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RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

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15 **UNITED STATES DISTRICT COURT**  
16 **NORTHERN DISTRICT OF CALIFORNIA**

MHP

18 REZA KARKONAN, individually and on behalf )  
of all others similarly situated, )

CASE NO. 07

5752

19 Plaintiff,

CLASS ACTION

20 v.

**COMPLAINT FOR VIOLATION OF  
THE FEDERAL SECURITIES  
LAWS**

21 LDK SOLAR CO., LTD., LDK SOLAR USA, )  
22 INC., XIAOFENG PENG and JACK K. LAI, )

23 Defendants.

DEMAND FOR JURY TRIAL

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## INTRODUCTION

1  
2 1. This is a securities fraud class action on behalf of purchasers of LDK Solar Co., Ltd.  
3 (“LDK” or the “Company”) American Depositary Shares (“ADSs”) during the period from August  
4 1, 2007 to October 3, 2007, inclusive (the “Class Period”), seeking to pursue remedies under the  
5 Securities Exchange Act of 1934 (“1934 Act”).

6 2. LDK is headquartered both in the U.S. and the People’s Republic of China. LDK  
7 completed its initial public offering (“IPO”) on June 1, 2007, with the Company issuing and selling  
8 over 13 million shares and certain pre-IPO investors selling another 4 million shares. The  
9 Company’s ADSs are listed on the New York Stock Exchange and do not trade publicly on any  
10 other exchange. The Company’s Chairman and CEO owns approximately 72% of the ordinary  
11 shares, giving him substantial control over LDK.

12 3. Throughout the Class Period, defendants concealed the full extent of how badly  
13 flawed the Company’s internal controls were, preventing it from accurately measuring or reporting  
14 its inventory. As a result, the Company’s inventories were overstated by an estimated 25%, causing  
15 inflation in LDK’s assets, earnings and earnings per share (“EPS”) reported during the Class Period.

16 4. LDK’s share price fell almost 25% on October 3, 2007, following a report that its  
17 financial controller had resigned, stating that the Company lacked internal controls and that the  
18 Company’s reported 1,000 tonne inventory of polysilicon, an essential raw material in the production  
19 of solar cells for panels that convert sunlight to electricity, was overstated by 25%. LDK confirmed  
20 that it was aware of the former controller’s allegations of poor financial controls and a 250-tonne  
21 inventory discrepancy. LDK’s former controller, Charley Situ (“Situ”), who reported to Qiqiang  
22 Yao, assistant president of finance at LDK, reported these discrepancies to both the U.S. Securities  
23 and Exchange Commission (“SEC”) and the Company’s external auditor, KPMG. LDK could not  
24 deny or confirm Situ’s allegations on October 3, 2007, but promised to investigate and issue a further  
25 statement. The Company has since stated it will have an independent outside auditor investigate  
26 Situ’s allegations.  
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1 principle operating subsidiary and the primary contributor to LDK's outpaced revenue growth since  
2 its acquisition. LDK made its first commercial sale of multicrystalline solar wafers in April 2006.  
3 LDK manufactures multi crystalline solar wafers, which are the principal raw material used to  
4 produce solar cells. LDK sells multicrystalline wafers globally to manufacturers of photovoltaic  
5 products, including solar cells and solar modules. In addition, the Company provides wafer  
6 processing services to monocrystalline and multicrystalline solar cell and module manufacturers. The  
7 Company has over 17 million shares of common stock issued and outstanding, all of which have  
8 traded in the form of ADSs on the NYSE under the ticker symbol "LDK," following the Company's  
9 June 2007 \$470 million IPO.

10 12. Defendant Xiaofeng Peng ("Peng") is, and was at all relevant times, Chairman of the  
11 Board and Chief Executive Officer of LDK. Peng, who owns 75 million shares of LDK, is its  
12 controlling shareholder. Peng owned approximately 83% of the Company's equity prior to the IPO  
13 and continues to hold approximately 72%.

14 13. Defendant Jack K. Lai ("Lai") is, and was at all relevant times, Chief Financial  
15 Officer, Vice President and Secretary of LDK.

#### 16 CLASS PERIOD FALSE AND MISLEADING STATEMENTS

17 14. The defendants named in ¶¶12-13 above are sometimes referred to herein as the  
18 "Individual Defendants." They are liable for the false statements pleaded in ¶¶15 and 17-18, as those  
19 statements were "group-published" information.

