

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA**

**SECURITIES AND EXCHANGE COMMISSION,  
100 F Street, N.E.  
Washington, D.C. 20549,**

**Plaintiff,**

**v.**

**KEYUAN PETROCHEMICALS, INC. and  
AICHUN LI,**

**Defendants.**

**Civil Action No. \_\_\_\_\_**

**COMPLAINT**

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

**SUMMARY OF ALLEGATIONS**

1. This action concerns violations of the anti-fraud, reporting, books and records, and internal control provisions of the federal securities laws by Keyuan Petrochemicals, Inc. (“Keyuan”).

2. Keyuan is a company based in the People’s Republic of China whose stock is registered with the Commission and trades in the United States.

3. Between May 2010 and January 2011, in what was its first year as a U.S. public company, Keyuan systematically failed to disclose in its SEC filings numerous material related party transactions between the company and its CEO and controlling shareholders, entities controlled by or affiliated with these persons, and entities controlled by Keyuan’s management or their family members. The related party transactions took the form of sales of products,

purchases of raw materials, loan guarantees and short term cash transfers for financing purposes. Aichun Li (“Li”), Keyuan’s CFO, who was hired to ensure the company’s compliance with U.S. Generally Accepted Accounting Principles (“GAAP”) and oversee the SEC reporting process, received information indicating that the company’s CEO and controlling shareholders guaranteed loans for the company. Li also encountered red flags that should have indicated to her that the company was not properly identifying or disclosing related party transactions. Despite such knowledge, Li signed off on Keyuan’s registration statements and quarterly reports that failed to disclose material related party transactions, as required by U.S. GAAP and/or Commission regulations.

4. Keyuan also operated an off-balance sheet cash account that was kept off the company’s books by Individual A, the company’s then-Vice President of Accounting. The account was used to pay for various items, including cash bonuses for senior officers, fees to consultants who provided technical advice to the company, and reimbursements to the CEO for business expenses, including travel, entertainment, and rent for an apartment. The account was also used to fund gifts—both cash and non-cash—for Chinese government officials. As a consequence of the use of the off-balance sheet cash account, the company’s reported balances in its financial statements for cash, receivables, construction-in-progress, interest income, other income, and general and administrative expenses were misstated.

5. In October 2011, Keyuan filed restatements of the financial statements contained in its 10-Qs for the second and third quarters of 2010 that disclosed, for the first time, the related party transactions and off-balance sheet accounting at issue.

6. By engaging in the conduct described herein, Keyuan and Li violated, directly or indirectly, the federal securities laws as follows:

(a) Keyuan violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 (“Securities Act”), Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 (“Exchange Act”), and Rules 12b-20 and 13a-13 thereunder;

(b) Li violated Section 13(b)(5) of the Exchange Act and aided and abetted Keyuan’s violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder; and

**JURISDICTION AND VENUE**

7. The Commission brings this action pursuant to the enforcement authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)].

8. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), & 77v(a)], and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), & 78aa]. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails or of the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

9. Venue is proper in this district pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa], because certain of the acts, practices, transactions and course of business constituting the violations alleged herein occurred within this judicial district.

## DEFENDANTS

10. **Keyuan Petrochemicals, Inc.** is a Nevada corporation whose common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act. Keyuan is a holding corporation that conducts business through its indirectly wholly-owned subsidiary Ningbo Keyuan Plastics Co., Ltd. (“Ningbo Keyuan Plastics”), located in Ningbo, Zhejiang Province, China. The NASDAQ Stock Market LLC (“NASDAQ”) suspended trading in Keyuan’s shares on October 7, 2011 and delisted the shares on April 23, 2012. Currently, Keyuan’s shares are quoted on the OTCQB Marketplace under the symbol “KEYP.”

11. **Aichun Li**, age 40, is a Chinese national and resident of North Carolina. She served as Chief Financial Officer of Keyuan from May 2010 until her resignation in October 2011. During the relevant time period, Li held a CPA license.

