CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

Lead Plaintiff Dietrich G. Bachmann and Micro-Medical International (PTE.) Ltd. ("Plaintiffs"), individually and on behalf of all other persons similarly situated, by their undersigned attorneys, for their complaint against Defendants, alleges the following based upon personal knowledge as to themselves and their own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through their 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 China Medical Technologies, Inc. ("China Medical," "CMED" or the "Company"), analyst reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiffs believe that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.
I.  **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 American Depository Shares ("ADS") of China Medical between February 27, 2007 and February 28, 2012, both dates inclusive (the "Class Period"), seeking to recover damages caused by Defendants' violations of the federal securities laws and to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 against the Company and certain of its top officials.

2. China Medical is a medical device company based in Beijing that develops, manufactures and markets immunodiagnostic and molecular diagnostic products for the detection of various cancers and diseases.

3. Throughout the Class Period, Defendants made false and/or misleading statements regarding the Company's cash position. Specifically, as detailed herein, Defendants failed to disclose that China Medical issued financial statements for the years ended March 31, 2007, 2008, 2009, 2010, and 2011 that significantly overstated its actual cash position, in violation of United States Generally Accepted Accounting Principles ("GAAP"). As a result, the Company’s statements were materially false and misleading at all relevant times. Because of Defendants' false and misleading statements and material omissions, China Medical ADSs traded at artificially inflated prices during the Class Period, reaching a high of $57.50 per share on February 28, 2008.

4. China Medical raised more than $650 million in capital from investors since its inception through its initial public offering ("IPO") and several convertible debt offerings. The Company claimed to have a sizable cash position throughout the Class Period, fluctuating between approximately $97.4 million and $398 million. Yet despite purportedly having
$206.5 million in cash at the time, the Company was unwilling or unable to make two coupon payments of less than $5 million each. The Company has not been heard from since.

5. Just before the Company defaulted on these small debts, two third-party reports publicly questioned the legitimacy of the Company’s financial results.

6. On or about September 7, 2011, on a post on the GEOInvesting.com message board (“GEO Blog”) exposed substantial discrepancies between China Medical’s financial results filed with the SEC and the Chinese State Administration for Industry and Commerce (“SAIC”),¹ and identified several suspicious transactions as potentially related parties.

7. Subsequently, on or about December 6, 2011, Glaucus Research Group (“Glaucus”) published a report (“Glaucus Report”) arguing, in part, that China Medical’s Chief Executive Officer (“CEO”), Defendant Xiaodong Wu (“Wu”), embezzled money through sham acquisitions, and that the Company’s accounts receivable had long collection times, indicating that its reported revenues were inflated from fictitious sales.

8. On this news, China Medical’s shares declined $0.81 per share, or nearly 24%, to close on December 6, 2011 at $2.57 per share, on unusually heavy trading volume.

9. On December 13, 2011, China Medical disclosed that the Company intended to implement a debt restructuring plan to improve its balance sheet. This press release was the last public communication from the Company’s management to investors.

¹ The SAIC has two main functions: (1) to administer the establishment and closing of companies, as well as to record corporate changes, such as a change in shareholders, capital amount and directors; and (2) to monitor compliance by companies with China’s company laws and regulations. Under this regulatory power, the SAIC conducts an annual examination of companies, usually in March and April of every year. Companies are required to file financial statements with the SAIC as part of the annual examination.
10. On news of the debt restructuring, China Medical’s shares declined $0.43 per share, or over 13%, to close on December 13, 2011 at $2.87 per share, on unusually heavy trading volume.

11. On December 15, 2011, the Company did not make a bond interest payment that amounted to less than $5 million, despite claiming to have $206.5 million in cash as of September 30, 2011.

12. On January 14, 2012, the cure period for the bond payment expired without China Medical’s payment. The Company did not disclose the default in a press release or SEC filing. Consequently, on January 26, 2012, Fitch Ratings Ltd. (“Fitch”) downgraded CMED’s corporate rating to “restricted default.”

13. The next trading day, China Medical’s shares declined $0.83 per ADS, or over 22%, to close on January 27, 2012 at $2.84 per share on unusually heavy trading volume.

14. On January 31, 2012, Standard and Poor’s (“S&P”) downgraded China Medical to “selective default,” noting it was “uncertain why CMED did not make the coupon payment, given that it appears to have sufficient capacity to do so.”

