice President of Accounting, Ningbo Keyuan
Mr. Hengfeng Shou	Vice President of Sales, Ningbo Keyuan
	Petrochemical
Ningbo Kewei Investment Co., Ltd. (Ningbo Kewei)	A company controlled by Mr. Tao
Ningbo Pacific Ocean Shipping Co., Ltd (Ningbo Pacific)	100% ownership by Mr. Wang
Ningbo Hengfa Metal Product Co., Ltd (Ningbo Hengfa, former name "Ningbo Tenglong")	100% ownership by Mr. Chen
Shandong Tengda Stainless Steel Co., Ltd (Shandong Tengda)	100% ownership by Mr. Chen
Ningbo Xinhe Logistic Co., Ltd (Ningbo Xinhe)	10% ownership by Ms. Huang
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Ningbo Wanze Chemical Co., Ltd (Ningbo Wanze)	Mr. Tao's sister-in-law is the legal representative
Ningbo Zhenhai Jinchi Petroleum Chemical Co., Ltd (Zhenhai Jinchi)	Controlled by Mr. Shou

Related party transactions and amounts outstanding with the related parties as of and for the three months ended June 30, 2011 and 2010 are summarized as follows:

	Three months ended September 30,	
	2010	2009
Sales of products (a)	\$38,796,256	\$ 7,362,101
Purchase of raw material (b)	\$14,170,598	\$ 2,530,203
Purchase of transportation services (c)	\$ 332,419	\$ 313,349
Credit line of guarantee provision for bank borrowings (d)	\$33,097,500	\$ 4,367,225
Short-term financing from related parties (e)	\$12,479,262	\$ 5,421,870

1	Short-term financing to related parties (e)	\$12,839,420	\$ 5,421,870
2			
3			
4		Nine months ended	
5		September 30,	
6		2010	2009
7	Sales of products (a)	\$ 85,983,117	\$ 7,362,101
8	Purchase of raw material (b)	\$ 19,850,135	\$ 2,530,203
9	Purchase of transportation services (c)	\$ 3,376,808	\$ 313,349
10	Credit line of guarantee provision for bank borrowings (d)	\$158,132,500	\$47,844,275
11	Short-term financing from related parties (e)	\$	14,415,800
12	Short-term financing to related parties (e)	\$	14,505,958

PLAINTIFF’S CLASS ACTION ALLEGATIONS

36. Plaintiff brings 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 who purchased the common stock of Keyuan during the Class Period and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company at all relevant times, 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.

37. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Keyuan’s securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds of members in the proposed Class. Members of the Class may be identified from records maintained by Keyuan or its transfer agent and may be notified of the pendency of this action by mail, using a form of notice customarily used in securities class actions.

38. Plaintiff’s claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

1 (c) As a regulated issuer, Keyuan filed periodic public reports with the
2 SEC;

3 (d) Keyuan regularly communicated with public investors via established
4 market communication mechanisms, including through regular disseminations of
5 press releases on the national circuits of major newswire services and through
6 other wide-ranging public disclosures, such as communications with the financial
7 press and other similar reporting services;

8 (e) Keyuan was followed by several securities analysts employed by
9 major brokerage firms who wrote reports that were distributed to the sales force
10 and certain customers of their respective brokerage firms during the Class
11 Period. Each of these reports was publicly available and entered the public
12 marketplace;

13 (f) Numerous NASD member firms were active market-makers in Keyuan
14 stock at all times during the Class Period; and

15 (g) Unexpected material news about Keyuan was rapidly reflected and
16 incorporated into the Company's stock price during the Class Period.

17 43. As a result of the foregoing, the market for Keyuan's common stock
18 promptly digested current information regarding Keyuan from all publicly available
19 sources and reflected such information in Keyuan's stock price. Under these
20 circumstances, all purchasers of Keyuan's common stock during the Class Period
21 suffered similar injury through their purchase of Keyuan's common stock at
22 artificially inflated prices, and a presumption of reliance applies.

