UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[redacted] on behalf of himself and all others similarly situated, Plaintiffs, vs. FUSHI COPPERWELD, INC., LI FU, WEBING CHRISTOPHER WANG, BEIHONG LINDA ZHANG, AND JOSEPH J. LONGEVER, Defendants.	Case No.: CLASS ACTION **CLASS ACTION COMPLAINT FOR VIOLATIONS OF FEDERAL SECURITIES LAWS** JURY TRIAL DEMANDED

[redacted] ("Plaintiff"), by his attorneys, on behalf of himself and all others similarly situated, alleges the following based upon the investigation of plaintiff's counsel, except as to allegations specifically pertaining to plaintiff, which are based on personal knowledge. The investigation of counsel included, among other things, a review of Fushi Copperweld, Inc. ("Fushi Copperweld" or the "Company") public filings with the United States Securities and Exchange Commission ("SEC"), press releases issued by the Company, media and news reports about the Company, and other publicly available data, including, but not limited to, publicly available trading data relating to the price and trading volume of Fushi Copperweld common stock.

1. This action is a securities fraud action brought under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission ("SEC") by plaintiff on behalf of a class of all persons and entities who purchased the common stock of Fushi Copperweld between August 14, 2007 and March 29, 2011, inclusive (the "Class Period") to recover damages caused to the Class by defendants' violations of the securities laws.

2. The Company describes itself as follows in its 2010 Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on April 5, 2011 ("2010 10-K"):

> We believe we are one of the world's largest producers, based on manufacturing capacity, and a leading innovator of bimetallic wire products, principally copper-clad aluminum, or CCA, and copper-clad steel, or CCS, products. CCA and CCS conductors are generally used as a substitute for solid copper conductors in applications for which either cost savings or specific electrical or physical attributes are necessary. Relative to solid copper wire, our customized, engineered bimetallic wire products significantly reduce the amount of copper metal required to manufacture a conductor, and because copper is expensive relative to aluminum and steel, our products significantly reduce conductor cost per unit length. Our bimetallic conductors combine the conductivity of copper with the light weight of aluminum or the ruggedness of steel to offer favorable end-use and cost characteristics, such as weight savings, increased flexibility of end-products, extended life, increased tensile strength, lower corrosion and oxidation and decreased theft risk, while delivering superior signal transmission capabilities in many applications. These benefits provide for greater ease of handling and installation, which reduce shipping and labor costs and limit waste, ultimately saving our customers money beyond our price advantage over solid copper products. We provide additional value through our innovative design and engineering and proprietary manufacturing processes, ultimately resulting in our superior product quality.
>
> We sell bimetallic wire products to a diverse base of customers worldwide that operate primarily in the telecommunications, electrical utility, and transportation industries.

3. From the start and throughout the Class Period, the Company reported positive financial results, but failed to accurately report net income, often inflating this figure materially throughout the Class Period. The defendants failed to disclose the following adverse facts, which were known to defendants or recklessly disregarded by them: (1) that the Company was improperly applying hedge accounting to a cross currency interest swap derivative entered into in April 2007 (the "April 2007 SWAP"), (2) that the Company failed to recognize changes in the fair value of the April 2007 SWAP in its earnings during the Class Period, thus inflating its reported net income by material amounts, (3) that the Company incorrectly recorded \$3.3 million and \$1.8 million of gain on bargain purchases resulting from two acquisitions in February and May 2010,

(4) as a result of incorrectly recording such gains, the Company overstated its net income for the quarters ended March 31, 2010 and June 30, 2010, (5) that the Company had material deficiencies in its internal controls over its financial reporting, (6) that Fushi Copperweld's financial statements were not fairly presented in conformity with generally accepted accounting principles ("GAAP") and were materially false and misleading; and (7) based on the foregoing, defendants lacked a basis for their positive statements about the Company, its prospects and growth.

4. On March 11, 2011, after the close of trading, Fushi Copperweld issued a press release that shocked the market:

> BEIJING, March 11, 2011 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced unaudited preliminary financial results for the fourth quarter and full year ended December 31, 2010.
>
> The Company also announced that it is currently reevaluating the application of generally accepted accounting principles ("GAAP") in certain accounting treatments applied to its 2007, 2008, and 2009 financial results as well as its previously filed quarterly financial statements for the first three quarters of 2010. These accounting treatments are related to the ability to realize deferred income tax assets, qualification of cash flow hedge for cross-currency interest swap, and bargain purchase gains recognized in 2010 acquisitions. As a result of the additional time needed to study these items, the Company expects to file a Notification of Late Filing under Rule 12b-25 of the Securities Exchange Act of 1934 with the SEC for an extension of its Annual Report on Form 10-K for the year ended December 31, 2010.

5. On March 14, 2011, the first trading day following these disclosures, the price of Fushi Copperweld's common stock declined by $0.74 per share, nearly 8%, to close at $8.68 per share on heavier than usual volume. The Company's common stock price declined by an additional $0.94 per share, or 10.8%, over the next two days to close at $7.74 per share on March 16, 2011.

6. On March 29, 2011, after the market closed, Fushi Copperweld further disclosed in a Form 8-K filing as follows:

> On March 24, 2011, the Audit Committee of the Board of Directors of Fushi Copperweld, Inc. (the "Company"), concluded that the Company's previously issued financial statements for the years ended December 31, 2009, 2008 and 2007, and its unaudited interim financial statements for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 (collectively, the "Previously Issued Financial Statements") should no longer be relied upon and should be restated, due to two errors in the application of U.S. Generally Accepted Accounting Principles ("US GAAP") regarding (1) the accounting for cross-currency interest swap derivative and (2) the acquisitions of Dalian Jinchuan Electric Cable Co., Ltd. ("Jinchuan") and Shanghai Hongtai Industrial Co., Ltd. ("Hongtai").

7. Pursuant to the March 29, 2011 filing on Form 8-K, the Company disclosed the following adjustments to the Company's net income during the Class Period:

> Due to the complexities of accounting for derivatives, the Company had misapplied the US GAAP and designated the SWAP as cash flow hedge against the USD 40 million high yield notes. The changes in fair value of the SWAP had been inappropriately accounted for in other comprehensive income rather than recognized in earnings prior to the SWAP being terminated on March 31, 2010. The effect of correcting this error, after taking into consideration the income tax effect, would be a decrease in net income of USD 2.1 million, an increase in net income of USD 2.7 million, a decrease in net income of USD 5.6 million and a decrease in net income of USD 5.0 million for the years ended December 31, 2009, 2008 and 2007, and for the quarter ended March 31, 2010, respectively.
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> * * *
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> Based on the original valuation results and purchase price allocation, the Company had recorded USD 3.3 million and USD 1.8 million of gain on bargain purchases resulting from the acquisitions of Jinchuan and Hongtai, respectively. . . . Pursuant to the final valuation report, the goodwill was approximately USD 0.6 million and USD 1.1 million related to the Jinchuan and Hongtai acquisitions, respectively. The effect of correcting this error, after taking into consideration the income tax effect would be a decrease of net income of USD 3.3 million and USD 1.1 million for the quarters ended March 31, 2010 and June 30, 2010, respectively.

8. On March 30, 2011, as a result of these further disclosures, Fushi Copperweld's common stock declined by $0.19 per share, 2.3%, to close at $8.12 per share, again on heavier than usual volume.

9. Additionally, a March 30, 2011 analyst report discussing the accounting errors stated, in part, that the restatements are "material to earnings."