15. That day, China Medical’s ADSs declined $0.07 per share, or about 2.65%, to close on January 31, 2012 at $2.57.

16. In or around February 2012, Lawrence A. Crum, an independent director and member of the board of directors’ Audit Committee, acknowledged that he had quit and that he “hasn’t heard from the company, doesn’t know what’s going on, and doesn’t care.”

17. On February 2, 2012, Fitch withdrew its long-term foreign currency issuer default rating of China Medical because of “lack of adequate information from the company.”
18. That day, China Medical's ADSs declined $0.56 per share, or over 22%, to close on February 2, 2012 at $1.96 on heavy trading volume.

19. On February 7, 2012, the NASDAQ Global Select Market ("NASDAQ") staff halted trading on CMED at $1.82 per share, pending the "additional information requested" from the Company.

20. On February 15, 2012, the Company failed to make the interest payment on another bond.

21. On February 17, 2012, S&P lowered CMED's corporate rating to "default," and withdrew all ratings because the Company did not provide S&P "with adequate information to enable [it] to determine [CMED's] current financial position and intent." S&P again highlighted that "CMED has not explained why it did not make the two coupon payments, given that it appears to have sufficient capacity to do so."

22. On February 17, 2012, China Medical was notified that based on the NASDAQ staff's review of the information provided by the Company, the staff determined that China Medical no longer qualified for listing. The Company did not appeal the determination.

23. On February 28, NASDAQ's determination to delist CMED became final, and CMED began to trade on the OTCQB tier in the "over the counter" ("OTC") market.

24. When the ADSs began trading OTC, the share price fell on the first two trading days. On February 28, 2012, the price declined $0.12 per share, or about 6.6%, to close at $1.70 per share, and on February 29, 2012, the price declined by $0.35 per share, or about 20.6%, to close at $1.35 per share.

25. The Company's stock price last closed at $2.21, down 96.2% from its Class Period high of $57.50 per ADS on February 28, 2008.
26. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline in the market value of the Company’s ADSs, Plaintiffs and other Class members have suffered significant losses and damages.

II. JURISDICTION AND VENUE

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

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

29. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b), as the shares of China Medical were publicly traded in this District.

30. 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 mail, interstate telephone communications and the facilities of the national securities exchange.

III. PARTIES

A. Plaintiffs

31. By order dated April 2, 2012, this Court appointed Dietrich G. Bachmann and Micro-Medical International PTE, Ltd. as Lead Plaintiff. As set forth in their certifications, which were previously filed with this Court, Lead Plaintiff purchased China Medical ADSs at artificially inflated prices during the Class Period and has been damaged thereby.
B. Corporate Defendant

32. Defendant China Medical is a holding company organized under the law of the Cayman Islands and conducts most of its business and operations through its subsidiaries in the People’s Republic of China (“PRC”). China Medical’s principal place of business is located at No. 24 Yong Chang North Road, Beijing Economic-Technological Development Area, Beijing 100176, PRC.

33. CMED is a medical device company that develops, manufactures, and markets advanced in vitro diagnostic (“IVD”) products using mainly enhanced chemiluminescent immunoassay (“ECLIA”) technology, fluorescent in situ hybridization (“FISH”) technology, and surface plasmon resonance (“SPR”) technology to detect and monitor various diseases and disorders.

34. China Medical conducts substantially all of its operations through its subsidiaries, including Beijing Yuande Bio-Medical Engineering Co., Ltd., Beijing GP Medical Technologies Co., Ltd., and Beijing Bio-Ekon Biotechnology Co., Ltd.

35. China Medical completed its IPO and listed its ADSs on NASDAQ in August 2005. During the Class Period, China Medical’s ADSs, each representing 10 ordinary shares, traded on the NASDAQ under the ticker symbol “CMED.” The aggregate number of common stock outstanding as of March 31, 2011 was approximately 322,680,001 shares.

36. The following diagram depicts China Medical’s organizational structure as reported in the Company’s Form 20-F for the year ended March 31, 2011:
C. Individual Defendants

37. Defendant Xiaodong Wu has been a Director since July 2004, the Company’s Chairman of its Board since February 2005, and serves as its Chief Executive Officer. According to CMED’s Form 20-F for the year ending March 31, 2011, Wu beneficially owns 23.1% of CMED’s ordinary shares. Wu signed CMED’s annual reports filed with the SEC on Forms 20-F for fiscal years ended March 31, 2007 (“FY2006”), March 31, 2008 (FY2007”), March 31, 2009 (“FY2008”), March 31, 2010 (“FY2009”) and March 31, 2011 (“FY2010”). Wu also signed certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (“SOX”), which were included in CMED’s Form 20-F for FY2006, FY2007, FY2008, FY2009, and FY2010.
38. Defendant Takyung (Sam) Tsang ("Tsang") has been the Company’s Chief Financial Officer since January 2005, and a member of the Company’s Board since June 2007. Tsang previously worked as a manager of KPMG Hong Kong and Ernst & Young China, and is a Certified Public Accountant in the United States and Hong Kong. Tsang signed CMED’s annual reports filed with the SEC on Forms 20-F for FY2006 through FY2010. Tsang also signed certifications pursuant to SOX, which were included in CMED’s Forms 20-F for FY2006 through FY2010.