## RELEVANT PERSONS

12. **Individual A**, age 45, is a Chinese national and resident of Ningbo, Zhejiang Province, China. He served as Vice President of Accounting of Ningbo Keyuan Plastics from its founding in 2007 until he was terminated in August 2011.

## FACTUAL ALLEGATIONS

### **A. Background**

13. Keyuan, a China-based company headquartered in Ningbo, engages in business through its wholly-owned subsidiary Ningbo Keyuan Plastics. Chunfeng Tao (“Tao”), the Chairman and Chief Executive Officer of Keyuan, founded Ningbo Keyuan Plastics in 2007, along with his two business partners, Jicun Wang and Peijun Chen. Following the construction of its plant and port facilities, Ningbo Keyuan Plastics commenced operations in late 2009.

14. In April 2010, roughly six months after the plant began operations, Ningbo Keyuan Plastics, through various intermediate entities, consummated a reverse merger with a Nevada shell corporation that traded over-the-counter. As a result of the reverse merger, Ningbo Keyuan Plastics became the indirect wholly-owned subsidiary of the Nevada corporation, which was renamed Keyuan Petrochemicals. Tao, Chen, and Wang were and remain the controlling shareholders of Keyuan. Tao controls approximately 38% of Keyuan's outstanding common stock, Wang controls 19%, and Chen controls 17%.

15. Simultaneous with the reverse merger, Keyuan closed a \$23.15 million private placement. On May 21, 2010 Keyuan filed a registration statement on Form S-1 with the Commission for the purpose of registering for resale up to approximately 10 million shares of common stock. That registration statement became effective on October 15, 2010. Keyuan closed a second private placement valued at \$20.3 million on September 28, 2010. On November 3, 2010 Keyuan filed a second registration statement on Form S-1 for the purpose of registering for resale up to approximately 7.6 million shares of common stock. That registration statement became effective on January 14, 2011.

16. On August 16, 2010 Keyuan filed with the Commission its Form 10-Q for the second quarter of 2010. Keyuan thereafter filed amended 10-Qs for the second quarter of 2010 on September 27, 2010 and October 15, 2010.

17. On November 15, 2010, Keyuan filed with the Commission its Form 10-Q for the third quarter of 2010.

18. Li signed the foregoing Form S-1s and Form 10-Qs as CFO.

19. On October 20, 2011, Keyuan filed its 10-K for the year ended 2010. On November 1, 2011, Keyuan filed restated 10-Qs for the second and third quarters of 2010, and on

February 21, 2012, Keyuan filed post-effective amendments to its Form S-1 registration statement. In these filings, Keyuan disclosed numerous material related party transactions as well as the off-balance sheet cash account.

**B. Related Party Transactions**

***1. Keyuan engaged in dealings with related parties***

20. In its short operating history, Keyuan engaged in dealings with related parties in the form of sales of products, purchases of raw materials, loan guarantees, and short term borrowings and lendings. The related parties included the company's three founding and controlling shareholders (Tao, Wang, and Chen), entities controlled by or affiliated with them, and entities controlled by Keyuan's management or their family members. Keyuan failed to disclose these related party transactions in its registration statements and periodic reports filed with the Commission between May 2010 and January 2011.