20 15. On August 1, 2007 the Company issued a release entitled "LDK Solar Reports  
21 Financial Results for the Second Quarter 2007," which stated in relevant part:

22 LDK Solar Co., Ltd., a leading manufacturer of  
23 multicrystalline solar wafers, today reported its unaudited financial  
24 results for the second quarter ended June 30, 2007.

#### 25 All financial results are reported on a U.S. GAAP basis

26 Second Quarter 2007 Financial Highlights:

- 27 • Revenue of \$99.1 million, up 716% from the year ago quarter
- 28 • Gross profit of \$34.9 million, up 1,265% from the year ago quarter

- 1 • Net income of \$28.7 million, or \$0.29 per diluted ADS, up 2,083% from the
- 2 year ago quarter
- 3 • Increased annualized multicrystalline wafer production capacity from 215
- 4 MW to 300 MW, up 40% quarter-over-quarter

5 “We are pleased to report strong results for the second quarter, our  
6 first as a public company,” stated Xiaofeng Peng, Chairman and CEO  
7 of LDK Solar. “Our results demonstrate our success in providing our  
8 customers, leading global solar cell and module manufacturers, with  
9 high-quality multicrystalline solar wafers at significant cost  
10 advantages. During the quarter, we executed our growth strategy on  
11 plan and continued the rapid expansion of our production capacity. In  
12 addition to ramping our production lines, we continued to make  
13 progress on our cost reduction efforts through further advancements  
14 of our production processes.

15 “We recently ordered additional DSS furnaces and wire saws to  
16 further expand our manufacturing capacity to 1,600 MW by the end  
17 of . 2009. We also announced the purchase of polysilicon production  
18 equipment, enabling LDK to produce virgin silicon feedstock. By  
19 augmenting our strategy upstream, we believe we will enhance our  
20 cost efficiencies,” concluded Mr. Peng.

#### 21 Business Outlook

22 The following statements are based upon management’s current  
23 expectations. These statements are forward-looking, and actual results  
24 may differ materially. The Company undertakes no obligation to  
25 update these statements.

26 For the third quarter of fiscal 2007, LDK estimates revenue is  
27 expected to be in the range of \$115 to \$125 million and fully diluted  
28 earnings per ADS of \$0.29 to \$0.32.

16. Also on August 1, 2007, the Company held an earnings conference to discuss the  
quarterly results. Lai opened the conference stating that “Inventories increased from \$140 million  
at the end of first quarter to \$174 million at end of second quarter, as we accumulated additional  
silicon-free stock.” Defendants also provided specific details on the polysilicon inventory on hand  
in response to Morgan Stanley analyst Sunil Gupta’s questions:

SUNIL GUPTA: Sure sure. And how about your total silicon  
inventory? How many tons of inventory do you have right now? And  
if you could, break it out by raw material, bulk in progress, fresh  
goods.

XIAOFENG PENG: Assuming that all material inventory is primarily  
raw material which we have, the raw material is at 600, a little bit

1 over 600 tons at the warehouse at the end of the second quarter,  
2 which is about around 425 tons at the end of the first quarter.

3 SUNIL GUPTA: Okay. And in terms of your raw material mix, what  
4 is the mix between scrap and what is in polysilicon right now?

5 XIAOFENG PENG: We have a pretty wide range of peat stock  
6 material and the cost will be between 25 to 300. And our average cost  
7 is still between 135 to 150.

8 NICOLA SARNO: And we're averaging about 25% of our virgin  
9 polysilicon right now.

10 \* \* \*

11 SUNIL GUPTA: Okay, alright. And I also wanted to understand  
12 what's in your inventory right now? When I look at the value of  
13 inventory its close to \$174 million.

14 And it's most of, this is raw material. I'm trying to reconcile how  
15 many tons this ought to be, if the price is about 135 to 150. I'm  
16 wondering, should it not be more than 1,000 tons? Or am I missing  
17 something here?

18 JACK LAI: Because you are looking at a value also including  
19 (inaudible - highly accented language) prices, which means that we  
20 have 100 furnaces there inside, 270 kilo inside, and that is not in the  
21 raw material work in process.