39. Defendant Iain Ferguson Bruce ("Bruce") served as a Director and as Chairs of the Board’s Audit, Compensation, and Nomination Committees since February 2005. According to China Medical, Bruce was qualified as an “audit committee financial expert” as the term is defined in SEC rules and regulations. The expert designation is an SEC disclosure requirement related to Bruce’s experience and understanding with respect to certain accounting and auditing matters.

40. Defendant Cole Capener ("Capener") served as a Director and as a member of the Board’s Audit Committee from June 2005 until his resignation on November 16, 2007.

41. Defendant Lawrence A. Crum ("Crum") served as a Director and a member of the Board’s Audit, Compensation, and Nomination Committees from February 2005 until approximately February 2012.

42. Defendant Ruyu Du served as a Director and member of the Board’s Nominating Committee from June 2005 until his resignation on September 30, 2007.

43. Defendant Yuedong Li has served as a Director and member of the Board’s Audit and Nominating Committees since October 2007.
44. Defendant Guoming Qi has served as a Director since November 16, 2007, and as a member of the Board’s Compensation Committee since approximately 2010.

45. Defendant Feng (Charles) Zhu ("Zhu") joined the Company in January 2005 as Vice President for Business Development and Investor Relations, and has served as Senior Vice President of Operations since October 2009.

46. The Defendants referenced above in ¶¶ 37-45 are sometimes referred to herein as the "Individual Defendants." China Medical and the Individual Defendants are collectively referred to herein as the "CMED Defendants."

IV. SUBSTANTIVE ALLEGATIONS

D. **Materially False and/or Misleading Statements Issued During the Class Period**

47. During the Class Period, Defendants issued materially false and misleading statements concerning China Medical’s financial results, and in particular, the Company’s reported cash and cash equivalents.

1. **Misrepresentations Concerning China Medical’s Financial Results**

48. Throughout the Class Period, China Medical and the Individual Defendants claimed to have a significant amount of cash on hand through regular publication of quarterly and annual earnings reports through press releases and annual filings with the SEC.

49. On February 27, 2007, the Company issued a press release announcing its financial results for the third quarter ended December 30, 2006. The Company reported its cash balance as of December 30, 2006 was approximately $217.75 million.

50. On June 18, 2007, the Company issued a press release announcing its financial results for the fourth quarter and full fiscal year ended March 31, 2007. The Company reported its cash balance as of March 31, 2007 was approximately $152 million.
51. On the same day, June 18, 2007, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the fourth quarter and fiscal year announced earlier that day.

52. On August 28, 2007, the Company issued a press release announcing its financial results for the first quarter ended June 30, 2007. The Company reported its cash balance as of June 30, 2007 was approximately $150.5 million.

53. On the same day, August 28, 2007, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the fourth quarter and fiscal year announced earlier that day.

54. On September 28, 2007, the Company filed its 2006 annual report for the year ended March 31, 2007 with the SEC on Form 20-F, which was signed by, among others, Defendants Wu and Tsang, and reiterated the Company’s previously announced financial results and financial position. In addition, the Form 20-F contained signed certifications by Defendants Wu and Tsang stating that they were responsible for establishing and maintaining effective disclosure controls and procedures, and the financial information contained in the Form 20-F was accurate.


56. On the same day, November 20, 2007, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the second quarter announced earlier that day.
57. On February 28, 2008, the Company issued a press release announcing its financial results for the third quarter ended December 31, 2007. The Company reported its cash balance as of December 31, 2007 was approximately $130.3 million.

58. On the same day, February 28, 2008, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company's financial results for the third quarter announced earlier that day.

59. On June 12, 2008, the Company issued a press release announcing its financial results for the fourth quarter and full fiscal year ended March 31, 2008. The Company reported its cash balance as of March 31, 2008 was approximately $97.4 million.