10. On April 4, 2011 after the markets closed, Fushi Copperweld filed the following with the SEC: 1) an Annual Report on Form 10-K/A for the period ending December 31, 2009, which included the restatement of certain financial figures for the years ending December 31, 2009, December 31, 2008, and December 31, 2007; and 2) three Quarterly Reports on Forms 10-Q/A for the quarterly periods ending March 31, 2010, June 30, 2010, and September 30, 2010 restating certain financial figures during those quarters.

II. JURISDICTION AND VENUE

11. The claims asserted arise under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. Jurisdiction is conferred by Section 27 of the Exchange Act. Venue is proper pursuant to Section 27 of Exchange Act as defendant Fushi Copperweld's common stock trades on the Nasdaq in this District and the underwriters of Fushi Copperweld's February 1, 2010 secondary common stock offering, Jefferies & Company, Inc., Roth Capital Partners, LLC, and Rodman & Renshaw have offices in this District.

III. THE PARTIES

12. Plaintiff purchased Fushi Copperweld common stock as detailed in the certification attached hereto and was damaged thereby.

13. Defendant Fushi Copperweld is a Nevada corporation that designs, develops, manufactures, markets, and distributes bimetallic wire products, mainly copper-clad aluminum

and copper-clad steel. Fushi Copperweld's products are used in electrical, telecommunications, transportation, utilities and industrial applications and are sold in countries around the world. Fushi Copperweld's principal executive offices are located at TYG Center Tower B, Suite 2601, Dongsanhuan Bei Lu, Bing 2, Beijing, People's Republic of China ("PRC").

14. Defendant Li Fu ("Fu") is Fushi Copperweld's Chairman of the Board and a director since December 2005. Fu is currently also Fushi Copperfeld's Co-Chief Executive Officer since November 2009. Fu was Fushi Copperweld's Chief Executive Officer from December 2005 through November 2009 when he became Co-Chief Executive Officer. Among other things, Fu signed the Company's annual report filed on March 17, 2008 with SEC on Form 10-K for the year ended December 31, 2007 ("2007 10-K"), annual report filed on March 16, 2009 with the SEC for the year ended December 31, 2008 ("2008 10-K"), annual report filed on March 16, 2010 with the SEC for the year ended December 31, 2009 ("2009 10-K"), and numerous certifications pursuant to the Sarbanes-Oxley Act of 2002, Section 302 during the Class Period.

15. Defendant Webing Christopher Wang ("Wang") is Fushi Copperweld's President, as well as a director, and was Fushi Copperweld's Chief Financial Officer from December 2005 to August 2009. Wang was also Fushi Copperweld's Interim Chief Financial Officer from February 2010 to October 2010. Among other things, Wang signed the Company's 2007 10-K, 2008 10-K, 2009 10-K, the Company's Form 10-Qs filed with the SEC for the quarters ended June 30, 2007, September 30, 2007, March 31, 2008, June 30, 2008, September 30, 2008, March 31, 2009, June 30, 2009, March 31, 2010 and June 30, 2010, as well as numerous certifications pursuant to the Sarbanes-Oxley Act of 2002, Section 302 during the Class Period.

16. Defendant Beihong Linda Zhang ("Zhang") was Fushi Copperweld's Executive Vice President and Chief Financial Officer from September 1, 2009 through her resignation on March 3, 2010. Zhang signed the Company's from 10-Q for the quarter ended September 30, 2009, as well as a certification pursuant to the Sarbanes Oxley Act of 2002, Section 302 included in the 10-Q filed for the quarter ended September 30, 2009.

17. Defendant Joseph J. Longever ("Longever") is Co-Chief Executive Officer of Fushi Copperweld since November 2009 and also a director since June 2010. Longever was also Fushi Copperweld's Chief Commercial Officer from July 2009 to November 2009. Longever signed the Company's 2009 10-K and a certification pursuant to the Sarbanes-Oxley Act of 2002, Section 302 included in Fushi Copperweld's 2009 10-K.

18. The individuals named as defendants in ¶¶ 14 - 17 are referred to herein as the "Individual Defendants". The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Fushi Copperweld's press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was provided with copies of the Company's press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not to the public, each of these defendants knew 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 misleading.

IV. CLASS ACTION ALLEGATIONS

19. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and 23(b)(3) on behalf of a class of all persons and entities who purchased the publicly traded common stock of Fushi Copperweld between August 14, 2007 and March 29, 2011, inclusive (the "Class").

20. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiffs at the present time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds of members of the Class located throughout the United States. As of March 24, 2011, Fushi Copperweld had over 38 million shares of common stock outstanding.

21. Plaintiff's claims are typical of the claims of the members of the Class. Plaintiff and all members of the Class have sustained damages because of defendants' unlawful activities alleged herein. Plaintiff has retained counsel competent and experienced in class and securities litigation and intends to pursue this action vigorously. The interests of the Class will be fairly and adequately protected by plaintiff. Plaintiff has no interests which are contrary to or in conflict with those of the Class that plaintiffs seeks to represent.

22. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Plaintiff knows of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action.

23. 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:

(a) whether the federal securities laws were violated by defendants' acts and omissions as alleged herein;

(b) whether defendants misstated and/or omitted to state material facts in their public statements and filings with the SEC;

(c) whether defendants participated directly or indirectly in the course of conduct complained of herein; and

(d) whether the members of the Class have sustained damages and the proper measure of such damages.

V. FALSE AND MISLEADING STATEMENTS

24. The Class Period begins on August 14, 2007, when the Company issued a press release concerning its financial results for the second quarter ended June 30, 2007, which stated, in part, as follows:

> Net income in the second quarter of 2007 was $7.0 million, down slightly from $7.2 million last year due to the unusually strong Q206, and up 40.4% sequentially from $5.0 million in the first quarter of 2007. Diluted earnings per share for the second quarter of 2007 were $0.28 compared to $0.34 in the prior year period, and $0.20 in the first quarter of 2007, as a result of higher total diluted share count of 25,192,643 at the end of the second quarter, reflecting the Company's January 2007 issuance of $20 million in convertible debt to Citadel Equity Fund Ltd.

25. On August 14, 2007, Defendants caused the Company to file its second quarter 2007 10-Q for the quarter ended June 30, 2007 with the SEC ("Q2 2007 10-Q"). The Q2 2007 10-Q, which was signed by Defendant Wang, stated, in part, the following:

> <u>Derivative Financial Instruments</u>
>
> The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on their variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company

accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction effects earnings.

* * *

In order to mitigate our exposure to volatility in interest rates and foreign currency exchange rates associated with the Guaranteed Senior Secured Floating Rate Notes due 2012 (2012 Note), on April 10, 2007, the Company entered into a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") . The Swap, with a notional principal value of $40 million, converts the LIBOR + 7% per annum USD variable interest rate to a 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. The Company uses this derivative instrument only to hedge exposures in the ordinary course of business and does not invest in derivative instruments for speculative purposes.

The fair value of the Swap is determined with the assistance of third party provided calculations which reflect the present values of the difference between estimated future variable-rate receipts in USD and future fixed-rate payments in RMB. For the six months ended June 30, 2007, changes in fair value of the Swap designated and effective as cash flow hedge resulted in an increase in the liability and a loss to other comprehensive income of $871,519, net of taxes. As of June 30, 2007, the Company had cross currency hedge receivable amounting to $802,523, which was recorded as a gain from derivative transactions and subsequently received in July 2007 from MLCS

26. The Q2 2007 10-Q also includes the following statement:

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the

United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission.