21. The following table summarizes the related parties and transactions at issue.

<b>Person/Entity</b>	<b>Relationship to Keyuan</b>	<b>Types of transactions</b>
Chunfeng Tao	CEO, Chairman, controlling shareholder	Loan guarantees
Ningbo Kewei Investment Co.	100% owned by Tao and his wife	Loan guarantees Sale of products Purchase of raw materials Short term financings
Ningbo Kunde Petrochemical Co.	Tao's mother was the majority shareholder	Sale of products Purchase of raw materials Short term financings
Ningbo Wanze Chemical Co.	Tao's sister-in-law was the designated legal representative	Sale of products Short term financings
Jicun Wang	Controlling shareholder	Loan guarantees
Ningbo Pacific Ocean Shipping Co.	100% owned by Wang	Loan guarantees
Peijun Chen	Controlling shareholder	Loan guarantees
Ningbo Hengfa Metal Product Co.	100% owned by Chen	Loan guarantees
Shandong Tendga Stainless Steel Co., Ltd.	100% owned by Chen	Loan guarantees
Ningbo Zhenhai Jinchi Petroleum Chemical Co., Ltd.	Controlled by Vice President of Sales	Sale of products
Ningbo Jiangdong Jihe Construction Materials Store	Controlled by Vice President of Accounting's brother-in-law	Short term financings

22. Sales of Products. In its first year and a half of operation, a material portion of Keyuan's sales of products went to related parties, including companies affiliated with Tao (the CEO) and his family members. For instance, for the year ended December 31, 2009 and the first three quarterly periods of 2010, the company failed to disclose that sales to an entity whose nominee majority shareholder was the CEO's mother amounted to 17 – 24% of Keyuan's total sales.

23. The related party sales were a material portion of the company's total sales during the relevant time period, as the following table reflects.

<b>Period Ended</b>	<b>Total Sales (\$ (in millions)</b>	<b>Related Party Sales (\$ (in millions)</b>	<b>Percentage of Sales involving Related Parties</b>
12/31/09	69	21	31%
3/31/2010	117	21	18%
6/30/2010	132	26	20%
9/30/2010	151	39	26%

24. Cost of Sales. During 2009 and 2010, Keyuan's cost of sales included purchases of raw materials from entities affiliated with Tao and his family members. The related party cost of sales, which included the related party purchases, were a material portion of the company's total cost of sales during the relevant time period, as reflected in the following table.

<b>Period Ended</b>	<b>Total Cost of Sales (\$ (in millions)</b>	<b>Related Party Cost of Sales (\$ (in millions)</b>	<b>Percentage of Cost of Sales from Related Parties</b>
12/31/09	75	19	25%
3/31/2010	109	20	18%
6/30/2010	123	25	20%
9/30/2010	119	34	29%

25. Loan Guarantees. During its start-up phase, a material portion of the company's working capital came in the form of short term and long term bank loans. As a relatively new company, with a limited credit history, it was important for Keyuan to secure loan guarantees from parties who agreed to assume liability in the event of a default in order to obtain the bank

loans at issue. The loan guarantees were provided, almost exclusively, to the company by Keyuan's three controlling shareholders (Tao, Chen, and Wang), either directly or through entities they controlled.

26. The related party loan guarantees were a material portion of the company's total guarantees during the relevant time period, as the following table reflects.

Period Ended	Total Bank Loans (\$) (in millions)	Total Guarantees by Individuals or Entities (\$) (in millions)	Related Party Guarantees (\$) (in millions)	Percentage of Total Guarantees involving Related Parties	Percentage of Bank Loans Guaranteed by Related Parties
12/31/09	128	121	116	96%	90.7%
3/31/2010	Not available	Not available	Not available	Not available	Not available
6/30/2010	128	121	89	74%	70%
9/30/2010	163	119	99	84%	61%

27. In its registration statements and periodic reports filed between May 2010 and January 2011, Keyuan disclosed that most of its loans were guaranteed by "third parties" and "individual persons." These disclosures were misleading because the loans were, in fact, guaranteed by related parties.

28. Short Term Cash Transfers to/from Related Parties. Keyuan transferred cash to and from related parties on a number of occasions, ostensibly for financing purposes. In particular, Keyuan made short term cash loans to related parties and received similar short term cash loans from related parties, typically at zero interest. The cash transfers to and from Keyuan involved entities, among others, related to Tao and his family members. The related party cash borrowings and lendings were an important component of the company's overall debt financings during the relevant time period, as the following table reflects.