60. On the same day, June 12, 2008, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company's financial results for the fourth quarter and fiscal year announced earlier that day.

61. On June 27, 2008, the Company filed its 2007 annual report for the year ended March 31, 2008 with the SEC on Form 20-F, which was signed by, among others, Defendants Wu and Tsang, and reiterated the Company's previously announced financial results and financial position. In addition, the Form 20-F contained signed certifications by Defendants Wu and Tsang stating that they were responsible for establishing and maintaining effective disclosure controls and procedures, and the financial information contained in the Form 20-F was accurate.

62. On August 4, 2008, the Company issued a press release announcing its financial results for the first quarter ended June 30, 2008. The Company reported its cash balance as of June 30, 2008 was approximately $113.9 million.
63. On the same day, August 4, 2008, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the first quarter announced earlier that day.

64. On December 18, 2008, the Company issued a press release announcing its financial results for the second quarter ended September 30, 2008. The Company reported its cash balance as of September 30, 2008 was approximately $398 million.

65. On the same day, December 18, 2008, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the second quarter announced earlier that day.

66. On March 2, 2009, the Company issued a press release announcing its financial results for the third quarter ended December 31, 2008. The Company reported its cash balance as of December 31, 2008 was approximately $284.9 million.

67. On the same day, March 2, 2009, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the third quarter announced earlier that day.

68. On September 1, 2009, the Company issued a press release announcing its financial results for the fourth quarter and full fiscal year ended March 31, 2009. The Company reported its cash balance as of March 31, 2009 was approximately $213.1 million.

69. On September 1, 2009, the Company also issued a press release announcing its financial results for the first quarter ended June 30, 2009. The Company reported its cash balance as of June 30, 2009 was approximately $226.6 million.

70. On the same day, September 1, 2009, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the
Company’s financial results for the fourth quarter, full fiscal year, and first quarter announced earlier that day, and in particular, the Company’s cash position as of June 30, 2009.

71. On September 30, 2009, the Company filed its 2008 annual report for the year ended March 31, 2009 with the SEC on Form 20-F, which was signed by, among others, Defendants Wu and Tsang, and reiterated the Company’s previously reported annual financial results and financial position. In addition, the Form 20-F contained signed certifications by Defendants Wu and Tsang stating that they were responsible for establishing and maintaining effective disclosure controls and procedures, and the financial information contained in the Form 20-F was accurate.

72. On November 19, 2009, the Company issued a press release announcing its financial results for the second quarter ended September 30, 2009. The Company reported its cash balance as of September 30, 2009 was approximately $181.2 million.

73. On the same day, November 19, 2009, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the second quarter announced earlier that day.

74. On March 3, 2010, the Company issued a press release announcing its financial results for the third quarter ended December 31, 2009. The Company reported its cash balance as of December 31, 2009 was approximately $121.6 million.

75. On the same day, March 3, 2010, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the third quarter announced earlier that day.
76. On June 4, 2010, the Company issued a press release announcing its financial results for the fourth quarter and full fiscal year ended March 31, 2010. The Company reported its cash balance as of March 31, 2010 was approximately $119.5 million.

77. On the same day, June 4, 2010, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the fourth quarter and full fiscal year announced earlier that day.

78. On August 16, 2010, the Company issued a press release announcing its financial results for the first quarter ended June 30, 2010. The Company reported its cash balance as of June 30, 2010 was approximately $109.4 million.

79. On the same day, August 16, 2010, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the first quarter announced earlier that day.

80. On September 8, 2010, the Company filed its 2009 annual report for the year ended March 31, 2010 with the SEC on Form 20-F, which was signed by, among others, Defendants Wu and Tsang, and reiterated the Company’s previously announced financial results and financial position. In addition, the Form 20-F contained signed certifications by Defendants Wu and Tsang stating that they were responsible for establishing and maintaining effective disclosure controls and procedures, and the financial information contained in the Form 20-F was accurate.

81. On November 17, 2010, the Company issued a press release announcing its financial results for the second quarter ended September 30, 2010. The Company reported its cash balance as of September 30, 2010 was approximately $120.5 million.
82. On February 18, 2011, the Company issued a press release announcing its financial results for the third quarter ended December 31, 2010. The Company reported its cash balance as of December 31, 2010 was approximately $169.6 million.

83. On the same day, February 18, 2011, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the third quarter announced earlier that day.

84. On June 1, 2011, the Company issued a press release announcing its financial results for the fourth quarter and full fiscal year ended March 31, 2011. The Company reported its cash balance as of March 31, 2011 was approximately $171.6 million.