27. The Q2 2007 10-Q includes certifications pursuant to the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") Section 302, signed by Defendants Fu and Wang, which represented as follows:

1. I have reviewed this report on Form 10-Q of Fushi International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

28. On November 14, 2007, the Company issued a press release concerning its financial results for the third quarter ended September 30, 2007, which stated, in part, as follows:

Fushi International Reports Third Quarter 2007 Financial Results

* * *

-- Net Income Increased to $8.2 Million, or 25.7% of Revenue --

Dalian, China, November 14, 2007 -- Fushi International, Inc. (NasdaqGM: FSIN), the leading global manufacturer of bimetallic wire used in a variety of telecommunication, power transmission and other electrical products, today announced financial results for the third quarter of 2007.

Q3 Highlights

- Revenues increased 147% from last year to a record $32.0 million
- Gross margin improved to 32.9% from last year 30.9%
- GAAP net income increased 472.8% from last year to a record $8.2 million
- Fully diluted EPS of $0.33 (year-on-year increase of 423.5%)

* * *

Net income in the third quarter increased 473.8% to $8.2 million, or 25.7% of revenue, up from $1.4 million, or 11% of revenue last year. The higher net income was due to higher revenues and gross margins year-over-year, lower

> operating expenses, and a one-time charge incurred in last year's third quarter of \$1.5 million associated with the issuance of registration rights penalty shares. Diluted earnings per share in the third quarter of 2007 was \$0.33, versus \$0.06 in the prior year period. The weighted average share count used to calculate diluted EPS was 25.5 million.

29. On November 14, 2007, Defendants caused the Company to file its third quarter 2007 10-Q for the quarter ended September 30, 2007 with the SEC ("Q3 2007 10-Q"). The Q3 2007 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

> <u>Derivative Instrument</u>
>
> The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on their variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction effects earnings.
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> On April 10, 2007, effective January 24, 2007, the Company entered into a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the \$40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit \$1,000,000 with them to secure the agreement. The deposit may be increased to \$3,000,000 if the exchange rate for RMB to USD

falls below 6.5, and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. As of September 30, 2007, the Company has not placed the $1,000,000 deposit with MLCS.

Since its effective date, the fair value of this swap agreement changed to a payable of $452,632 on March 31, 2007, $871,519 on June 30, 2007, and $4,610,090 on September 30, 2007 respectively. For the nine months ended September 30, 2007, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $4,610,090, net of taxes. On July 24, 2007, the first interest payment date, the Company received cash in the amount of $802,523 from MLCS, which was recorded as a gain from derivative transactions. As of September 30, 2007, the Company had cross currency hedge receivable amounting to $286,245. For nine months ended September 30, 2007, there were no amounts recorded in the consolidated statement of income in relation to this interest rate swap related to ineffectiveness.

30. The Q3 2007 10-Q also includes the following statement:

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission.

31. On March 12, 2008, the Company issued a press release concerning its financial results for the fourth quarter and full year ended December 31, 2007, which stated, in part, as follows:

Fushi Copperweld Achieves Record Fourth Quarter and Full Year 2007 Financial Results

* * *

-- 4Q Net Income Increased 19%% to $6.4 Million –

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Dalian, China, March 12, 2008 -- Fushi Copperweld, Inc. (NasdaqGM: FSIN), the leading global manufacturer of bimetallic wire used in a variety of telecommunication, utility, automotive and other electrical applications, today announced financial results for the fourth quarter and full year 2007.

* * *

Net income in the fourth quarter increased 19% to $6.4 million, or 13% of revenue, up from $5.4 million, or 25% of revenue last year. Excluding Fayetteville facility, net income and net margin were $7.4 million and 19%, respectively. The higher net income was due primarily to substantially higher revenues. Decreased net margin reflects low gross margin in Fayetteville facility and higher operating expenses associated with business integration. Diluted earnings per share (EPS) in the fourth quarter of 2007 was $0.23, versus $0.25 in the prior year period. Excluding Fayetteville, our diluted EPS becomes 0.27 for the quarter.

32. On March 17, 2008, Defendants caused the Company to file its 2007 10-K on Form 10-K for the year ended December 31, 2007 with the SEC. The 2007 10-K, which was signed by Defendants Fu and Wang, among others, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

Derivative Instrument

The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on their variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.

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On April 10, 2007, effective January 24, 2007, the Company entered a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. The deposit may be increased to $3,000,000 if the exchange rate for RMB to USD falls below 6.5 and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. As of December 31, 2007, the Company has not placed the $1,000,000 deposit with MLCS.

33. The 2007 10-K also includes the following statement:

Management's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles.

34. On May 14, 2008, the Company issued a press release concerning its financial results for the first quarter ended March 31, 2008, which stated, in part, as follows:

Fushi Copperweld reports First Quarter 2008 Financial Results

* * *

-- 1Q08 Net Income Increased 52% to $7.6 million

Dalian, China, May 14 /Xinhua-PRNewswire-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer of bimetallic wire used in a variety of telecommunication, utility, automotive, power transmission and other electrical products, today announced financial results for the first quarter of 2008.

* * *

Net income in the first quarter increased 52% to $7.6 million, or 14.0% of revenue, up from $5.0 million, or 23.5% of revenue in the prior year's quarter. The higher net income was due primarily to higher sales volume. The margin decline was primarily due to higher general and administrative expenses. Diluted earnings per share in the first quarter of 2008 was $0.26, versus $0.21 in the prior year's quarter.

35. On May 14, 2008, Defendants caused the Company to file its first quarter 2008 10-Q for the quarter ended March 31, 2008 with the SEC ("Q1 2008 10-Q"). The Q1 2008 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley

Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

> Derivative Instrument
> The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on their variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.
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> On April 10, 2007, effective January 24, 2007, the Company entered a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. The deposit may be increased to $3,000,000 if the exchange rate for RMB to USD falls below 6.5 and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. As of March 31, 2008, the Company has not placed the $1,000,000 deposit with MLCS.
>
> For the period ended March 31, 2008, the Swap resulted in the liability of $13,624,876 and a loss to other comprehensive income of $5,109,480, net of taxes.
>
> As of March 31, 2008, the Company had cross currency hedge receivable amounting to $136,961. The total gain from derivative transactions for the first quarter of year 2008 was $169,167. For the three months ended March 31, 2008, there were no amounts recorded in the consolidated statement of income in relation to this interest rate swap related to ineffectiveness of the swap transaction.

36. The Q1 2008 10-Q also includes the following statement:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates.

37. On August 12, 2008, the Company issued a press release concerning its financial results for the second quarter ended June 30, 2008, which stated, in part, as follows:

Fushi Copperweld reports Second Quarter 2008 Financial Results

* * *

-- 2Q08 Net Income Increased 4% to $7.3 million, after giving effect to a settlement expense totaling $2.1 million

Dalian, China, August 12 /Xinhua-PRNewswire-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer of bimetallic wire used in a variety of telecommunication, utility, automotive, power transmission and other electrical products, today announced financial results for the second quarter of 2008.

* * *

Adjusted net income increased 34.9% to $9.4 million, or $0.33 per diluted share. This compares with $7.0 million, or $0.28 per diluted share in the second quarter of 2007.

38. On August 13, 2008, Defendants caused the Company to file its second quarter 2008 10-Q for the quarter ended June 30, 2008 with the SEC ("Q2 2008 10-Q"). The Q2 2008 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

<u>Derivative Instrument</u>

The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on their variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.