22 And also, we have ingots available in (inaudible - highly accented  
23 language) facility for (inaudible - highly accented language). And  
24 that's also on the inventory, so the inventory I provided to you was  
25 Just raw material.

26 But if you add the raw material, the supplementary material, and also  
27 work in process. That should account for about 95% of our total  
28 inventory. Only 4% or 5% of our inventory, they are finished goods  
waiting for shipment.

SUNIL GUPTA: I see, I see. Okay so what portion of your inventory,  
Jack, would be the raw materials?

JACK LAI: The raw material. In that raw, raw material?

SUNIL GUPTA: Yes, of the \$174 million that we have on the  
balance sheet, what portion there is raw materials?

JACK LAI: It is \$88.5 million of it.

SUNIL GUPTA: \$88.5 million, that's your raw material?

JACK LAI: Yes.

1 17. On September 18,2007, the Company published an investor presentation which was  
2 posted on LDK's website. The presentation materials contained the following slide containing an  
3 LDK Balance Sheet highlighting growth in the Company's polysilicon inventory:

4 **BALANCE SHEET**

5

(In US\$ '000)	As of	
	<u>03/31/07</u>	<u>06/30/07</u>
Cash and cash equivalents	\$11,348	\$250,600
Account Receivable	4,998	7,825
Inventories	114,205	173,778
Property, plant and equipment, net	117,678	169,330
Prepayment to suppliers	52,777	129,902
Total assets	340,825	790,887
Total debt(1)	91,286	109,926
Payables	7,736	9,525
Advance payments from customers	41,832	72,232
Total shareholders' equity	88,934	565,612

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18 Note:

19 1 Total debt includes short-term and long-term bank borrowings

20 18. Throughout the Class Period, LDK also reported having received multiple contracts  
21 to supply multicrystalline solar wafers, the profitable completion of which was only possible to the  
22 extent LDK had the polysilicon inventory it purported to have. These contracts were valuable and,  
23 based on defendants' false statements to the market concerning LDK's inventory levels, investors  
24 reasonably believed LDK had the polysilicon inventory required to fulfill these contracts profitably,  
25 causing inflation in LDK's share price. Such Class Period announcements included:

26 (a) On August 16, 2007, LDK announced it had signed a contract to supply  
27 multicrystalline solar wafers to Taiwan-based Chuan- Yi Investment Corporation.  
28

1 (b) On August 29, 2007, LDK announced it had signed a contract to supply  
2 multicrystalline solar wafers to Taiwan-based Neo Solar Power Corp.

3 (c) On September 24, 2007, LDK announced it had signed contracts to supply  
4 multicrystalline solar wafers and to purchase polysilicon production equipment from Sunways AG.

5 (d) On September 27, 2007, LDK announced it had signed a five-year contract  
6 to supply multicrystalline solar wafers to Taiwan-based Mosel Vitelec, Inc.

7 (e) On October 3, 2007, LDK announced that it had signed a five-year contract  
8 to supply multicrystalline solar wafers to Taiwan-based Solartech Energy Corp.

9 19. Suddenly, on October 3, 2007, LDK's stock price fell almost 25% following a report  
10 that its financial controller had resigned, stating the Company lacked internal controls and that the  
11 Company's reported 1,000 tonne inventory of polysilicon was overstated by 25%. LDK confirmed  
12 that it was aware of the former controller's allegations of poor financial controls and a 250-tonne  
13 inventory discrepancy. LDK's former controller, Situ, who reported to Qiqiang Yao, assistant  
14 president of finance at LDK, reported these discrepancies to both the SEC and the Company's  
15 external auditor, KPMG. LDK could not deny or confirm Situ's allegations on October 3, 2007, but  
16 promised to investigate and issue a further statement. The Company has since stated it will have an  
17 independent auditor investigate Situ's allegations.

18 20. The Company's ADSs, which traded as high as \$76.75 on September 27, 2007,  
19 following its IPO at \$27, plummeted \$16.66, or 24.39%, to close at \$51.65 on October 3, 2007. The  
20 ADSs continued plummeting in after hours trading, falling to \$47.49.