85. On June 2, 2011, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the fourth quarter and fiscal year announced the previous day.

86. On July 18, 2011, the Company filed its 2010 annual report for the year ended March 31, 2011 with the SEC on Form 20-F, which was signed by, among others, Defendants Wu and Tsang, and reiterated the Company’s previously announced financial results and financial position. In addition, the Form 20-F contained signed certifications by Defendants Wu and Tsang stating that they were responsible for establishing and maintaining effective disclosure controls and procedures, and the financial information contained in the Form 20-F was accurate.

87. On August 16, 2011, the Company issued a press release announcing its financial results for the first quarter ended June 30, 2011. The Company reported its cash balance as of June 30, 2011 was approximately $191.8 million.
88. On the same day, August 16, 2011, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the first quarter announced earlier that day.

89. On November 18, 2011, the Company issued a press release announcing its financial results for the second quarter ended September 30, 2011. The Company reported its cash balance as of September 30, 2011 was approximately $206.5 million.

90. On the same day, November 18, 2011, China Medical conducted an earnings conference call with analysts and investors. During the call, Defendant Tsang reiterated the Company’s financial results for the second quarter announced earlier that day.

91. The foregoing statements in ¶¶ 48-90 were materially false and/or misleading because, as detailed below China Medical grossly misstated its cash position. As a result of the foregoing, the Company’s statements concerning its financial performance and business prospects were false and misleading and lacked a reasonable basis when made.

2. **Raising Capital and Bond Defaults**

92. China Medical raised more than $650 million from capital markets through its IPO and several convertible debt offerings. As detailed above in section IV.D.1, the Company also claimed to have a sizable cash position throughout the Class Period, fluctuating between approximately $97.4 million and $398 million. Despite having represented to investors that it had $206.5 million in cash, the Company actually lacked the liquidity to make two small coupon payments of less than $5 million each, demonstrating that the reported cash either does not exist at all or is encumbered or restricted in a manner that prevented the Company from using it for general business purposes.
93. The Company engaged in extensive financing activities since its inception. On August 9, 2005 and August 29, 2005, CMED completed its IPO, receiving $99.7 million in net proceeds.

94. On November 21, 2006, the Company completed an offering of $150 million principal amount of 3.5% convertible senior notes due November 2011 (the "3.5% Notes"). The Company received $144.7 million in net proceeds from the offering.

95. On August 15, 2008, the Company completed an offering of $276 million principal amount of 4.0% convertible senior notes due August 2013 (the "4.0% Notes"). The Company received $267.7 million in net proceeds from the offering.

96. As CMED's 3.5% Notes were coming due in November 2011, on December 6, 2010, the Company took on $150 million in 6.25% convertible notes due in 2016 (the "6.25% Notes") and paid off a majority of the 3.5% Notes. These serial offerings were used by the Company to cover up the fact that the reported cash assets were not truly available to satisfy existing obligations, and thus without debt restructuring the Company would be unable to pay its debts as they became due and payable.

97. On December 13, 2011, China Medical shocked investors by announcing a "debt restructuring" and began negotiations with bondholders.

98. On December 15, 2011, the Company failed to pay the interest (less than $5 million) owed on the 6.25% Notes, despite claiming to have $206.5 million in cash on its balance sheet as of September 30, 2011. China Medical had until January 14, 2012 to make the bond payment or be in default. China Medical failed to make the payment on the 6.25% Notes during the grace period. The Company did not disclose the missed payments in a press release or
SEC filing. In fact, the December 13, 2011 press release was the Company’s last public communication to investors.

99. On January 26, 2012, Fitch downgraded China Medical’s issuer rating to “restricted default,” and on January 31, 2012, S&P downgraded China Medical to “selective default.” S&P noted that it was “uncertain why CMED did not make the coupon payment, given that it appears to have sufficient capacity to do so.”

100. On February 2, 2012, Fitch affirmed and withdrew its rating and no longer followed CMED because of “lack of adequate information from the company.”

101. On February 15, 2012, China Medical failed to make the interest payment (also less than $5 million) due on the 4.0% Notes.

102. On February 17, 2012, S&P lowered CMED’s corporate rating to “default,” and withdrew all ratings because the Company had not provided it “with adequate information to enable [it] to determine [CMED’s] current financial position and intent. S&P again highlighted that “CMED has not explained why it did not make the two coupon payments [on the 6.25% and 4.0% Notes], given that it appears to have sufficient capacity to do so.”