23 **Applicability of Presumption of Reliance:**

24 *Affiliated Ute*

25 44. Neither Plaintiffs nor the Class need prove reliance – either
26 individually or as a class because under the circumstances of this case, which
27 involves a failure to disclose the material related party transactions described herein
28 above, positive proof of reliance is not a prerequisite to recovery, pursuant to ruling
of the United States Supreme Court in *Affiliated Ute Citizens of Utah v. United*

1 *States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be
2 material in the sense that a reasonable investor might have considered the omitted
3 information important in deciding whether to buy or sell the subject security.
4

5 **FIRST CLAIM**

6 **Violation of Section 10(b) Of**

7 **The Exchange Act Against and Rule 10b-5**

8 **Promulgated Thereunder Against All Defendants**

9 45. Plaintiff repeats and realleges each and every allegation contained
10 above as if fully set forth herein.

11 46. This claim is brought against Keyuan and all of the Individual
12 Defendants.

13 47. During the Class Period, Defendants carried out a plan, scheme and
14 course of conduct which was intended to and, throughout the Class Period, did: (1)
15 deceive the investing public, including plaintiff and other Class members, as
16 alleged herein; and (2) cause plaintiff and other members of the Class to purchase
17 Keyuan's common stock at artificially inflated prices. In furtherance of this
18 unlawful scheme, plan and course of conduct, Defendants, and each of them, took
19 the actions set forth herein.

20 48. Defendants (a) employed devices, schemes, and artifices to defraud;
21 (b) made untrue statements of material fact and/or omitted to state material facts
22 necessary to make the statements not misleading; and (c) engaged in acts, practices,
23 and a course of business that operated as a fraud and deceit upon the purchasers of
24 the Company's common stock in an effort to maintain artificially high market
25 prices for Keyuan's common stock in violation of Section 10(b) of the Exchange
26 Act and Rule 10b-5 thereunder. All Defendants are sued either as primary
27 participants in the wrongful and illegal conduct charged herein or as controlling
28 persons as alleged below.

1 49. Defendants, individually and in concert, directly and indirectly, by the
2 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
3 and participated in a continuous course of conduct to conceal adverse material
4 information about the business, operations and future prospects of Keyuan as
5 specified herein.

6 50. These Defendants employed devices, schemes and artifices to defraud,
7 while in possession of material adverse non-public information and engaged in acts,
8 practices, and a course of conduct as alleged herein in an effort to assure investors
9 of Keyuan's value and performance and continued substantial growth, which
10 included the making of, or participation in the making of, untrue statements of
11 material facts and omitting to state material facts necessary in order to make the
12 statements made about Keyuan and its business operations and future prospects in
13 the light of the circumstances under which they were made, not misleading, as set
14 forth more particularly herein, and engaged in transactions, practices and a course
15 of business that operated as a fraud and deceit upon the purchasers of Keyuan's
16 common stock during the Class Period.

17 51. Each of the Individual Defendants' primary liability, and controlling
18 person liability, arises from the following facts: (1) the Individual Defendants were
19 high-level executives, directors, and/or agents at the Company during the Class
20 Period and members of the Company's management team or had control thereof;
21 (2) each of these defendants, by virtue of his or her responsibilities and activities as
22 a senior officer and/or director of the Company, was privy to and participated in the
23 creation, development and reporting of the Company's financial condition; (3) each
24 of these defendants enjoyed significant personal contact and familiarity with the
25 other defendants and was advised of and had access to other members of the
26 Company's management team, internal reports and other data and information
27 about the Company's finances, operations, and sales at all relevant times; and
28 (4) each of these defendants was aware of the Company's dissemination of

1 information to the investing public which they knew or recklessly disregarded was
2 materially false and misleading.

