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CENTRAL DISTRICT OF CALIFORNIA

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CV 14-03381 - PA (VBK)
Case No.:

██████████, INDIVIDUALLY
AND ON BEHALF OF ALL OTHERS
SIMILARLY SITUATED,

Plaintiff,

vs.

LIHUA INTERNATIONAL INC.,
JIANHUA ZHU, AND DAPHNE YAN
HUANG,

Defendants.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff ██████████ individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against Defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendants' public documents, United States Securities and Exchange Commission ("SEC") filings, media and news reports, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

1 **NATURE OF THE ACTION**

2 1. This is a federal securities class action on behalf of a class consisting
3 of all persons other than Defendants who purchased the common stock of Lihua
4 International, Inc. (“Lihua” or the “Company”) between August 9, 2012 and April
5 30, 2014 (the “Class Period”), inclusive, seeking to recover damages caused by
6 Defendants’ violations of federal securities laws and pursue remedies under the
7 Securities Exchange Act of 1934 (the “Exchange Act”).
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10 **JURISDICTION AND VENUE**

11 2. The claims asserted herein arise under and pursuant to Sections 10(b)
12 and 20(a) of the Exchange Act, (15 U.S.C. §78j (b) and 78t (a)), and Rule 10b-5
13 promulgated thereunder (17 C.F.R. §240.10b-5).
14
15

16 3. This Court has jurisdiction over the subject matter of this action
17 pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.
18

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

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

1 6. Plaintiff, as set forth in the accompanying certification, incorporated
2 by reference herein, purchased Lihua common stock at artificially inflated prices
3 during the Class Period and has been damaged thereby.
4

5 7. Defendant Lihua International Inc. is a Delaware corporation that
6 purports to manufacture, market, and distribute refined copper products through its
7 wholly-owned subsidiaries Danyang Lihua Electron Co., Ltd., (“Lihua Electron”)
8 and Jiangsu Lihua Copper Industry Co., Ltd. (“Lihua Copper”). During the Class
9 Period the Company’s stock was traded on the NASDAQ Stock Market under the
10 symbol “LIWA.”
11

12 8. Throughout the Class Period the company was headquartered in
13 Jiangsu Province of the People’s Republic of China (“PRC”).
14

15 9. Defendant Jianhua Zhu (“Zhu”) was, at all relevant times, the
16 President, Chief Executive Officer, and Chairman of the Board of Directors of
17 Lihua.
18

19 10. Defendant Daphne Yan Huang (“Huang”) was, at all relevant times,
20 the Chief Financial Officer and Treasurer of Lihua.
21

22 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

23 11. Plaintiff brings this action as a class action pursuant to Federal Rules
24 of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons
25 who purchased the common stock of Lihua during the Class Period and who were
26 damaged thereby. Excluded from the Class are Defendants, the officers and
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1 directors of the Company at all relevant times, members of their immediate families
2 and their legal representatives, heirs, successors or assigns and any entity in which
3 Defendants have or had a controlling interest.
4

5 12. The members of the Class are so numerous that joinder of all members
6 is impracticable. Throughout the Class Period, Lihua's common stock was actively
7 traded on NASDAQ. While the exact number of Class members is unknown to
8 Plaintiff at this time and can only be ascertained through appropriate discovery,
9 Plaintiff believes that there are at least hundreds of members in the proposed Class.
10 Members of the Class may be identified from records maintained by Lihua or its
11 transfer agent and may be notified of the pendency of this action by mail, using a
12 form of notice customarily used in securities class actions.
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16 13. Plaintiff's claims are typical of the claims of the members of the Class,
17 as all members of the Class are similarly affected by Defendants' wrongful conduct
18 in violation of federal law that is complained of herein.
19

20 14. Plaintiff will fairly and adequately protect the interests of the members
21 of the Class and has retained counsel competent and experienced in class and
22 securities litigation.
23

24 15. Common questions of law and fact exist as to all members of the Class
25 and predominate over any questions solely affecting individual members of the
26 Class. Among the questions of law and fact common to the Class are:
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1 (a) whether the federal securities laws were violated by Defendants'
2 acts as alleged herein;