Period Ended	Total Debt Financing (\$) (in millions)	Related Party Financing Proceeds (\$) (in millions)	Percentage of Financings involving Related Parties
12/31/09	126	19	15%
3/31/2010	21	1.5	7%



6/30/2010	24	4.4	18%
9/30/2010	93	17	18%

**2. *Keyuan's public filings failed to disclose material related party transactions***

29. Both Commission regulations and U.S. GAAP require that a public company, such as Keyuan, disclose material related party transactions. Item 404(a) of Regulation S-K requires a description of transactions exceeding \$120,000 in which the registrant is a party and in which a director, executive officer or any member of their immediate family has a direct or indirect material interest. Financial Accounting Standards Board Accounting Standards Codification Topic 850 ("ASC 850"), formerly known as Statement of Financial Accounting Standards No. 57, provides that financial statements shall include disclosures of material related party transactions. Item 11 of Form S-1, applicable to registration statements filed with the Commission, requires the related party disclosures prescribed by Item 404 of Regulation S-K and U.S. GAAP. Regulation S-X, applicable to financial statements contained in an issuer's quarterly reports filed with the Commission, requires the related party disclosures prescribed by U.S. GAAP.

30. Keyuan failed to disclose the related party transactions identified above in its registration statements and periodic reports filed between May 2010 and January 2011, as required by Commission regulations and/or U.S. GAAP.

31. The loan guarantees, purchases of raw materials, sales of products, and short term borrowings and lendings involving Keyuan constituted material transactions with related parties under either Regulation S-K and/or U.S. GAAP. ASC 850 specifically enumerates sales, purchases, borrowings, lendings, and guarantees as "[e]xamples of common [related party] transactions." Similarly, Item 404 of Regulation S-K defines "transaction" to include "any financial transaction, arrangement or relationship (including any [] guarantee of indebtedness)."

**3. *Li received information indicating that the company was engaged in certain related party transactions***

32. In May 2010, shortly after Keyuan became a U.S. public company, Li was hired to serve as CFO. Li was hired to fill a gap in the company's accounting department, specifically, a lack of familiarity with U.S. accounting rules, SEC reporting requirements, and Commission rules and regulations. Among Li's responsibilities were to oversee the financial reporting process for preparing financial statements in conformity with U.S. GAAP and help prepare the company's SEC filings. Throughout the relevant time period, Li was the Keyuan employee most knowledgeable about U.S. GAAP and responsible for ensuring compliance with its requirements.

33. In or about April or May 2010, Li spoke with an audit manager at the company's then independent auditor to discuss accounting issues identified during an audit conducted before Li joined the company. During that conversation, the audit manager informed Li that the company was engaged in related party transactions and that those transactions should be separately identified and disclosed as related party transactions in the company's financial statements. Li was also advised that Keyuan's accounting department should going forward keep track of these types of transactions because of the need to ensure they were properly disclosed in the company's financial statements. Despite receiving this information, Li failed to take reasonable steps to ensure that the company was properly identifying and disclosing related party transactions.

34. A few months later, in August 2010, during the preparation of the second-quarter 2010 10-Q, the Chairman of Keyuan's Audit Committee asked Li to determine whether the company was engaged in related party transactions. He specifically noted that the company's loans were guaranteed by various unidentified third parties and asked whether any of those guarantors were related parties. Li thereafter followed up with Individual A, the company's Vice

President of Accounting, as well as the company's Deputy Accounting Manager, and she was expressly told that the loans were guaranteed by related parties. In that communication, Li acknowledged her understanding that the loans were guaranteed by related parties.

35. Li was also copied on four e-mails which attached summary schedules of Keyuan's bank debt. These schedules identified loan guarantors (including Tao, Chen, Wang, and entities affiliated with those individuals) that were related parties.

36. The information provided to Li took place in an environment where the issue of related party disclosures warranted heightened scrutiny. For instance, in connection with the preparation of the second quarter 2010 10-Q, in July 2010, Keyuan's Audit Committee Chairman specifically asked Li for a "detailed listing of all related party transactions." The same Audit Committee Chairman directed Li on two subsequent occasions to ensure proper disclosure of related party transactions.