21 21. Defendants' Class Period statements describing LDK's business fundamentals,  
22 financial results and continued sales and earnings growth potential were false and misleading as:

23 (a) Defendants had overstated LDK's inventory of polysilicon prior to and during  
24 the Class Period and those false statements remained alive in the market during the Class Period; and

25 (b) As a result of the Company's inventory of polysilicon being overstated, the  
26 Company's reported earnings and EPS prior to and during the Class Period were false and those false  
27 statements remained alive in the market during the Class Period.  
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**DEFENDANTS' MISLEADING FINANCIAL  
REPORTING DURING THE CLASS PERIOD**

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3 22. In order to inflate the price of LDK stock, defendants caused the Company to falsely  
4 report its financial results during the Class Period by overstating its inventory of polysilicon.

5 23. The financial results had been included in a Form 6-K filed with the SEC. The results  
6 were also included in press releases and investor presentations.

7 24. LDK issued misleading financial statements in that the Company overstated its  
8 polysilicon inventory by 25%. As such, the financial reports issued prior to and during the Class  
9 Period, which were still alive in the market and uncorrected during the Class Period, were not a fair  
10 presentation of LDK's results and were presented in violation of Generally Accepted Accounting  
11 Principles ("GAAP") and SEC rules.

12 25. GAAP are those principles recognized by the accounting profession as the  
13 conventions, rules and procedures necessary to define accepted accounting practice at a particular  
14 time. SEC Regulation S-X (17 C.F.R. §21 0.4-01 (a)(1)) states that financial statements filed with  
15 the SEC which are not prepared in compliance with GAAP are presumed to be misleading and  
16 inaccurate, despite footnote or other disclosure. Regulation S-X requires that interim financial  
17 statements must also comply with GAAP, with the exception that interim financial statements need  
18 not include disclosure which would be duplicative of disclosures accompanying annual financial  
19 statements. 17 C.F.R. § 210.10-0 1 (a).

20 26. Due to these accounting improprieties, the Company presented its financial results  
21 and statements in a manner which violated GAAP, including the following fundamental accounting  
22 principles:

23 (a) The principle that interim financial reporting should be based upon the same  
24 accounting principles and practices used to prepare annual financial statements was violated (APB  
25 No. 28, ¶10);

26 (b) The principle that financial reporting should provide information that is useful  
27 to present and potential investors and creditors and other users in making rational investment, credit  
28 and similar decisions was violated (FASB Statement of Concepts No.1, ¶34);

1 (c) The principle that financial reporting should provide information about the  
2 economic resources of an enterprise, the claims to those resources, and effects of transactions, events  
3 and circumstances that change resources and claims to those resources was violated (FASB  
4 Statement of Concepts No.1, ¶40);

5 (d) The principle that financial reporting should provide information about how  
6 management or an enterprise has discharged its stewardship responsibility to owners (stockholders)  
7 for the use of enterprise resources entrusted to it was violated. To the extent that management offers  
8 securities of the enterprise to the public, it voluntarily accepts wider responsibilities for  
9 accountability to prospective investors and to the public in general (FASB Statement of Concepts  
10 No.1, ¶50);

11 (e) The principle that financial reporting should provide information about an  
12 enterprise's financial performance during a period was violated. Investors and creditors often use  
13 information about the past to help in assessing the prospects of an enterprise. Thus, although  
14 investment and credit decisions reflect investors' expectations about future enterprise performance,  
15 those expectations are commonly based at least partly on evaluations of past enterprise performance  
16 (FASB Statement of Concepts No.1, ¶42);

17 (f) The principle that financial reporting should be reliable in that it represents  
18 what it purports to represent was violated. That information should be reliable as well as relevant  
19 is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶58-59);

20 (g) The principle of completeness, which means that nothing is left out of the  
21 information that may be necessary to insure that it validly represents underlying events and  
22 conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

23 (h) The principle that conservatism be used as a prudent reaction to uncertainty  
24 to try to ensure that uncertainties and risks inherent in business situations are adequately considered  
25 was violated. The best way to avoid injury to investors is to try to ensure that what is reported  
26 represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶ 95, 97).

27 27. Further, the undisclosed adverse information concealed by defendants during the  
28 Class Period is the type of information which, because of SEC regulations, regulations of the

1 national stock exchanges and customary business practice, is expected by investors and securities  
2 analysts to be disclosed and is known by corporate officials and their legal and financial advisors to  
3 be the type of information which is expected to be and must be disclosed.