3 52. Defendants had actual knowledge of the misrepresentations and
4 omissions of material facts set forth herein, or acted with reckless disregard for the
5 truth in that they failed to ascertain and to disclose such facts, even though such
6 facts were available to them. Such Defendants' material misrepresentations and/or
7 omissions were done knowingly or recklessly and for the purpose and effect of
8 concealing Keyuan's operating condition and future business prospects from the
9 investing public and supporting the artificially inflated price of its common stock.
10 As demonstrated by Defendants' overstatements and misstatements of the
11 Company's financial condition throughout the Class Period, Defendants, if they did
12 not have actual knowledge of the misrepresentations and omissions alleged, were
13 reckless in failing to obtain such knowledge by deliberately refraining from taking
14 those steps necessary to discover whether those statements were false or
15 misleading.

16 53. As a result of the dissemination of the materially false and misleading
17 information and failure to disclose material facts, as set forth above, the market
18 price of Keyuan's common stock was artificially inflated during the Class Period.
19 In ignorance of the fact that market prices of Keyuan's publicly-traded common
20 stock were artificially inflated, and relying directly or indirectly on the false and
21 misleading statements made by Defendants, or upon the integrity of the market in
22 which the common stock trades, and/or on the absence of material adverse
23 information that was known to or recklessly disregarded by Defendants but not
24 disclosed in public statements by Defendants during the Class Period, Plaintiff and
25 the other members of the Class acquired Keyuan common stock during the Class
26 Period at artificially high prices and were or will be damaged thereby.

27 54. At the time of said misrepresentations and omissions, Plaintiff and
28 other members of the Class were ignorant of their falsity, and believed them to be
true. Had Plaintiff and the other members of the Class and the marketplace known

1 the truth regarding Keyuan's financial results, which were not disclosed by
2 defendants, Plaintiff and other members of the Class would not have purchased or
3 otherwise acquired their Keyuan common stock, or, if they had acquired such
4 common stock during the Class Period, they would not have done so at the
5 artificially inflated prices that they paid.

6 55. By virtue of the foregoing, Defendants have violated Section 10(b) of
7 the Exchange Act, and Rule 10b-5 promulgated thereunder.

8 56. As a direct and proximate result of Defendants' wrongful conduct,
9 Plaintiff and the other members of the Class suffered damages in connection with
10 their respective purchases and sales of the Company's common stock during the
11 Class Period.

12 57. This action was filed within two years of discovery of the fraud and
13 within five years of each plaintiff's purchases of securities giving rise to the cause
14 of action.

15 **SECOND CLAIM**

16 **Violation of Section 20(a) Of**

17 **The Exchange Act Against the Individual Defendants**

18 58. Plaintiff repeats and realleges each and every allegation contained
19 above as if fully set forth herein.

20 59. The Individual Defendants acted as controlling persons of Keyuan
21 within the meaning of Section 20(a) of the Exchange Act as alleged herein. By
22 virtue of their high-level positions, agency, and their ownership and contractual
23 rights, participation in and/or awareness of the Company's operations and/or
24 intimate knowledge of the false financial statements filed by the Company with the
25 SEC and disseminated to the investing public, the Individual Defendants had the
26 power to influence and control, and did influence and control, directly or indirectly,
27 the decision-making of the Company, including the content and dissemination of
28 the various statements that plaintiff contends are false and misleading. The
Individual Defendants were provided with or had unlimited access to copies of the

1 Company's reports, press releases, public filings and other statements alleged by
2 Plaintiff to have been misleading prior to and/or shortly after these statements were
3 issued and had the ability to prevent the issuance of the statements or to cause the
4 statements to be corrected.

5 60. In particular, each Defendant had direct and supervisory involvement
6 in the day-to-day operations of the Company and, therefore, is presumed to have
7 had the power to control or influence the particular transactions giving rise to the
8 securities violations as alleged herein, and exercised the same.

9 61. As set forth above, Keyuan and the Individual Defendants each
10 violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this
11 Complaint.

12 62. By virtue of their positions as controlling persons, the Individual
13 Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct
14 and proximate result of Defendants' wrongful conduct, Plaintiff and other members
15 of the Class suffered damages in connection with their purchases of the Company's
16 common stock during the Class Period.

