

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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[REDACTED] INDIVIDUALLY AND ON
BEHALF OF ALL OTHERS SIMILARLY
SITUATED,

Plaintiff,

v.

SINOTECH ENERGY LIMITED; GUOQIANG
XIN; BOXUN ZHANG; QINGZENG LIU;
XIAOXUAN BI; HEQING YAO; JING LIU; UBS
AG; CITIGROUP GLOBAL MARKETS, INC.;
LAZARD CAPITAL MARKETS LLC,

Defendants.
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CIVIL ACTION NO.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff [REDACTED] 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, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding SinoTech Energy Limited, ("SinoTech", or the "Company"), securities analysts' reports and advisories about the Company, 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.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than defendants who purchased the American Depository Shares of SinoTech ("ADS") pursuant and/or traceable to the Company's Registration Statement and Prospectus issued in connection with the Company's Initial Public Offering (the "IPO") on November 3, 2010, including open-market purchasers of ADS' between November 3, 2010 and August 16, 2011, inclusive, seeking to recover damages caused by defendants' violations of federal securities laws and to pursue remedies under the Securities Act of 1933 (the "Securities Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 11 and 15 of the Securities Act (15 U.S.C. §§ 77k and 77(o)).

3. This Court has jurisdiction over the subject matter of this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. §77v(a).

4. Venue is proper in this Judicial District pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a). Pursuant to 28 U.S.C. § 1391(d), SinoTech may be properly sued in any District in the United States, including the Southern District of New York. Moreover, SinoTech's

ADSs traded on the NASDAQ Global Select Market, which is located in this District. The underwriter defendants also conduct business and maintain offices in this District. Thus, venue is proper in this District.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff ██████████ as set forth in the accompanying certification, incorporated by reference herein, purchased SinoTech ADSs pursuant to or traceable to the Company's IPO and was economically damaged thereby.

7. Defendant SinoTech is a Cayman Islands corporation headquartered in the People's Republic of China ("PRC"). SinoTech through its operating subsidiaries purports to provide enhanced oil recovery services to oil companies in the PRC. SinoTech claims to provide EOR services using lateral hydraulic drilling (LHD) technology that is designed to enhance production in oil wells and coalfields by increasing the quantity of the flow of oil and methane gas to the vertical wellbore from the surrounding reservoirs; and molecular deposition film technology, which increases oil recovery from mature wells by displacing the residual oil that adheres to sedimentary rock or sand in the oil reservoir. The Company also claims to offer technical services to coalbed methane customers using the LHD technology.

8. SinoTech's ADS traded on the NASDAQ Global Select Market under ticker "CTE."

9. Defendant Qingzeng Liu (“Liu”), at all relevant times herein, was and is the Chairman of the Board of Directors of SinoTech. Liu signed the Registration Statement in connection with the IPO.

10. Defendant Guoqiang Xin (“Xin”), at all relevant times herein, was and is the Chief Executive Officer of the Company. Xin signed the Registration Statement in connection with the IPO.

11. Defendant Boxun Zhang (“Zhang”), at all relevant times herein, was and is the Company’s Chief Financial Officer. Zhang signed the signed the Registration Statement in connection with the IPO.

12. Defendant Xiaoxuan Bi (“Bi”), at all relevant times herein, was and is a Company Director. Bi signed the signed the Registration Statement in connection with the IPO.

13. Defendant Heqing Yao (“Yao”), at all relevant times herein, was and is a Company Director. Yao signed the signed the Registration Statement in connection with the IPO.

14. Defendant Jing Liu (“J. Liu”), at all relevant times herein, was and is a Company Director. J. Liu signed the signed the Registration Statement in connection with the IPO.