* * *

On April 10, 2007, effective January 24, 2007, the Company entered a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures on the earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. The deposit may be increased to $3,000,000 if the exchange rate for RMB to USD falls below 6.5 and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. As of June 30, 2008, the Company has not placed the $1,000,000 deposit with MLCS. However, as discussed in Note 19 and 20, the Company made the deposit of $1,000,000 with MLCS to secure the agreement in July, 2008.

Since its effective date, the fair value of this Swap agreement changed to a payable of $9,246,901 on June 30, 2008, and a payable of $8,515,396 on December 31, 2007, respectively. For the six months ended June 30, 2008 and 2007, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $731,505 and $871,519, respectively, net of taxes,.

The Company had cross currency hedge receivable amounting to $322,983 as of June 30, 2008 and $706,170 as of December 31, 2007, The total gain from derivative transactions for the six months of year 2008 and 2007 was $355,189 and $802,523, respectively. For the six months ended June 30, 2008, there were no amounts recorded in the consolidated statement of income in relation to this interest rate swap related to ineffectiveness of the swap transaction.

39. The Q2 2008 10-Q also includes the following statement:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates.

40. On November 13, 2008, the Company issued a press release concerning its financial results for the third quarter ended September 30, 2008, which stated, in part, as follows:

Fushi Copperweld reports Third Quarter 2008 Financial Results

* * *

-- 3Q08 Net Income Increased 9.9% to $9.05 million--

DALIAN, China, November 13, 2008 - Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, automotive and other electrical applications, today announced financial results for the third quarter ended September 30, 2008.

* * *

Net income for the 2008 third quarter was $9.0 million, or $0.31 per diluted share. This compares with $8.2 million or $0.33 per diluted share in the third quarter of 2007.

41. On November 13, 2008, Defendants caused the Company to file its third quarter 2008 10-Q for the quarter ended September 30, 2008 with the SEC ("Q3 2008 10-Q"). The Q3 2008 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

<u>Derivative Instrument</u>

The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on its variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.

* * *

On April 10, 2007, effective January 24, 2007, the Company entered a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures on the earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. The deposit may be increased to $3,000,000 if the exchange rate for RMB to USD falls below 6.5 and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. In July, 2008, the Company placed the $1,000,000 deposit with MLCS to secure the agreement.

Since its effective date, the fair value of this Swap agreement changed to a payable of $5,305,993 on September 30, 2008, and a payable of $8,515,396 on December 31, 2007, respectively. For the three and nine months ended September 30, 2008, changes in fair value of the Swap resulted in an decrease in the liability and a gain to other comprehensive income of $3,940,908 and $3,209,403, respectively; For the three and nine months ended September 30, 2007, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $3,738,571 and $4,610,090, respectively, net of taxes.

42. The Q3 2008 10-Q also includes the following statement:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates.

43. On March 12, 2009, the Company issued a press release concerning its financial results for the fourth quarter and full year ended December 31, 2008, which stated, in part, as follows:

DALIAN, China, March 12 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced financial results for the fourth quarter and full year ended December 31, 2008.

Net income for the 2008 fourth quarter was $4.6 million, or $0.15 per diluted share. This compares with $9.3 million, or $0.34 per diluted share, in the fourth quarter of 2007.

* * *

Net income for the full year decreased 3.5% to $28.5 million, or $1.00 per diluted share, compared to $29.5 million, or $1.19 per diluted share, in 2007.

44. On March 16, 2009, Defendants caused the Company to file its 2008 10-K on Form 10-K for the year ended December 31, 2008 with the SEC. The 2008 10-K, which was signed by Defendants Fu and Wang, among others, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

In order to mitigate our exposure to volatility in interest rates and foreign currency exchange rates associated with the HY Notes, on April 10, 2007, the Company entered into a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS"). The Swap, with a notional principal value of $40 million, converts the USD variable interest rate of initially LIBOR + 7% per annum and LIBOR + 5.4% per annum after qualified step-down to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective

January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. The Company uses this derivative instrument only to hedge exposures in the ordinary course of business and does not invest in derivative instruments for speculative purposes.

The fair value of the Swap is determined with the assistance of third party provided calculations which reflect the present values of the difference between estimated future variable-rate receipts in USD and future fixed-rate payments in RMB. For the fiscal year ended December 31, 2007, changes in fair value of the Swap designated and effective as cash flow hedge resulted in an increase in the liability and a loss to other comprehensive income of $8.5 million, net of taxes. For the fiscal year ended December 31, 2008, changes in fair value of the Swap designated and effective as cash flow hedge resulted in a decrease in the liability and a gain to other comprehensive income of $4.1 million, net of taxes. As of December 31, 2008, the Company had cross currency hedge payable amounting to $104,324. For fiscal year ended December 31, 2008, there were no amounts recorded in the consolidated statement of income in relation to this interest rate swap related to ineffectiveness.

The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires all derivatives to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value is reported in accumulated other comprehensive income, net of related income tax effects.

* * *

Derivative Instrument

The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on its variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.

45. The 2008 10-K also includes the following statement:

Management's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles.

46. On May 11, 2009, the Company issued a press release concerning its financial results for the first quarter ended March 31, 2009, which stated, in part, as follows:

DALIAN, China, May 11

DALIAN, China, May 11 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced financial results for the first quarter ended March 31, 2009.

* * *

GAAP net income for the 2009 first quarter was $3.1 million, or $0.11 per diluted share, compared with $7.6 million, or $0.26 per diluted share, in the first quarter of 2008.

47. On May 11, 2009, Defendants caused the Company to file its first quarter 2009 10-Q for the quarter ended March 31, 2009 with the SEC ("Q1 2009 10-Q"). The Q1 2009 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

<u>Derivative instrument</u>

Effective January 1, 2009, the Company adopted FAS 161, "Disclosures about Derivative Instruments and Hedging Activities, and amendment of FAS 133, which amends and expands the disclosure requirements of FAS 133". SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives and quantitative disclosures about the fair value of and gains and losses on derivative instruments. The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on its variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the consolidated balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.

* * *

On April 10, 2007, effective January 24, 2007, the Company entered into a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures on the earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. The deposit may be increased to $3,000,000 if the exchange rate for RMB to USD falls below 6.5 and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. In July, 2008, the Company placed the $1,000,000 deposit with MLCS to secure the agreement. As of March 31, 2009, the deposit has remained the same.

Since its effective date, the fair value of this Swap Agreement changed to a payable of $7,139,205 and $4,377,076 as of March 31, 2009, and December 31, 2008, respectively. For the three months ended March 31, 2009, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $2,762,129, respectively; For the three months ended March 31, 2008, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $5,109,480, respectively, net of taxes.

> The Company had cross currency hedge payable amounting to $156,154 and $104,324 as of March 31, 2009 and December 31, 2008 respectively. The total loss from derivative transactions for the three months ended March 31, 2009 was $166,410 and the total gain from derivative transactions for the three months ended at March 31, 2008 was $169,167, respectively. For the three months ended March 31, 2009, there were no amounts recorded in the consolidated statements of income in relation to this interest rate swap related to ineffectiveness of the swap transaction.

48. The Q1 2009 10-Q also includes the following statement:

> The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates.