17 63. This action was filed within two years of discovery of the fraud and
18 within five years of each Plaintiff's purchases of securities giving rise to the cause
19 of action.

20 **PRAYER FOR RELIEF**

21 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

22 (a) Determining that this action is a proper class action, designating
23 Plaintiff as class representative under Rule 23 of the Federal Rules of Civil
24 Procedure and Plaintiff's counsel as Class Counsel;

25 (b) Awarding compensatory damages in favor of Plaintiff and the
26 other Class members against all defendants, jointly and severally, for all damages
27 sustained as a result of defendants' wrongdoing, in an amount to be proven at trial,
28 including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and

1 expenses incurred in this action, including counsel fees and expert fees; and

2 (d) Awarding such other and further relief as the Court may deem
3 just and proper.

4 **JURY TRIAL DEMANDED**

5 Plaintiff hereby demands a trial by jury.

6
7 Dated: November 11, 2011

Respectfully submitted,

8 **THE ROSEN LAW FIRM, P.A.**

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10 

11
12 Laurence M. Rosen, Esq. (SBN 219683)

THE ROSEN LAW FIRM, P.A.

13 355 South Grand Avenue, Suite 2450

14 Los Angeles, CA 90071

15 Telephone: (213) 785-2610

16 Facsimile: (213) 226-4684

Email: rosen@rosenlegal.com

17 Counsel Plaintiffs

Subject: Confirmation of Receipt of Certification

Date: Saturday, May 7, 2011 9:16:53 PM ET

From: Administrator

To: [REDACTED]

Dear Peter Cheung,

We have received your certification in the Keyuan Petrochemical Inc. class action litigation. Thank you for submitting your information. Below is a copy of your certification - please retain it for your records. If you have any questions, please feel free to contact us at 1-866-rosenlegal (866-767-3653) or via e-mail at info@rosenlegal.com.

With increasing frequency, we find that our new clients were victimized by more than one company. If you think you may have lost monies in the market due to the dishonest acts or statements of a different company and would like it to be investigated, free of charge, please email us at reportfraud@rosenlegal.com.

Sincerely,

The Rosen Law Firm P.A.

CERTIFICATION

Certification and Authorization of Named Plaintiff Pursuant to Federal Securities Laws

The individual or institution listed below (the "Plaintiff") authorizes and, upon execution of the accompanying retainer agreement by The Rosen Law Firm P.A., retains The Rosen Law Firm P.A. to file an action under the federal securities laws to recover damages and to seek other relief against Keyuan Petrochemical Inc.. The Rosen Law Firm P.A. will prosecute the action on a contingent fee basis and will advance all costs and expenses. The Keyuan Petrochemical Inc. Retention Agreement provided to the Plaintiff is incorporated by reference, upon execution by The Rosen Law Firm P.A.

First name: Peter

Last name: Cheung

Address: [REDACTED]

City: [REDACTED]

State, Zip: [REDACTED]

Email: [REDACTED]

Phone: [REDACTED]

REDACTED

The Plaintiff Certifies that:

1. Plaintiff has reviewed the complaint and authorized its filing.
2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in

order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff represents and warrants that he/she/it is fully authorized to enter into and execute this certification.
5. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.
6. Plaintiff has made no transaction(s) during the Class Period in the debt or equity securities that are the subject of this action except those set forth below:

Shares Purchased:

Purchase Date(s): 3/31/2011
Number of shares: 3086
Price per Share: 4.8937

Shares Sold:

7. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except if detailed below:

I declare under penalty of perjury, under the laws of the United States, that the information entered is accurate:
yes

By clicking on the button below, I intend to sign and execute this agreement: yes

Clicked to Submit Certification in the Keyuan Petrochemical Inc. Action

Signed pursuant to California Civil Code Section 1633.1, et seq. - Uniform Electronic Transactions Act

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