103. China Medical’s default on these two relatively small obligations indicates that the Company had liquidity problems and overstated the unrestricted cash balance it claimed in all of its prior statements during the Class Period.

E. The Truth Begins to Emerge

104. On or about September 7, 2011, the GEO Blog questioned the financial results the Company reported to the SEC and SAIC, and identified suspicious transactions that may be potentially related to Defendant Wu and other China Medical insiders.
105. On or about December 6, 2011, Glaucus published a report finding, among other things, that Defendant Wu embezzled money through sham acquisitions and pointed to suspiciously high accounts receivable as evidence of inflated sales.

106. On this news, China Medical’s shares declined $0.81 per share, or nearly 24%, to close on December 6, 2011 at $2.57 per share, on unusually heavy trading volume.

107. On December 13, 2011, China Medical announced that the Company intended to implement a debt restructuring plan to improve its balance sheet. The press release stated in relevant part:

BEIJING, Dec. 13, 2011 IPRNewswire-Asia-FirstCall -- China Medical Technologies, Inc. (the “Company”) (Nasdaq: CMED), a leading China-based advanced in-vitro diagnostic (“IVD”) company, today announced that the Company intends to implement a debt restructuring plan to improve its balance sheet. The plan may include, without limitation, a debt-for-debt exchange with existing holders of the Company’s convertible notes maturing in August 2013 and December 2016, which may potentially involve holders receiving new debts with different interest rates, maturities and principal amounts compared to the existing debts or other alternatives to be agreed. Holders of the Company’s convertible notes are requested to contact the Company’s Cayman legal representative, Thorp Alberga at cmednoteholders@thorpalberga.com, which will collect contact information from such holders to facilitate their communication with each other to form a noteholders’ committee to liaise with the Company.

108. On this news, China Medical’s shares declined $0.43 per share, or nearly 13%, to close on December 13, 2011 at $2.87 per share, on unusually heavy trading volume.

109. On December 15, 2011, the Company did not pay the interest payment (less than $5 million) owed on the 6.25% Notes, despite claiming to have $206.5 million in cash as of September 30, 2011.

110. On January 14, 2012, the cure period for the bond payment on the 6.25% Notes expired without China Medical’s payment.

111. On January 26, 2012, Fitch downgraded CMED’s corporate rating to “restricted default.”
112. The next trading day, China Medical's shares declined $0.83 per ADS, or over 22%, to close on January 27, 2012 at $2.84 per share on unusually heavy trading volume.

113. January 31, 2012, S&P downgraded China Medical to “selective default.” S&P noted that it was “uncertain why CMED did not make the coupon payment, given that it appears to have sufficient capacity to do so.”

114. That day, China Medical’s ADSs declined $0.07 per share, or about 2.65%, to close on January 31, 2012 at $2.57.

115. In or around February 2012, Lawrence A. Crum, an independent director and member of the board of directors’ Audit Committee, resigned. He later acknowledged that he had quit because CMED management hadn’t returned his calls and that he “hasn’t heard from the company, doesn’t know what’s going on, and doesn’t care.”

116. On February 2, 2012, Fitch affirmed and withdrew its rating and no longer followed CMED because of “lack of adequate information from the company.”

117. That day, China Medical’s ADSs declined $0.56 per share, or over 22%, to close on February 2, 2012 at $1.96 on heavy trading volume.

118. On February 7, 2012, NASDAQ halted trading on CMED, pending the “additional information requested” from the Company.

119. On February 15, 2012, China Medical failed to make the interest payment on the 4.0% Notes.

120. On February 17, S&P lowered CMED’s corporate rating to “default,” and withdrew all ratings because the Company had not provided it “with adequate information to enable [it] to determine [CMED’s] current financial position and intent. S&P again highlighted
that "CMED has not explained why it did not make the two coupon payments [on the 6.25% and
4.0% Notes], given that it appears to have sufficient capacity to do so."

121. Also on February 17, 2012, CMED was notified that based on the NASDAQ
staff's review of the information provided by the Company, the staff determined that CMED no
longer qualified for listing. The Company did not appeal the determination.

122. On February 28, 2012 NASDAQ's determination to delist CMED became final,
and CMED began to trade on the OTC market.

123. CMED’s ADS share price fell on its first two trading days on the OTC market.
On February 28, 2012, the price declined $0.12 per share, or about 6.6%, to close at $1.70 per
share, and on February 29, 2012, the price declined by $0.35 per share, or about 20.6%, to close
at $1.35 per share.