49. On August 5, 2009, the Company issued a press release concerning its financial results for the second quarter ended June 30, 2009, which stated, in part, as follows:

> DALIAN, China, Aug. 5 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced financial results for the second quarter ended June 30, 2009.
>
> * * *
>
> Net income on a GAAP basis for the second quarter of 2009 was $1.6 million, or $0.06 per diluted share, compared with $7.3 million, or $0.26 per diluted share, in the second quarter of 2008.

50. On August 10, 2009, Defendants caused the Company to file its second quarter 2009 10-Q for the quarter ended June 30, 2009 with the SEC ("Q2 2009 10-Q"). The Q2 2009 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

Derivative instrument

Effective January 1, 2009, the Company adopted FAS 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FAS 133, which amends and expands the disclosure requirements of FAS 133." SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives and quantitative disclosures about the fair value of and gains and losses on derivative instruments. The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on its variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap in accordance with FAS 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires the derivative to be carried on the consolidated balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.

* * *

On April 10, 2007, effective January 24, 2007, the Company entered into a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures on the earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. The deposit may be increased to $3,000,000 if the exchange rate for RMB to USD falls below 6.5 and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. In July, 2008, the Company placed the $1,000,000 deposit with MLCS to secure the agreement. As of June 30, 2009, the deposit has remained the same.

Since its effective date, the fair value of this Swap Agreement changed to a payable of $7,890,432 and $4,377,076 as of June 30, 2009, and December 31, 2008, respectively. For the six months ended June 30, 2009 and 2008, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $3,513,356 and $731,505, respectively, net of taxes. For the three months ended June 30, 2009 and 2008, changes in fair value of the

Swap resulted in an increase in the liability and a loss to other comprehensive income of $751,227, and a decrease in the liability and a gain to other comprehensive income of $4,377,975, respectively, net of taxes.

The Company had cross currency hedge payable amounting to $372,118 and $104,324 as of June 30, 2009 and December 31, 2008, respectively. The total loss from derivative transactions for the six months ended June 30, 2009 was $382,374 and the total gain from derivative transactions for the six months ended at June 30, 2008 was $355,190, respectively. The total loss from derivative transactions for the three months ended June 30, 2009 was $215,964 and the total gain from derivative transactions for the three months ended at June 30, 2008 was $186,022, respectively. For the three and six months ended June 30, 2009, there were no amounts recorded in the consolidated statements of income in relation to this interest rate swap related to ineffectiveness of the swap transaction.

51. The Q2 2009 10-Q also includes the following statement:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates.

52. On November 6, 2009, the Company issued a press release concerning its financial results for the third quarter ended September 30, 2009, which stated, in part, as follows:

DALIAN, China, Nov. 6, 2009 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced financial results for the third quarter ended September 30, 2009.

* * *

Net income on a GAAP basis of $9.2 million increased $0.2 million, or 2.2%, from $9.0 million for the same period in 2008. GAAP net income margin increased to 19.3% from 14.2% for the same period in 2008.

53. On November 9, 2009, Defendants caused the Company to file its third quarter 2009 10-Q for the quarter ended September 30, 2009 with the SEC ("Q3 2009 10-Q"). The Q3

2009 10-Q, which was signed by Defendant Zhang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Zhang and stated, in part, the following:

> Derivative instrument
>
> Effective January 1, 2009, the Company began disclosing qualitative disclosures about objectives and strategies for using derivatives and quantitative disclosures about the fair value of and gains and losses on derivative instruments. The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on its variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge. The Company accounts for this interest rate swap at fair value for hedge accounting treatment. The above derivative qualifies for hedge accounting, changes in the fair value effective portion is reported in accumulated other comprehensive income, net of related income tax effects. Amounts included in accumulated other comprehensive income are reclassified into earnings when the hedged transaction affects earnings.
>
> * * *
>
> On April 10, 2007, effective January 24, 2007, the Company entered into a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the USD based variable interest rate of initially LIBOR + 7% per annum and LIBOR + 5.4% per annum after qualified step-down to an 8.3% per annum RMB fixed interest rate. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures on the earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. The deposit may be increased to $3,000,000 if the exchange rate for RMB to USD falls below 6.5 and to $5,000,000 if the exchange rate falls below 5.5. This swap is designated and qualified as a cash flow hedge. In July, 2008, the Company placed the $1,000,000 deposit with MLCS to secure the agreement. As of September 30, 2009, the deposit has remained the same.
>
> Since its effective date, the fair value of this Swap Agreement changed to a payable of $7,652,664 and $4,377,076 as of September 30, 2009, and December 31, 2008, respectively. For the nine months ended September 30, 2009 and 2008, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $3,275,588 and a decrease in the liability and a

> gain to other comprehensive income of $3,209,403, respectively, net of taxes. For the three months ended September 30, 2009 and 2008, changes in fair value of the Swap resulted in a decrease in the liability and a gain to other comprehensive income of $237,768 and $3,940,908, respectively, net of taxes.
>
> The Company had cross currency hedge payable amounting to $1,071,557 and $104,324 as of September 30, 2009 and December 31, 2008, respectively. The total loss from derivative transactions for the nine months ended September 30, 2009 was $1,581,812 and the total gain from derivative transactions for the nine months ended at September 30, 2008 was $322,708, respectively. The total loss from derivative transactions for the three months ended September 30, 2009 and 2008 was $1,199,438 and $32,482, respectively. For the three and nine months ended September 30, 2009, there were no amounts recorded in the consolidated statements of income in relation to this swap related to ineffectiveness of the swap transaction.

54. The Q3 2009 10-Q also includes the following statement:

> The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates.

55. On February 1, 2010, the Company announced the closing of a public offering of 7,475,000 shares at $8 per share for gross proceeds of $59.8 million of Fushi Copperweld common stock, including the underwriters option to purchase additional shares, pursuant to a prospectus supplement filed with the SEC on January 28, 2010 that, among other things, incorporated by reference the false and misleading statements contained in the 2008 10-K, the 2009 10-K, the Q1 2009 10-Q, the Q2 2009 10-Q, and the Q3 2009 10-Q. The Prospectus Supplement was issued pursuant to a Registration Statement filed with the SEC on Form S-3/A dated January 15, 2010 signed, among others, by Defendants Fu, Longever, Wang, and Zhang.

56. On March 10, 2010, the Company issued a press release concerning its financial results for the fourth quarter and full year ended December 31, 2009, which stated, in part, as follows:

> DALIAN, China, March 10 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced financial results for the fourth quarter and full year ended December 31, 2009.
>
> * * *
>
> Net income for the 2009 fourth quarter was $10.1 million, or $0.34 per diluted share. This compares with net income of $4.6 million, or $0.16 per diluted share, in the fourth quarter of 2008.
>
> * * *
>
> Net income for the full year was $24.0 million, or $0.84 per diluted share, compared to $28.5 million, or $1.00 per diluted share in 2008.

57. On March 16, 2010, Defendants caused the Company to file its 2009 10-K on Form 10-K for the year ended December 31, 2009 with the SEC. The 2009 10-K, which was signed by Defendants Fu, Longever and Wang, among others, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu, Longever and Wang and stated, in part, the following:

> In order to mitigate our exposure to volatility in interest rates and foreign currency exchange rates associated with the HY Notes, on April 10, 2007, the Company entered into a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS"). The Swap, with a notional principal value of $40 million, converts the USD variable interest rate of initially LIBOR + 7% per annum and LIBOR + 5.4% per annum after qualified step-down to an 8.3% per annum RMB fixed interest rate. The agreement was deemed effective January 24, 2007. The Swap requires semi-annual payment in arrears on July 24 and January 24 and matures earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross

currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. The Company uses this derivative instrument only to hedge exposures in the ordinary course of business and does not invest in derivative instruments for speculative purposes.