3
4 (b) whether statements made by Defendants to the investing public
5 during the Class Period misrepresented material facts about the business and
6 operations of Lihua;

7
8 (c) whether the Defendants made the false and misleading statements
9 with scienter; and

10 (c) to what extent the members of the Class have sustained damages,
11 and the proper measure of damages.
12

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

22 17. On August 9, 2012, Lihua filed its Form 10-Q for the quarter ended
23 June 30, 2012 (“2012 Second Quarter 10-Q”) with the SEC. This Form 10-Q and
24 the accompanying Sarbanes-Oxley Certification were signed by Defendants Zhu
25 and Huang.
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1 18. The 2012 Second Quarter 10-Q reported, for the three-month period
2 ended June 30, 2012, revenues totaling \$191 million and a net income of \$13
3 million.
4

5 19. On March 18, 2013, Lihua filed its Form 10-K Annual Report for the
6 fiscal year ended December 31, 2012 (“2012 10-K”) with the SEC. This Form 10-K
7 was signed by Defendants Zhu and Huang, as well as several directors of Lihua.
8

9 20. Zhu and Huang also signed the Sarbanes-Oxley certifications
10 accompanying the 2012 10-K.
11

12 21. The 2012 10-K portrayed Lihua as a growing and profitable company.
13 Lihua reported \$853 million in revenue and \$57 million in net income for 2012 on
14 the 2012 10-K.
15

16 22. The 2012 10-K also reported total assets of \$293 million, and only \$14
17 million in total liabilities.
18

19 23. On March 17, 2014, Lihua filed its Form 10-K Annual Report for the
20 fiscal year ended December 31, 2013 (“2013 10-K”) with the SEC. This Form 10-K
21 was signed by Defendants Zhu and Huang, as well as several directors of Lihua.
22

23 24. Zhu and Huang also signed the Sarbanes-Oxley certifications
24 accompanying the 2013 10-K.
25

26 25. The 2013 10-K continued to portray Lihua as a thriving company.
27 Lihua reported \$900 million in revenue and \$56 million in net income for 2013 on
28 the 2013 10-K.

1 (e) Unexpected material news about Lihua was rapidly reflected and
2 incorporated into the Company's stock price during the Class Period.
3

4 34. As a result of the foregoing, the market for Lihua's common stock
5 promptly digested current information regarding Lihua from all publicly available
6 sources and reflected such information in Lihua's stock price. Under these
7 circumstances, all purchasers of Lihua's common stock during the Class Period
8 suffered similar injury through their purchase of Lihua's common stock at
9 artificially inflated prices, and a presumption of reliance applies.
10

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12 **ECONOMIC LOSS/LOSS CAUSATION**

13 35. The market for Lihua's common stock was open, well-developed and
14 efficient at all relevant times. As a result of these materially false and misleading
15 statements and failures to disclose, Lihua's securities traded at artificially inflated
16 prices during the Class Period. Plaintiffs and other members of the Class purchased
17 or otherwise acquired Lihua's common stock relying upon the integrity of the
18 market price of Lihua's securities and market information relating to Lihua, and
19 have been damaged thereby.
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22 36. During the Class Period, Defendants materially misled the investing
23 public, thereby inflating the price of Lihua's common stock, by publicly issuing
24 false and misleading statements and omitting to disclose material facts necessary to
25 make Defendants' statements, as set forth herein, not false and misleading. Said
26 statements and omissions were materially false and misleading in that they failed to
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1 disclose material adverse information and misrepresented the truth about the
2 Company, its business and operations, as alleged herein.

3
4 37. At all relevant times, the material misrepresentations and omissions
5 particularized in this Complaint directly or proximately caused or were a substantial
6 contributing cause of the damages sustained by Plaintiffs and other members of the
7 Class. As described herein, during the Class Period, Defendants made or caused to
8 be made a series of materially false or misleading statements about Lihua's
9 business, prospects and operations. These material misstatements and omissions
10 had the cause and effect of creating in the market an unrealistically positive
11 assessment of Lihua and its business, prospects and operations, thus causing the
12 Company's common stock to be overvalued and artificially inflated at all relevant
13 times. Defendants' materially false and misleading statements during the Class
14 Period resulted in Plaintiffs and other members of the Class purchasing the
15 Company's securities at artificially inflated prices, thus causing the damages
16 complained of herein.