37. Li encountered red flags that indicated that the company and its China-based accounting staff were not properly identifying related party transactions. For instance, in connection with the preparation of the second quarter 2010 10-Q, Li sought the assistance of the Company's Deputy Accounting Manager in preparing a list of related party transactions. The employee responded that the company was not engaged in any related party transactions, an answer that Li knew or must have known was incorrect in light of the information she had earlier received that the company was, in fact, engaged in such transactions.

38. On two occasions, Li was provided with questionnaires that were prepared by other members of the company's senior management. Those questionnaires asked, in pertinent part, for the identification of related party transactions. None of the questionnaires that Li received, however, disclosed any such transactions, including the related party loan guarantees of

which she had been expressly made aware of and which the Audit Committee Chairman had asked her to identify.

39. Li's failure to adequately investigate the red flags was problematic in light of Keyuan's limited understanding and experience with U.S. accounting requirements. Li knew that the accounting department had limited, if any, prior experience with U.S. GAAP. Li further knew—and acknowledged in a public filing she signed on May 21, 2010—that Keyuan's internal controls were weak, in part, because of the company's limited understanding of the requirements applicable to U.S. public companies.

**C. Off-Balance Sheet Cash Account**

40. From at least July 2008 and continuing until March 2011, Keyuan maintained an off-balance sheet cash account. Total amounts funded to and disbursed from the account were approximately \$1 million. As a consequence of the use of the off-balance sheet cash account, the company's reported balances in its financial statements for cash, receivables, construction-in-progress, interest income, other income, and general and administrative expenses were misstated.

41. Cash disbursements from the off-balance sheet account were used to pay for various expenses. For instance, cash bonuses were paid to senior officers, including Individual A, in 2010 from the off-balance sheet cash account; Keyuan did not withhold any taxes on these bonus payments. Keyuan also paid various technical experts that provided consulting services from this account; no provision was made by Keyuan to pay local taxes in connection with these payments. The company's CEO also received cash disbursements from the off-balance sheet cash account, including funds to cover business expenses (such as travel and entertainment) and to cover the costs of an apartment near the plant facilities.

42. The off-balance sheet cash account was also used, in part, to fund gifts to Chinese government officials, typically around the Chinese New Year. Among the recipients of the gifts were officials from the local environmental, port, police, and fire departments. Gifts ranged from household goods (such as beddings and linens) to “red envelope” gifts, in which cash was directly gifted to the recipients.

43. The off-balance sheet cash account was funded, in part, through proceeds from the sale of promissory notes, scrap metal and construction materials. The off-balance sheet cash account was also funded through the use of fictitious or false reimbursement claims that were submitted by Keyuan employees as a means to withdraw cash from the company’s cash accounts for use in the off balance sheet cash account.

44. The company officer most responsible for maintaining and overseeing the account was Individual A. Individual A created the account shortly after Keyuan’s Chinese operating subsidiary was established, and he had the responsibility for approving and tracking cash coming in and out of the off-balance sheet cash account. Individual A was also responsible for concealing the existence of the off-balance sheet cash account from the company’s auditors in connection with the 2010 audit. Once the account was discovered, Individual A continued to conceal the true scope of the account and provided only a partial accounting of the off-balance sheet cash account to the company’s auditors.

**D. False Books and Records and Inadequate Internal Controls**

45. Keyuan’s books and records failed to accurately reflect the related party nature of the loan guarantees, purchases, sales, and short term financings. Keyuan’s internal controls were also inadequate to identify and ensure appropriate disclosure of related party transactions. Although certain senior officers completed questionnaires, which asked, in part, for information

regarding related party transactions, none of the questionnaires that were prepared disclosed any related party transactions. Because the company lacked reasonable procedures for identifying related party transactions, it failed to bring them to the attention of the company's Board of Directors or its Audit Committee, as required by the company's stated policies.