V. ADDITIONAL SCIENTER ALLEGATIONS

124. The Individual Defendants, as directors and/or senior officers of China Medical
during the Class Period, including Defendant Bruce as Chair of CMED's Audit Committee and
an “audit committee financial expert” according to SEC rules and regulations, are liable as direct
participants in all of the wrongs complained of herein. Through their positions of control and
authority, as well as their stock ownership, the Individual Defendants were in a position to, and
did, control all of the Company’s false and misleading statements and omissions, including the
contents of the Forms 20-F, Forms 6-K, and press releases, as set forth above.

125. The Individual Defendants also possessed the power and authority to, and did,
control the contents of China Medical’s reports to the SEC, press releases and presentations to
securities analysts, money and portfolio managers and institutional investors, i.e., the market.
The Individual Defendants were provided with copies of the Company’s reports and press
releases alleged herein to be materially false and misleading prior to, or shortly after, their
issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected.

126. As already detailed herein, Defendants Wu and Tsang signed annual SOX certifications during the Class Period attesting to their responsibility for and knowledge of disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as well as CMED’s internal control over financial reporting. Specifically, Wu and Tsang both signed the certifications included in the FY2006, FY2007, FY2008, FY2009, and FY2010 Form 20-Fs.

127. The Individual Defendants knew and/or recklessly disregarded that the Company’s public statements concerning its financial results were false and misleading when made.

128. The existence and encumbrance of the Company’s cash assets was essential to the Company’s core operations, such that it would be absurd to believe that the Company and its key officers, including the Individual Defendants, and particularly Defendants Bruce, Capener, Crum, and Li, who were members of the Audit Committee during the Class Period, did not know the truth that was concealed from investors. The principal responsibility of these Audit Committee members was to oversee China Medical’s accounting and financial reporting processes and the audits of its financial statements of the Company.

VI. LOSS CAUSATION

129. Defendants’ wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiffs and the Class. Throughout the Class Period, the price of CMED’s securities was artificially inflated as a direct result of Defendants’ materially false and misleading statements and omissions.
130. The true facts became known by investors and the market through a series of partial corrective disclosures, some by third parties, and some by Defendants. By making contemporaneous additional misstatements in the form of denials in response to partial disclosures by third parties, or by failing to reveal the falsity of all statements at one time, artificial inflation remained in the price of CMED securities throughout the entirety of the Class Period.

131. As the true facts became known and/or the materialization of the risks that had been concealed by Defendants occurred, the price of CMED securities declined as the artificial inflation was removed from the market price of the securities, causing substantial damage to Plaintiffs and the members of the Class.

132. The declines in the price of CMED’s securities and the resulting losses are directly attributable to the disclosure of information and/or materialization of risks that were previously misrepresented or concealed by Defendants. Had Plaintiffs and other members of the Class known of the material adverse information not disclosed by Defendants or been aware of the truth behind their material misstatements, they would not have purchased CMED securities at artificially inflated prices.

133. From the time that the truth about Defendants’ wrongful conduct first emerged, until the time the market learned of CMED’s true financial condition, the price of CMED ADSs declined in a series of material steps as the market processed each set of previously undisclosed facts. Each disclosure and/or materialization of previously concealed risks removed a portion of the artificial inflation from the price of CMED’s ADSs caused by Defendants’ prior material misrepresentations and omissions, and directly causing Plaintiffs to suffer damages.
VII.  GAAP VIOLATIONS

134. The representations and certifications by Defendants Wu and Tsang that CMED’s financial results were prepared and reported accurately and in accordance with GAAP were materially false and misleading.

135. GAAP requires: (i) that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions, set forth in FASB Statement of Concepts No. 1, ¶ 34; (ii) that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events, and circumstances that change resources and claims to those resources, set forth in FASB Statement of Concepts No. 1, ¶ 40; (iii) that financial reporting should provide information about an enterprise’s financial performance during a period set forth in FASB Statement of Concepts No. 1, ¶ 42; (iv) that financial reporting should be reliable in that it represents what it purports to represent, set forth in FASB Statement of Concepts No. 2, ¶¶ 58-59; and (v) completeness, meaning that nothing material is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions, set forth in FASB Statement of Concepts No. 2, ¶ 79.

136. Because CMED’s Class Period financial statements violated GAAP, they are presumptively misleading and inaccurate under SEC Regulation S-X, 17 C.F.R. § 210A-01(a)(1).