15. Liu, Xin, Zhang, Bi, Yao and J. Liu are collectively referred to hereinafter as the “Individual Defendants.”

16. Defendant UBS AG (“UBS”), was the lead underwriter of the IPO.

17. Defendant Citigroup Global Markets, Inc. (“Citigroup”), was an underwriter of the IPO.

18. Defendant Lazard Capital Markets LLC (“Lazard”), was an underwriter of the IPO.

19. UBS, Citigroup, and Lazard are collectively referred to hereinafter as the “Underwriter Defendants.”

PLAINTIFF’S CLASS ACTION ALLEGATIONS

20. Plaintiff brings this action as a class action on behalf of himself and on behalf of all purchasers of the ADS of the Company issued pursuant to and/or traceable to the Company’s IPO, including purchasers between November 3, 2010 and August 16, 2011, pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a Class. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

21. The members of the Class are so numerous that joinder of all members is impracticable. Approximately 19.7 million ADS shares were sold in the IPO. The precise number of the Class members is unknown to Plaintiff at this time but it is believed to be in the thousands. Members of the Class may be identified from records maintained by SinoTech or its transfer agent and may be notified of the pendency of this action by mail, using a form of notice customarily used in securities class actions.

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

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

24. 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 provisions of the Securities Act were violated by defendants' acts as alleged herein;

(b) whether documents, including the Registration Statement and Prospectus, press releases, and public statements issued by defendants to the investing public committed and/or misrepresented material facts about the Company and its business; and

(c) the extent to which members of the Class have sustained damages, and the proper measure of damages.

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

SUBSTANTIVE ALLEGATIONS

26. On November 3, 2010, the Company filed with the SEC an amended registration statement on Form F-1/A. The Registration Statement contained, *inter alia*, a Prospectus. The Company filed the final Prospectus with the SEC on November 4, 2010.

27. On November 3, 2010 the Registration statement was declared effective and the IPO commenced. The IPO involved the sale of 19,736,842 ADS at an offering price of \$8.50/share. Gross proceeds to the Company from the IPO were \$124.8 million.

28. Certain representations made in the Company's Registration Statement and Prospectus in connection with the IPO were materially inaccurate, as demonstrated below:

(a) In the Registration Statement the Company reported sales and net income as follows:

Period	Sales	Net Income
May 6, 2009 to September 30, 2009	\$15,269,947	\$ 5,220,208
October 1, 2009 to May 5, 2009	\$22,942,841	\$9,305,986
Year ended September 30, 2008	\$31,366,704	\$11,643,104
Period from October 1, 2007 to October 12, 2007	\$802,998	\$89,645
Year ended September 30, 2007	\$24,901,064	\$8,113,165

(b) The Company's reported sales and revenues were materially inaccurate, because the nature, size and scope of the Company's business was materially exaggerated.

29. The foregoing matters, all of which existed at the time of the IPO, were partially on August 16, 2011 when the Alfredlittle.com published a report citing numerous red flags of false statements by the Company.

30. According to the report:

- SinoTech's sole import agent accounting for over \$100 million worth of oil drilling equipment orders appears to be an empty shell with no sign of operation, a limited import history and negligible revenue base.
- SinoTech's sole chemical supplier appears to be an empty shell, with little or no revenues, a deserted office and no signs of production activity.

- Likewise, SinoTech's five largest subcontracting customers, providing the vast majority of SinoTech's revenues, appear to be shell companies with unverifiable operations and minimal revenues themselves.

- SinoTech's oil drilling technology is questionable, mispriced and uncompetitive.

- SinoTech's audited financial statements filed with Chinese Government's State Administration of Industry and Commerce (SAIC) further confirm its negligible business operation. According to the report the SAIC filings for 2009 show only \$134,000 in revenue while the SEC filings for 2009 report over \$38 million in revenue. The report also notes that for 2009 the SAIC filings show a net loss, yet the SEC filings report net income of over \$18 million.

- SinoTech's board of directors lacks independence and effective oversight of management, evidenced by undisclosed related party dealings.

- SinoTech's stock is theoretically worth less than \$0.63 per share but investors will likely recover nothing.

31. This announcement shocked the market and caused the Company's stock to fall from \$4.05/share on the morning of August 16, 2011 to \$2.35/share, or approximately 42% later that day.