46. Keyuan's books and records failed to accurately reflect the use and disbursement of cash through the off-balance sheet cash account. Keyuan's internal controls surrounding the disbursement, usage, and recording of cash and cash transactions were also inadequate. Individual A, the company's head of accounting, was able to create and maintain the off-balance sheet cash account over a three year period, including after Keyuan became a public company, and conceal the existence of that account from others. Moreover, company employees were able to regularly access company cash accounts using false or fictitious invoices for the purpose of funding the off-balance sheet cash account. The off-balance sheet cash account was used to pay employee bonuses, including to senior officers. Those bonuses should have been, but were not, brought to the attention of the Board of Directors for prior review and approval.

### **FIRST CLAIM FOR RELIEF**

#### **FRAUD IN THE OFFER OR SALE OF SECURITIES**

##### **Violation of Section 17(a)(2) and 17(a)(3) of the Securities Act**

##### **(Against Keyuan)**

47. The Commission realleges and incorporates by reference ¶¶ 1 through 46 above.

48. Keyuan, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails: (a) obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary

in order to make the statements made, in light of the circumstances under which they were made, not misleading, and (b) engaged in transactions, practices, and a course of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

49. By reason of the foregoing, Keyuan violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2), 77q(a)(3)].

## **SECOND CLAIM FOR RELIEF**

### **REPORTING VIOLATIONS**

#### **Violation of Section 13(a) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder**

##### **(Against Keyuan and Li)**

50. The Commission realleges and incorporates by reference ¶¶ 1 through 46 above.

51. By filing with the Commission materially false and misleading required reports, Keyuan violated, and unless restrained and enjoined will continue to violate, Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-13].

52. By engaging in the conduct described above, Li aided and abetted, and unless enjoined will continue to aid and abet, violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-13].

## **THIRD CLAIM FOR RELIEF**

### **RECORDKEEPING VIOLATIONS**

#### **Violation of Section 13(b)(2)(A) of the Exchange Act**

##### **(Against Keyuan and Li)**

53. The Commission realleges and incorporates by reference ¶¶ 1 through 46 above.

54. By failing to make or keep books, records and accounts that in reasonable detail accurately and fairly reflected its transactions and dispositions of its assets, Keyuan violated, and unless restrained and enjoined will continue to violate, Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

55. By engaging in the conduct described above, Li aided and abetted, and unless enjoined will continue to aid and abet, violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

**FOURTH CLAIM FOR RELIEF**

**INTERNAL CONTROL VIOLATIONS**

**Violation of Section 13(b)(2)(B) of the Exchange Act**

**(Against Keyuan)**

56. The Commission realleges and incorporates by reference ¶¶ 1 through 46 above.

57. By failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with U.S. GAAP and to maintain the accountability of assets, Keyuan violated, and unless restrained and enjoined will continue to violate, Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

**FIFTH CLAIM FOR RELIEF**

**INTERNAL CONTROL VIOLATIONS**

**Violation of Section 13(b)(5) of the Exchange Act**

**(Against Li)**

58. The Commission realleges and incorporates by reference ¶¶ 1 through 46 above.



59. Exchange Act Section 13(b)(5) [15 U.S.C. § 78m(b)(5)] prohibits any person from knowingly failing to implement a system of internal accounting controls.

60. By engaging in the conduct described above, Li violated, and unless enjoined will continue to violate, Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)].

**PRAYER FOR RELIEF**

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

a. Permanently restraining and enjoining Keyuan from violating Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2), 77q(a)(3)], Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B)], and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-13];

b. Permanently restraining and enjoining Li from violating Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and from aiding and abetting violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A)] and Rules 12b-20 and 13a-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-13];

c. Ordering Keyuan to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

d. Ordering Li to pay civil monetary penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

e. Granting such other relief as this Court may deem just and proper.

Dated: February 28, 2013

Respectfully submitted,



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