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21 **FIRST CLAIM**
22 **Violation of Section 10(b) of**
23 **The Exchange Act and Rule 10b-5**
24 **Promulgated Thereunder Against All Defendants**

25 38. Plaintiff repeats and realleges each and every allegation contained
26 above as if fully set forth herein.

27 39. During the Class Period, Defendants carried out a plan, scheme and
28 course of conduct which was intended to and, throughout the Class Period, did: (1)

1 deceive the investing public, including Plaintiff and other Class members, as
2 alleged herein; and (2) cause Plaintiff and other members of the Class to purchase
3 Lihua's securities at artificially inflated prices. In furtherance of this unlawful
4 scheme, plan and course of conduct, each of the Defendants took the actions set
5 forth herein.
6

7
8 40. Defendants: (a) employed devices, schemes, and artifices to defraud;
9 (b) made untrue statements of material fact and/or omitted to state material facts
10 necessary to make the statements not misleading; and (c) engaged in acts, practices,
11 and a course of business that operated as a fraud and deceit upon the purchasers of
12 the Company's securities in an effort to maintain artificially high market prices for
13 Lihua's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5
14 promulgated thereunder. All Defendants are sued either as primary participants in
15 the wrongful and illegal conduct charged herein or as controlling persons as alleged
16 below.
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20 41. Defendants, individually and in concert, directly and indirectly, by the
21 use, means or instrumentalities of interstate commerce and/or of the mails, engaged
22 and participated in a continuous course of conduct to conceal adverse material
23 information about the business, operations and future prospects of Lihua as
24 specified herein.
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27 42. These Defendants employed devices, schemes, and artifices to defraud
28 while in possession of material adverse non-public information, and engaged in

1 acts, practices, and a course of conduct as alleged herein in an effort to assure
2 investors of Lihua's value and performance and continued substantial growth,
3 which included the making of, or participation in the making of, untrue statements
4 of material facts and omitting to state material facts necessary in order to make the
5 statements made about Lihua and its business operations and future prospects in the
6 light of the circumstances under which they were made, not misleading, as set forth
7 more particularly herein, and engaged in transactions, practices and a course of
8 business that operated as a fraud and deceit upon the purchasers of Lihua's
9 securities during the Class Period.
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13 43. Zhu's and Huang's primary liability, and controlling person liability,
14 arises from the following facts: (1) Zhu and Huang were high-level executives,
15 directors, and/or agents at the Company during the Class Period and members of
16 the Company's management team or had control thereof; (2) Zhu and Huang, by
17 virtue of their responsibilities and activities as a senior officer and/or director of the
18 Company, was privy to and participated in the creation, development and reporting
19 of the Company's financial condition; (3) Zhu and Huang enjoyed significant
20 personal contact and familiarity with the other Defendants and was advised of and
21 had access to other members of the Company's management team, internal reports
22 and other data and information about the Company's finances, operations, and sales
23 at all relevant times; and (4) Zhu and Huang were aware of the Company's
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1 dissemination of information to the investing public which they knew or recklessly
2 disregarded was materially false and misleading.