The fair value of the Swap is determined with the assistance of third party calculations provided by Jefferies & Company, Inc., which reflect the present values of the difference between estimated future variable-rate receipts in USD and future fixed-rate payments in RMB. The Company accounts for this interest rate swap in accordance with FAS No. 133, "Accounting for Derivatives Instruments and Hedging Activity," which requires all derivatives to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. The above derivative qualifies for hedge accounting under FAS 133 and, accordingly, changes in the fair value is reported in accumulated other comprehensive income, net of related income tax effects. Any portion deemed ineffective is recorded in earnings with the effective portion reflected in accumulated other comprehensive. For the year ended December 31, 2009, changes in fair value of the Swap resulted in an increase in the liability and a loss to other comprehensive income of $3,155,451, respectively; For the year ended December 31, 2008, changes in fair value of the Swap resulted in an decrease in the liability and a gain to other comprehensive income of $4,138,320, respectively. As of December 31, 2009, the Company had cross currency hedge payable amounting to $436,702. For fiscal year ended December 31, 2009, there were no amounts recorded in the consolidated statement of income in relation to this interest rate swap related to ineffectiveness. After the redemption of the HY Notes, the cross currency swap transaction will no longer qualify for derivative accounting because the hedging instruments would become naked of the hedged items. Therefore, the change in fair value will be reclassified from accumulated comprehensive income into earnings.

* * *

Derivative Instrument

Effective January 1, 2009, the Company began disclosing qualitative disclosures about objectives and strategies for using derivatives and quantitative disclosures about the fair value of and gains and losses on derivative instruments. The Company uses a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on its variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge.

58. The 2009 10-K also includes the following statement:

Management's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles.

59. On May 04, 2010, the Company issued a press release concerning its financial results for the first quarter ended March 31, 2010, which stated, in part, as follows:

> DALIAN, China, May 4 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced financial results for the first quarter ended March 31, 2010.
>
> First Quarter Highlights
> -- GAAP net income increased 137.7% to $7.4M, or $0.21 per diluted share
>
> * * *
>
> During the quarter . . . the Company terminated the cross currency interest rate swap, a derivative the Company used as a hedging instrument related to this long-term debt, and as a result recognized a realized loss of $6.7 million ($4.4 million net of tax), or $0.19 per diluted share ($0.12 net of tax) during the period. The termination of this swap enabled the Company to mitigate the risk of an appreciation in the renminbi. Lastly, during the first quarter the Company completed its previously announced acquisition of Dalian Jinchuan and recognized a one-time non-cash gain of $3.3 million, or $0.09 per diluted share as the fair market value of Dalian Jinchuan's assets exceeded the purchase price.

60. On May 7, 2010, Defendants caused the Company to file its first quarter 2010 10-Q for the quarter ended March 31, 2010 with the SEC ("Q1 2010 10-Q"). The Q1 2010 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

> On April 10, 2007, effective January 24, 2007, the Company entered into a cross currency swap transaction (the SWAP) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the USD based variable interest rate of initially LIBOR + 7% per annum and LIBOR + 5.6% per annum after a qualified step-down to an 8.3% per annum RMB fixed interest rate. The Swap requires semi-annual payment in arrears on July 24 and January 24 and

matures on the earlier of (1) cash settlement defined as early termination; or (2) January 24, 2012, at which point the Swap requires an exchange of RMB and USD based principals. Under the terms of the cross currency swap, the Company receives variable interest rate payments in USD and makes fixed interest rate payments in RMB with settlement netted in USD, thereby creating the equivalent of fixed-rate debt. MLCS requires the Company to deposit $1,000,000 with them to secure the agreement. In July, 2008, the Company placed the $1,000,000 deposit with MLCS to secure the agreement.

Effective March 31, 2010 (the termination date), the SWAP, with an outstanding USD notional amount of $30,000,000 and an outstanding CNY notional amount of 233,175,000 was unwound with a premium payment price of $6,650,000 to MLCS.

On March 31, 2010, the $1,000,000 deposit with MLCS to secure the agreement was released to MLCS as partial payment of the $6,650,000 payment price, thus left $5,650,000 payables to MLCS as of March 31, 2010 and the remaining $5,650,000 payment was made to Merrill Lynch on April 6, 2010.

Changes in the fair values of derivative instruments accounted for as cash flow hedges to the extent they qualify for hedge accounting, are recorded in accumulated other comprehensive income. For the three months ended March 31, 2010 and 2009, gain of $882,527 and loss of $2,762,129 was recorded on the derivative instrument, respectively, in other comprehensive income.

On March 31, 2010, $6,650,000 was transferred from the accumulated other comprehensive loss into earnings as a loss from termination of the SWAP. There were no amounts recorded in the consolidated statements of income in relation to ineffectiveness of this interest SWAP prior to unwinding of the transaction.

* * *

Derivative instrument

Effective January 1, 2009, the Company began disclosing qualitative disclosures about objectives and strategies for using derivatives and quantitative disclosures about the fair value of and gains and losses on derivative instruments. The Company used a cross currency hedge, a derivative financial instrument, to hedge the risk of rising interest rates on its variable interest rate debt. This type of derivative financial instrument is known as a cash flow hedge.

At the inception of the transaction, the Company documented the relationship between hedging instruments and hedged items, as well as its risk management objective and the strategy for undertaking various hedge transactions. This process includes linking all derivatives designated to specific firm commitments of forecast transactions. The Company also documents its assessment, both at inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Any portion deemed ineffective is recorded in earnings with the effective portion reflected in accumulated other comprehensive. Changes in the fair values of derivative financial instruments accounted for as cash flow hedges to the extent they qualify for hedge accounting, are recorded in accumulated other comprehensive income.

Note 12 – Derivative instrument

The Company's operations are exposed to a variety of global market risks, including the effect of changing interest rates and foreign currency exchange rates. This exposure is managed, in part, with the use of financial derivatives. The Company uses financial derivatives only to hedge exposures in the ordinary course of business and does not invest in derivative instruments for speculative purposes.

61. The Q1 2010 10-Q also includes the following statement:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates.

62. On August 4, 2010, the Company issued a press release concerning its financial results for the second quarter ended June 30, 2010, which stated, in part, as follows:

DALIAN, China, Aug. 4 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced financial results for the second quarter ended June 30, 2010.

Second Quarter Highlights
-- GAAP Net Income increased significantly to $13.4M, or $0.35 per diluted Share
-- Adjusted Net Income increased 74.5% to $12.4M, or $0.33 per diluted share

63. On August 10, 2010, Defendants caused the Company to file its second quarter 2010 10-Q for the quarter ended June 30, 2010 with the SEC ("Q2 2010 10-Q"). The Q2 2010 10-Q, which was signed by Defendant Wang, included certifications pursuant to the Sarbanes-Oxley Section 302 substantially the same as above in ¶ 27 of Defendants Fu and Wang and stated, in part, the following:

> On April 10, 2007, effective January 24, 2007, the Company entered a cross currency swap transaction (the Swap) with Merrill Lynch Capital Services, Inc. ("MLCS") on the $40 million HY notes which converts the LIBOR + 7% per annum USD variable interest rate to an 8.3% per annum RMB fixed interest rate.
>
> Effective March 31, 2010 (the termination date), the SWAP, with an outstanding USD notional amount of $30,000,000 and an outstanding CNY notional amount of 233,175,000 was unwound with a premium payment price of $6,650,000 to MLCS.
>
> On March 31, 2010, the $1,000,000 deposit with MLCS to secure the agreement was released to MLCS as partial payment of the $6,650,000 payment price and the remaining $5,650,000 payment was made to Merrill Lynch on April 6, 2010.
>
> Changes in the fair values of derivative instruments accounted for as cash flow hedges to the extent they qualify for hedge accounting, are recorded in accumulated other comprehensive income. For the six months ended June 30, 2010 and 2009, a gain of $882,527 and loss of $3,513,356 was recorded on the derivative instrument, respectively, in other comprehensive income. For the three months ended June 30, 2010 and 2009, a loss of $0 and $751,227 was recorded on the derivative instrument, respectively, in other comprehensive income.

