Plaintiff Thomas Tarsavage ("Plaintiff") alleges the following complaint with personal knowledge as to his own acts, and upon information and belief as to all other allegations herein.

I. INTRODUCTION

1. Plaintiff brings this securities class action on behalf of himself and all other persons or entities who purchased or otherwise acquired Puda Coal, Inc. ("Puda" or the "Company") common stock and call options, or sold Puda put options between July 15, 2010, and October 3, 2011, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act") and common law. This action is brought against CITIC Trust Co., Ltd. ("CITIC"), the largest Chinese private equity fund and merchant bank, which, by means of a transfer of 49% ownership interest and a 51% pledge as security for a loan, now controls Puda’s sole operating subsidiary and its only source of revenues.
2. Plaintiffs also bring this action derivatively, pursuant to Federal Rule of Civil Procedure 23.1, for the benefit of Puda itself, to redress injuries suffered by Puda as a direct result of, *inter alia*, CITIC Trust’s aiding and abetting the breaches of fiduciary duty by the Company’s directors and officers.

3. This action arises from a fraudulent scheme in which Puda insiders improperly transferred the Company’s only revenue-producing, operating subsidiary to CITIC and then, with the assistance of CITIC, falsely portrayed to investors in Puda that the Company still possessed its operating subsidiary.

4. In particular, in both its February 2010 and December 2010 public stock offerings, Puda represented to investors that it was a Delaware holding company, with substantially all of its operations conducted through its sole operating subsidiary, Shanxi Puda Coal Group Co., Ltd. (“Shanxi Coal”), which Puda indirectly owned through its ownership interests in two intermediary companies. Shanxi Coal owned all of Puda’s mining assets and coal washing plants – and thus its cash and receivables. Shanxi Coal’s operations were the sole source of Puda’s revenues and profits. Because Puda owned 90% of Shanxi Coal, Puda was permitted to consolidate Shanxi Coal’s operating results with its own in financial statements filed with the Securities and Exchange Commission (“SEC”) and presented to investors.

5. Until April 8, 2011 -- when a series of transactions which occurred in 2009 and 2010 were revealed to investors in a report published by Arthur Little (which report attached

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1 Puda’s indirect ownership interest in Shanxi Coal was held through Puda’s 100% ownership of a subsidiary named Puda Investment Holding Limited (“BVI”), which possessed 100% ownership of a subsidiary named Shanxi Putai Resources Limited (“Putai”), which possessed the 90% ownership of Shanxi Coal. Hence, Puda owned 100% of BVI, which owned 100% of Putai, which held 90% of Shanxi Coal.
numerous documents (in Chinese) obtained from public sources in the People’s Republic of China (“PRC”) -- investors in Puda’s securities had every reason to believe that the Company, through its 90% indirect ownership interest in Shanxi Coal, was a profitable and growing supplier of “premium high grade metallurgical coking coal used to produce coke for steel manufacturing in China.” However, this was not the case.

6. Prior to the Company’s February 2010 stock offering, on or about September 3, 2009, Puda’s Chairman and major shareholder, Ming Zhao (“Zhao”), improperly transferred Puda’s 90% share of Shanxi Coal’s common stock to himself for absolutely no consideration. Thereafter, Puda did not own Shanxi Coal and the Company, which sold stock on the United States market on two occasions in 2010, was a shell without any operations or revenues.

7. CITIC knew that Zhao hadwrongfully transferred Shanxi away from Puda, yet it created an investment entity in PRC in which Zhao transferred Shanxi and for which CITIC raised hundreds of millions of dollars from Chinese investors. In short CITIC conspired with Zhao to abscond with Puda’s operating assets. Moreover, CITIC knew that Puda would downstream the funds raised in the public offerings in the U.S. to Shanxi and that CITIC and its Chinese investors would get the benefit of U.S. investors’ money, as well as all of the assets of Shanxi.

8. Although Puda is a corporation organized under Delaware Law, the Company’s headquarters and operations (specifically those of Shanxi Coal) are located thousands of miles away in the Shanxi Province of the People’s Republic of China (“PRC” or “China”). As such, the information regarding Puda’s operations available to investors during the Class Period was largely limited to the Company’s public statements (made in English) in the U.S., including those in periodic filings with the SEC. Puda warned investors that “[b]ecause our sole
operating company, Shanxi Coal, is based in China, shareholders may have greater difficulty in obtaining information about Shanxi Coal on a timely basis . . . [and/or] from sources other than Shanxi Coal itself.” Because “[i]nformation available from newspapers, trade journals, or local, regional or national regulatory agencies such as issuance of construction permits and contract awards for development projects will not be readily available to shareholders”, “shareholders will be dependent upon Shanxi Coal’s management for reports of Shanxi Coal’s progress, development, activities and expenditure of proceeds.”

9. Prior to September 3, 2009, Puda indirectly owned 90% of Shanxi Coal, with the remaining 10% split between Zhao, who owned 8% and his brother Yao Zhao (“Y. Zhao”), the legal representative of Putai (the company through which Puda owned Shanxi Coal) under Chinese law and a significant Puda shareholder, who owned the remaining 2%.