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4 44. Defendants had actual knowledge of the misrepresentations and
5 omissions of material facts set forth herein, or acted with reckless disregard for the
6 truth in that they failed to ascertain and to disclose such facts, even though such
7 facts were available to them. Such Defendants' material misrepresentations and/or
8 omissions were done knowingly or recklessly and for the purpose and effect of
9 concealing Lihua's operating condition and future business prospects from the
10 investing public and supporting the artificially inflated price of its securities. As
11 demonstrated by Defendants' overstatements and misstatements of the Company's
12 financial condition throughout the Class Period, Defendants, if they did not have
13 actual knowledge of the misrepresentations and omissions alleged, were reckless in
14 failing to obtain such knowledge by deliberately refraining from taking those steps
15 necessary to discover whether those statements were false or misleading.
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20 45. As a result of the dissemination of the materially false and misleading
21 information and failure to disclose material facts, as set forth above, the market
22 price of Lihua's securities was artificially inflated during the Class Period. In
23 ignorance of the fact that market prices of Lihua's publicly-traded securities were
24 artificially inflated, and relying directly or indirectly on the false and misleading
25 statements made by Defendants, or upon the integrity of the market in which the
26 common stock trades, and/or on the absence of material adverse information that
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1 was known to or recklessly disregarded by Defendants but not disclosed in public
2 statements by Defendants during the Class Period, Plaintiff and the other members
3 of the Class acquired Lihua's securities during the Class Period at artificially high
4 prices and were or will be damaged thereby.
5

6 46. At the time of said misrepresentations and omissions, Plaintiff and
7 other members of the Class were ignorant of their falsity, and believed them to be
8 true. Had Plaintiff and the other members of the Class and the marketplace known
9 the truth regarding Lihua's financial results, which was not disclosed by
10 Defendants, Plaintiff and other members of the Class would not have purchased or
11 otherwise acquired their Lihua's securities, or, if they had acquired such securities
12 during the Class Period, they would not have done so at the artificially inflated
13 prices that they paid.
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17 47. By virtue of the foregoing, Defendants have violated Section 10(b) of
18 the Exchange Act, and Rule 10b-5 promulgated thereunder.
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20 48. As a direct and proximate result of Defendants' wrongful conduct,
21 Plaintiff and the other members of the Class suffered damages in connection with
22 their respective purchases and sales of the Company's securities during the Class
23 Period.
24

25 49. This action was filed within two years of discovery of the fraud and
26 within five years of each plaintiff's purchases of securities giving rise to the cause
27 of action.
28

SECOND CLAIM
Violation of Section 20(a) of
The Exchange Act Against Zhu and Huang

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3 50. Plaintiff repeats and realleges each and every allegation contained
4 above as if fully set forth herein.

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6 51. Zhu and Huang acted as controlling persons of Lihua within the
7 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their
8 high-level positions, agency, ownership and contractual rights, and participation in
9 and/or awareness of the Company's operations and/or intimate knowledge of the
10 false financial statements filed by the Company with the SEC and disseminated to
11 the investing public, Zhu and Huang had the power to influence and control, and
12 did influence and control, directly or indirectly, the decision-making of the
13 Company, including the content and dissemination of the various statements that
14 Plaintiff contends are false and misleading. Zhu and Huang were provided with or
15 had unlimited access to copies of the Company's reports, press releases, public
16 filings and other statements alleged by Plaintiff to have been misleading prior to
17 and/or shortly after these statements were issued and had the ability to prevent the
18 issuance of the statements or to cause the statements to be corrected.

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23 52. In particular, Zhu and Huang had direct and supervisory involvement
24 in the day-to-day operations of the Company and, therefore, are presumed to have
25 had the power to control or influence the particular transactions giving rise to the
26 securities violations as alleged herein, and exercised the same.
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1 53. As set forth above, Lihua, Zhu, and Huang each violated Section
2 10(b), and Rule 10b-5 promulgated thereunder, by their acts and omissions as
3 alleged in this Complaint.
4

5 54. By virtue of their positions as controlling persons, Zhu and Huang are
6 liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate
7 result of Defendants' wrongful conduct, Plaintiff and other members of the Class
8 suffered damages in connection with their purchases of the Company's securities
9 during the Class Period.
10

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

15 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:
16

17 (a) Determining that this action is a proper class action, designating
18 Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under
19 Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead
20 Counsel;
21

22 (b) Awarding compensatory damages in favor of Plaintiff and the
23 other Class members against all Defendants, jointly and severally, for all damages
24 sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial,
25 including interest thereon;
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(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

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

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: May 1, 2014

Respectfully submitted,