32. On August 16, 2011, the NASDAQ halted all trading in the Company's stock, the reason for the halt was "pending receipt of additional information requested by NASDAQ."

33. Because trading in SinoTech's ADSs have been halted, then have been rendered essentially worthless because the ADSs are practically illiquid.

FIRST CLAIM

**Violation of Section 11 of the Securities Act
Against All Defendants**

34. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein. This claim is not based on and does not sound in fraud.

35. This claim is brought by Plaintiff on his own behalf and on behalf of other members of the Class who acquired SinoTech ADS pursuant to or traceable to the Company's IPO. Each Class Member acquired his, her, or its shares pursuant to and/or traceable to, and in reliance on, the Registration Statement and Prospectus. SinoTech is the issuer of the securities through the Registration Statement and Prospectus. The Individual Defendants are signatories of the Registration Statement and Prospectus.

36. Underwriter Defendants owed to the holders of the securities obtained through the Registration Statement the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement at the time they became effective to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading. Defendants knew, or in the exercise of reasonable care should have known, of the material misstatements and omissions contained in or omitted from the Registration Statement as set forth herein. As such, defendants are liable to the Class

37. All Defendants owed to the purchasers of the stock obtained through the Registration Statement and Prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement and Prospectus at the time they became effective to ensure

that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading.

38. None of the defendants made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement and Prospectus were true or that there was no omission of material facts necessary to make the statements made therein not misleading.

39. Defendants issued and disseminated, caused to be issued and disseminated, and participated in the issuance and dissemination of, material misstatements to the investing public that were contained in the Registration Statement and Prospectus, which misrepresented or failed to disclose, among other things, the facts set forth above. By reason of the conduct alleged herein, each defendant violated and/or controlled a person who violated Section 11 of the Securities Act.

40. SinoTech is the issuer of the stock sold via the Registration Statement and Prospectus. As issuer of stock, the Company is strictly liable to Plaintiff and the Class for the material misstatements and omissions therein.

41. At the times they obtained their shares of SinoTech, Plaintiff and members of the Class did so without knowledge of the facts concerning the misstatements and omissions alleged herein.

42. This action is brought within one year after discovery of the untrue statements and omissions in and from the Registration Statement and Prospectus that should have been made and/or corrected through the exercise of reasonable diligence, and within three years of the effective date of the Registration Statement and Prospectus.

43. By virtue of the foregoing, plaintiff and the other members of the class are entitled to damages under Section 11 as measured by the provisions of the Section 11(e), from the defendants and each of them, jointly and severally.

SECOND CLAIM

Violations of Section 15 of the Securities Act Against the Individual Defendants

44. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein. This claim is not based on and does not sound in fraud.

45. This claim is asserted against the Individual Defendants, each of whom was a control person of SinoTech during the relevant time period.

46. For the reasons set forth above in the First Claim, above, SinoTech is liable to the plaintiff and the members of the Class who purchased SinoTech ADSs in the IPO based on the untrue statements and omissions of material fact contained in the Registration Statement and Prospectus, pursuant to Section 11 of the Securities Act, and were damaged thereby.

47. The Individual Defendants were control persons of SinoTech by virtue of, among other things, their positions as senior officers of the Company, and they were in positions to control and did control, the false and misleading statements and omissions contained in the Registration Statement and Prospectus.

48. None of the Individual Defendants made reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement and Prospectus were accurate and complete in all material respects. Had they exercised reasonable care, they could have known of the material misstatements and omissions alleged herein.

49. This claim was brought within one year after the discovery of the untrue statements and omissions in the Registration Statement and Prospectus and within three years after SinoTech shares was sold to the Class in connection with the IPO.

50. By reason of the misconduct alleged herein, for which SinoTech is primarily liable, as set forth above, the Individual Defendants are jointly and severally liable with and to the same extent as SinoTech pursuant to Section 15 of the Securities Act.

WHEREFORE, plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;
- (b) Awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;
- (c) Awarding plaintiff and the Class 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: August 19, 2011

Respectfully submitted,