VIII. GROUP PLEADING

137. The Individual Defendants are liable for the materially false and misleading statements pleaded herein in support of Plaintiffs’ claim under Section 10(b) and Rule 10b-5 of the Exchange Act that were issued by or in the name of the Company, as each of those statements was “group-published” information, and resulted from the collective actions of these
Defendants. It is appropriate to treat the Individual Defendants as a group and to presume that the public filings, press releases and other public statements complained of herein are the product of the collective actions of this narrowly defined group of Defendants.

138. The Individual Defendants, by virtue of their high-level positions at China Medical, directly and actively participated in the management and operations of the Company, and were privy to confidential non-public information concerning the business and operations of China Medical.

139. In addition, the Individual Defendants were involved in drafting, reviewing and/or disseminating the materially false and misleading statements issued by CMED and approved or ratified those statements, and, therefore, adopted them as their own.

IX. CLASS ACTION ALLEGATIONS

140. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired China Medical ADSs during the Class Period (the “Class”), and were damaged thereby. Excluded from the Class are Defendants herein, 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.

141. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, China Medical ADSs were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiffs at this time and can be ascertained only through appropriate discovery, Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by China Medical or its transfer agent and may be
notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

142. Plaintiffs' 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.

143. Plaintiffs 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. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

144. 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:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of China Medical;
- whether the Individual Defendants caused China Medical to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of China Medical ADS during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

145. 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 individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

146. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- China Medical ADSs are traded in efficient markets;
- the Company’s ADSs were liquid and traded with moderate to heavy volume during the Class Period;
- the Company’s ADSs traded on the NASDAQ and were covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company’s ADSs; and
- Plaintiffs and members of the Class purchased and/or sold China Medical ADSs between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

147. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

X. CLAIMS FOR RELIEF

COUNT I
(Against the CMED Defendants For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder)

148. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.
149. This Count is asserted against the CMED Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

150. During the Class Period, the CMED Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiffs and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of China Medical ADSs; and (iii) cause Plaintiffs and other members of the Class to purchase China Medical ADSs at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

151. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Individual Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for China Medical ADSs. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about China Medical's finances and business prospects.
152. By virtue of their positions at China Medical, the Individual Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiffs and the other members of the Class, or, in the alternative, the Individual Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to the Individual Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Individual Defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

153. Information showing that the Individual Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of China Medical, the Individual Defendants had knowledge of the details of China Medical's internal affairs.

154. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of China Medical. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to China Medical's cash position. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of China Medical ADSs was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning China Medical's business and financial condition which were concealed by Defendants, Plaintiffs and the other members of the Class purchased China Medical ADSs at artificially
inflated prices and relied upon the price of the ADSs, the integrity of the market for the ADSs and/or upon statements disseminated by Defendants, and were damaged thereby.

155. During the Class Period, China Medical ADSs were traded on an active and efficient market. Plaintiffs and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of China Medical ADSs at prices artificially inflated by Defendants’ wrongful conduct. Had Plaintiffs and the other members of the Class known the truth, they would not have purchased said ADSs, or would not have purchased them at the inflated prices that were paid. At the time of the purchases by Plaintiffs and the Class, the true value of China Medical ADSs was substantially lower than the prices paid by Plaintiffs and the other members of the Class. The market price of China Medical ADSs declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiffs and Class members.

156. By reason of the conduct alleged herein, the Individual Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

157. As a direct and proximate result of Defendants’ wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company’s ADSs during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.
COUNT II
(Violations of Section 20(a) of the
Exchange Act Against the Individual Defendants)

158. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

159. During the Class Period, the Individual Defendants participated in the operation and management of China Medical, and conducted and participated, directly and indirectly, in the conduct of China Medical’s business affairs. Because of their senior positions, they knew the adverse non-public information about China Medical’s misstatement of its reported financial results.

160. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to China Medical’s financial condition and results of operations, and to correct promptly any public statements issued by China Medical which had become materially false or misleading.

161. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which China Medical disseminated in the marketplace during the Class Period concerning China Medical’s cash position. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause China Medical to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were “controlling persons” of China Medical within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of China Medical ADSs.
162. Each of the Individual Defendants, therefore, acted as a controlling person of China Medical. By reason of their senior management positions and/or being directors of China Medical, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, China Medical to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of China Medical and possessed the power to control the specific activities which comprise the primary violations about which Plaintiffs and the other members of the Class complain.

163. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by China Medical.

XI. **PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs demand judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiffs as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiffs and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiffs and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.
DEMAND FOR TRIAL BY JURY

Plaintiffs hereby demand a trial by jury.

Dated: May 2, 2012

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