64. The Q2 2010 10-Q also includes the following statement:

> The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of its derivative instrument. Actual results could differ from those estimates

65. The statements referenced in ¶¶ 24-64 were materially false and/or misleading because Defendants failed to disclose that (1) the Company was improperly applying hedge

accounting to a cross currency interest swap derivative entered into in April 2007 (the "April 2007 SWAP"), (2) the Company failed to recognize changes in the fair value of the April 2007 SWAP in its earnings during the Class Period, thus inflating its reported net income by material amounts, (3) the Company incorrectly recorded \$3.3 million and \$1.8 million of gain on bargain purchases resulting from two acquisitions in February and May 2010, (4) as a result of incorrectly recording such gains, the Company overstated its net income for the quarters ended March 31, 2010 and June 30, 2010, (5) the Company had material deficiencies in its internal controls over its financial reporting, (6) the Company's financial statements were not fairly presented in conformity with GAAP and were materially false and misleading; and (7) based on the foregoing, defendants lacked a basis for their positive statements about the Company, its prospects and growth.

VI. THE TRUTH BEGINS TO EMERGE

66. On March 11, 2011, after the close of trading, Fushi Copperweld issued a press release that stated as follows:

> BEIJING, March 11, 2011 /PRNewswire-Asia-FirstCall/ -- Fushi Copperweld, Inc. (Nasdaq: FSIN), the leading global manufacturer and innovator of copper-clad bimetallic wire used in a variety of telecommunication, utility, transportation and other electrical applications, today announced unaudited preliminary financial results for the fourth quarter and full year ended December 31, 2010.
>
> The Company also announced that it is currently reevaluating the application of generally accepted accounting principles ("GAAP") in certain accounting treatments applied to its 2007, 2008, and 2009 financial results as well as its previously filed quarterly financial statements for the first three quarters of 2010. These accounting treatments are related to the ability to realize deferred income tax assets, qualification of cash flow hedge for cross-currency interest swap, and bargain purchase gains recognized in 2010 acquisitions. As a result of the additional time needed to study these items, the Company expects to file a Notification of Late Filing under Rule 12b-25 of the Securities Exchange Act of 1934 with the SEC for an extension of its Annual Report on Form 10-K for the year ended December 31, 2010.

67. Following these disclosures, on March 14, 2011, the first trading day thereafter, the price of Fushi Copperweld's common stock declined from $9.42 per share by $0.74 per share, nearly 8%, to close at $8.68 per share on heavier than usual volume. The Company's common stock price continued to decline by an additional $0.94 per share, or 10.8%, over the next two days to close at $7.74 per share on March 16, 2011.

68. On March 29, 2011, after the market closed, Fushi Copperweld further disclosed in a Form 8-K filing with the SEC as follows:

> **Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.**
>
> On March 24, 2011, the Audit Committee of the Board of Directors of Fushi Copperweld, Inc. (the "Company"), concluded that the Company's previously issued financial statements for the years ended December 31, 2009, 2008 and 2007, and its unaudited interim financial statements for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 (collectively, the "Previously Issued Financial Statements") should no longer be relied upon and should be restated, due to two errors in the application of U.S. Generally Accepted Accounting Principles ("US GAAP") regarding (1) the accounting for cross-currency interest swap derivative and (2) the acquisitions of Dalian Jinchuan Electric Cable Co., Ltd. ("Jinchuan") and Shanghai Hongtai Industrial Co., Ltd. ("Hongtai").
>
> *Cross-currency interest swap derivative*
>
> On April 10, 2007, the Company entered into a cross currency swap transaction (the "SWAP") with Merrill Lynch Capital Services, Inc. Under the terms of the SWAP, the Company received variable interest rate (based on LIBOR plus 7% per annum and adjustable to LIBOR plus 5% per annum after a qualifying IPO) payments in USD based on a notional amount of USD 40 million and made fixed interest rate payments in RMB which were translated into USD at foreign exchange rates on each settlement date. The fixed interest rate payment was based on the notional amount of RMB 310,900,000 at a fixed interest rate of 8.3% per annum. The SWAP required semi-annual payments in arrears on July 24 and January 24 and would mature on the earlier of (1) cash settlement defined as early termination or (2) January 24, 2012.
>
> The Company originally intended to use the SWAP to hedge both variable interest risk of its outstanding high yield notes of USD 40 million, which bore interest at LIBOR plus 7% and adjustable to LIBOR plus 5.6% per annum after a qualifying

IPO, and foreign currency risk of its operating subsidiaries in the People's Republic of China. However, since the Company was not exposed to foreign currency risk on the high yield notes, the SWAP did not qualify for hedge accounting and all changes in fair value of the SWAP should have been recognized in earnings.

Due to the complexities of accounting for derivatives, the Company had misapplied the US GAAP and designated the SWAP as cash flow hedge against the USD 40 million high yield notes. The changes in fair value of the SWAP had been inappropriately accounted for in other comprehensive income rather than recognized in earnings prior to the SWAP being terminated on March 31, 2010. **The effect of correcting this error, after taking into consideration the income tax effect, would be a decrease in net income of USD 2.1 million, an increase in net income of USD 2.7 million, a decrease in net income of USD 5.6 million and a decrease in net income of USD 5.0 million for the years ended December 31, 2009, 2008 and 2007, and for the quarter ended March 31, 2010, respectively.** (Emphasis added.)

Acquisitions of Jinchuan and Hongtai

On February 5, 2010, the Company acquired 100% equity interest of Jinchuan from the selling shareholders of Jinchuan in exchange for a consideration of USD 5.075 million in cash and USD 5.075 million contingent upon Jinchuan achieving certain performance targets for the year ended December 31, 2010.

On May 31, 2010, the Company acquired 100% equity interest from the selling shareholder of Hongtai in exchange for USD 1.3 million payable in cash and 263,158 shares of the Company's common stock.

Based on the original valuation results and purchase price allocation, the Company had recorded USD 3.3 million and USD 1.8 million of gain on bargain purchases resulting from the acquisitions of Jinchuan and Hongtai, respectively. During the year-end closing process, management of the Company identified certain errors in the original purchase price allocation with respect to the fair value of certain property, plant and equipment the Company acquired in the Hongtai and Jinchuan acquisitions. As a result, the Company engaged another independent valuation firm to help determine the fair values of property, plant and equipment and land use rights acquired in the Hongtai and Jinchuan acquisitions. Pursuant to the final valuation report, the goodwill was approximately USD 0.6 million and USD 1.1 million related to the Jinchuan and Hongtai acquisitions, respectively. **The effect of correcting this error, after taking into consideration the income tax effect would be a decrease of net income of USD 3.3 million and USD 1.1 million for the quarters ended March 31, 2010 and June 30, 2010, respectively.** (Emphasis added.)