4 **COUNT I**

5 **For Violation of §10(b) of the 1934 Act**  
6 **and Rule 10b-5 Against All Defendants**  
**(except Defendant LDK Solar USA, Inc.)**

7 28. Plaintiff incorporates ¶¶1-27 by reference.

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

13 30. Defendants named in this claim violated §10(b) of the 1934 Act and Rule 10b-5 in  
14 that they:

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

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

19 (c) Engaged in acts, practices, and a course of business that operated as a fraud  
20 or deceit upon plaintiff and others similarly situated in connection with their purchases of LDK  
21 ADSs during the Class Period.

22 31. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of  
23 the market, they paid artificially inflated prices for LDK ADSs. Plaintiff and the Class would not  
24 have purchased LDK ADSs at the prices they paid, or at all, if they had been aware that the market  
25 prices had been artificially and falsely inflated by defendants' misleading statements.

26 32. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and  
27 the other members of the Class suffered damages in connection with their purchases of LDK ADSs  
28 during the Class Period.

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**COUNT II,**

**For Violation of §20(a) of the 1934 Act  
Against All Defendants**

33. Plaintiff incorporates ¶¶1-32 by reference.

34. The executive officers of LDK prepared, or were responsible for preparing, the Company's press releases and SEC filings. The Individual Defendants controlled other employees of LDK. LDK controlled the Individual Defendants and each of its officers, executives and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

**CLASS ACTION ALLEGATIONS**

35. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased LDK ADSs on the open market during the Class Period (the "Class"). Excluded from the Class are defendants, directors' and officers of LDK and their families and affiliates.

36. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. During the Class Period, LDK had more than 17 million shares outstanding, owned by thousands of persons.

37. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading.

1 **PRAYER**

2 WHEREFORE, plaintiff prays for judgment as follows:

- 3 A. Declaring this action to be a proper class action;  
4 B. Awarding damages, including interest;  
5 C. Awarding reasonable costs, including attorneys' fees; and  
6 D. Such equitable/injunctive or other relief as the Court may deem proper

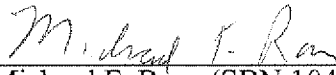
7 **JURY DEMAND**

8 Plaintiff demands a trial by jury.

9 Dated: November 13, 2007

LEVY, RAM & OLSON LLP

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12 By:

  
\_\_\_\_\_  
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CERTIFICATION OF NAMED PLAINTIFF  
PURSUANT TO FEDERAL SECURITIES LAWS

I, Reza Karkonan ("Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. I am the plaintiff in the Complaint, and make this certification pursuant to Section 101 of the Private Securities Litigation Reform Act of 1995, and as required by Section 21D(a)(2) of Title I of the Securities Exchange Act of 1934.

2. I have reviewed the foregoing complaint filed on my behalf and on behalf of all others similarly situated, and I authorized its filing.

3. I did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in this private action arising under Title I of the Securities Exchange Act of 1934.

4. I am willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

5. The following are all my transactions in LDK Solar Co. Ltd. common stock that are the subject of this action during the Class Period specified in the Complaint:

<u>No. Of Sh. Purchased</u>	<u>Price Per Share</u>	<u>Date</u>	<u>No. Of Sh. Sold</u>	<u>Price Per Share</u>	<u>Date</u>
1000	64.35	10-03-07	1400	34.00	10-09-07
400	62.95	10-03-07			

Total number of shares held at the start of the Class Period: 1400

6. As of the date of this Certification, I have sought to serve as a representative party on behalf of a class under Title I of the Securities Exchange Act of 1934 for the following:

(Please indicate any other class action cases in which you are or have been involved in during the prior three years)

7. I agree not to accept any payment for serving as a representative party on behalf of the class beyond my pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

8. I make this Certification without waiver of any applicable privileges and without waiver of any right to challenge the necessity for, or the constitutionality of, this Certification, or to object to the filing of this Certification on any ground whatsoever.

I declare under penalty of perjury that the matters stated in this Certification are true to the best of my knowledge, information and belief.

Executed this 22 day of the month of 10, 2007.

  
\_\_\_\_\_  
Reza Karkonan