> The Company's management has discussed the matters disclosed in this Item 4.02 with Frazer Frost, LLP, the Company's predecessor independent registered public accounting firm during the years and periods presented.
>
> The Company will file an amendment to restate each of the Previously Issued Financial Statements.

69. On March 30, 2011, as a result of these further disclosures, Fushi Copperweld's common stock declined by $0.19 per share, 2.3%, to close at $8.12 per share, again on heavier than usual volume.

70. An analyst report of equity research firm Jefferies dated March 30, 2011 states that "[w]hile the restatements do not impact operating income, as per management's prior statements, we do consider them material to earnings, as they all exceed 8%."

71. On April 5, 2010, the Company filed a report with the SEC on Form 8-K ("April 5 8-K") that, among other things, confirmed the effects of correcting the accounting errors disclosed in its March 29, 2011 filing on Form 8-K. The April 5 8-K stated, among other things, the following:

> **Impact of Restated Results**
>
> In addition, the Company announced that it has completed the restatement of its consolidated financial statements for the years ended December 31, 2007, 2008 and 2009, as well as its previously filed interim financial statements for the first three quarters of 2010 and subsequently filed all amendments with the Securities and Exchange Commission.
>
> As previously announced on March 24, 2011, the Audit Committee of the Board of Directors of the Company concluded that the Company's previously issued financial statements for the years ended December 31, 2007, 2008 and 2009, and its unaudited interim financial statements for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 should no longer be relied upon and should be restated, due to two errors in the application of GAAP regarding (1) the accounting for the SWAP and (2) the acquisitions of Dalian Jinchuan Electric Cable Co., Ltd. ("Jinchuan") and Shanghai Hongtai Industrial Co., Ltd. ("Hongtai").A detailed explanation, as well as the impact, of these items on prior periods is as follows:

Cross-currency interest swap derivative

In April 2007, the Company entered into a SWAP to hedge both variable interest risk of its $40 million high yield notes and foreign currency risk of its operating subsidiaries in the People's Republic of China. The Company applied hedge accounting to the SWAP. However, because the Company was not exposed to foreign currency risk on the high yield notes, the SWAP did not qualify for hedge accounting. All changes in fair value of the SWAP therefore should have been recognized in earnings.

The effects of correcting this error, after income taxes are a decrease in net income of $2.1 million, or $0.07 per diluted share, an increase in net income of $2.7 million, or $0.10 per diluted share, a decrease in net income of $5.6 million, or $0.22 per diluted share, and a decrease in net income of $5.0 million, or $0.13 per diluted share, for the years ended December 31, 2009, 2008, and 2007, and for the quarter ended March 31, 2010, respectively.

Acquisitions of Jinchuan and Hongtai

In February and May 2010, Fushi Copperweld acquired 100% equity interests in Jinchuan and Hongtai, respectively. Based on the original valuation results and purchase price allocations, the Company had recorded $3.3 million and $1.8 million of gain on bargain purchases resulting from the acquisitions of Jinchuan and Hongtai, respectively. During the year-end closing process, however, management of the Company identified certain errors in the original purchase price allocations with respect to the fair value of certain property, plant and equipment the Company acquired in the two acquisitions. As a result, the Company engaged another independent valuation firm to help determine the fair values of property, plant and equipment, intangible assets and land use rights acquired. Pursuant to the final valuation results, goodwill of approximately $0.6 million and $1.1 million were recognized relating to the Jinchuan and Hongtai acquisitions, respectively.

The effects of correcting this error, after income taxes are a decrease of net income of $3.3 million, or $0.09 per diluted share, and a decrease of $1.1 million, or $0.03 per diluted share, for the quarters ended March 31, 2010 and June 30, 2010, respectively.

VII. ADDITIONAL SCIENTER ALLEGATIONS

72. As alleged herein, defendants acted with scienter in that defendants 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, defendants, by virtue of their receipt of information reflecting the true facts regarding Fushi Copperweld, their control over, and/or receipt and/or modification of Fushi Copperweld's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Fushi Copperweld, participated in the fraudulent scheme alleged herein.

73. Defendants knew or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

74. Defendants had the motive and opportunity to perpetrate the fraudulent scheme and course of business described herein because the Individual Defendants were the most senior officers of Fushi Copperweld, issued statements and press releases on behalf of Fushi Copperweld and had the opportunity to commit the fraud alleged herein. Defendants were motivated to commit the fraud alleged in order to complete a secondary public offering of common stock of Company shares at inflated prices during the Class Period.

VIII. LOSS CAUSATION/ECONOMIC LOSS

75. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated Fushi Copperweld's stock price and operated as a fraud or deceit on Class Period purchasers of Fushi Copperweld's common stock by misrepresenting the Company's operating condition and future business

prospects. Defendants achieved this by making positive statements about Fushi Copperweld's business and financial results while they knew or recklessly disregarded that the Company was improperly accounting for certain transactions. Later, however, when defendants' prior misrepresentations were disclosed and became apparent to the market, the price of Fushi Copperweld's common stock fell precipitously as the prior artificial inflation came out of the stock price. As a result of their purchases of Fushi Copperweld common stock during the Class Period, plaintiffs and other members of the Class suffered economic loss, i.e., damages under the federal securities laws.

IX. FRAUD-ON-THE-MARKET DOCTRINE

76. At all relevant times, the market for Fushi Copperweld's common stock was an efficient market for the following reasons, among others:

(a) The Company's common stock was actively traded on the NASDAQ in a highly efficient market;

(b) As a regulated issuer, the Company filed periodic public reports with the SEC;

(c) The Company was covered regularly by securities analysts; and

(d) The Company regularly issued press releases which were carried by national news wires. Each of these releases was publicly available and entered the public marketplace.

77. As a result, the market for the Company's common stock promptly digested current information with respect to Fushi Copperweld from all publicly available sources and reflected such information in the price of the Company's securities. Under these circumstances, all purchasers of the Company's common stock during the Class Period suffered similar injury

through their purchase of the common stock of Fushi Copperweld at artificially inflated prices and a presumption of reliance applies.

X. NO SAFE HARBOR

78. The 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. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements 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, 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 particular forward looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Fushi Copperweld who knew that those statements were false when made.

FIRST CLAIM FOR RELIEF

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

79. Plaintiff incorporates ¶¶ 1 -78 by reference.

80. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately recklessly disregarded were materially false and misleading in that they contained material misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

81. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that they:

(a) Employed devices, schemes and artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiffs and others similarly situated in connection with their purchases of Fushi Copperweld common stock during the Class Period.

82. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Fushi Copperweld's common stock. Plaintiff and the Class would not have purchased Fushi Copperweld common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

83. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of Fushi Copperweld common stock during the Class Period.

SECOND CLAIM FOR RELIEF

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

84. Plaintiffs incorporate ¶¶ 1 - 78 by reference.

85. The Individual Defendants acted as controlling persons of Fushi Copperweld within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, participation in and/or awareness of the Company's operations and/or

intimate knowledge of the statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiffs contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

86. In particular, the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

87. As set forth above, Fushi Copperweld and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions each as a controlling person, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Fushi Copperweld's and the Individual Defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows: declaring this action to be a proper class action; awarding damages, including interest; awarding reasonable costs, including attorneys' fees; and such equitable/injunctive relief as the Court may deem proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: May 6, 2011