10. Unbeknownst to investors, on or about September 3, 2009, before the start of the Class Period, Zhao arranged for his brother Y. Zhao to improperly authorize and cause the transfer of Puda’s 90% interest in Shanxi Coal to Zhao, adding to the 8% interest Zhao already held. Additionally, Y. Zhao divided and transferred his 2% interest of Shanxi Coal to his brother Zhao (1.0%) and a Shanxi Coal employee named Wei Zhang (1.0%). As a result, as of around September 3, 2009, Zhao had increased his ownership of Shanxi Coal to 99%, thereby leaving Puda with no ownership interest in Shanxi Coal.

11. Even though Y. Zhao’s actions effectively rendered Puda a shell company with no assets, operations or revenue, the Company nevertheless misrepresented to investors during the Class Period, in annual and quarterly filings with the SEC and other statements to the public, that Puda continued to own 90% of Shanxi Coal. Puda also reported false financial results to the SEC because it continued to issue financial statements that improperly
consolidated Shanxi Coal’s operating results, despite the fact that Puda no longer maintained any ownership interest in Shanxi Coal.

12. Having obtained a 99% ownership interest in Shanxi Coal on September 3, 2009, on or around July 15, 2010, Zhao transferred 49% of the shares of Shanxi Coal to CITIC, in exchange for 100% of the ordinary shares in the CITIC Juxinhuijin Trust Fund I (the “CITIC Fund I”), whose ordinary shares were valued by CITIC at RMB 1.212 billion ($179mm)², according to CITIC Fund I’s offering documents and management reports. CITIC is the largest Chinese private equity fund and merchant bank, and is now wholly-owned and controlled by the Chinese government.

13. CITIC had created the CITIC Fund I as an investment vehicle, in which it placed the shares obtained from Zhao, to hold and operate the business of Shanxi Coal. CITIC then sold RMB 3 billion ($443mm) of redeemable preferred stock to Chinese investors in CITIC Fund I. According to offering documents and management reports, CITIC Fund I expected and eventually paid an annual return of 9.5% in the first two years and 11% from the third year to its Chinese investors.

14. Just days after Zhao transferred 49% of Shanxi Coal to CITIC Fund I, he pledged the other 51% of Shanxi Coal to CITIC as security to obtain a RMB 2.5 billion ($369 million), three-year loan to Shanxi Coal at a very steep yearly cost of 14.5% (annual interest plus fees). In November 2010, the loan amount was subsequently increased to RMB 3.5 billion ($517 million). In January 2011, the loan was further increased to RMB 5 billion ($738.55 million), bringing the combined investment to RMB 8 billion ($1.2 billion).

² All RMB amounts are reflected in dollars at an exchange rate of 1 USD = 6.77 RMB Yuan.
15. Plaintiffs confirmed the facts of the above Shanxi Coal equity transfers and pledge by obtaining and reviewing reports from the State Administration of Industry and Commerce ("SAIC") office in Shanxi, China evidencing the equity transfers and pledge that Chinese law requires to be filed. (The SAIC is the Chinese government agency that regulates corporations in China.) The SAIC filings show that the transfer of Shanxi Coal from Putai to Zhao was registered with the SAIC on September 7, 2009. The transfer of an ownership interest from Shanxi Coal to CITIC was registered with the SAIC on July 22, 2010. Then on July 29, 2010, the pledge of all of Shanxi Coal's shares to CITIC in return for a RMB3.5 billion loan from CITIC to Shanxi was registered with the SAIC. Both the Shanxi Coal equity transfer and pledge to CITIC are further confirmed by written statements that CITIC made to investors in CITIC Fund I offering documents and annual and quarterly reports.

16. Given its equity and lienholder stake in Shanxi Coal, CITIC effectively had complete control over both Shanxi Coal and Puda – the latter through Zhao who, to enrich and

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3 According to China Company Law, a company which transfers its equity shall amend the names of the shareholders and their capital contributions in the bylaws accordingly. Source: Company Law of the People's Republic of China (中华人民共和国公司法(2005 修订)) issued by Standing Committee of the National People's Congress on October 27, 2005, and became effective on January 1, 2006. According to China Administration of Company Registration, in the event of equity transfer or sale of shares of a limited liability company, the company or shareholder shall register the change in such ownership and capitalization with the SAIC by appropriate filing within 30 days immediately after such equity transfer. Source: Regulations of the People's Republic of China on the Administration of Company Registration (Revised 2005)中华人民共和国公司登记管理条例(2005 修订) issued by State Council on December 18, 2005, and became effective on July 1, 1994.

4 According to China Property Law, every pledge of equity shall be invalid until such pledge is registered with the SAIC. Source: Property Law of the People's Republic of China (中华人民共和国物权法) issued by National People's Congress on March 16, 2007, and became effective on October 1, 2007.
retain his 51% equity interest in Shanxi Coal, saw to it that Puda’s funds would be utilized for
the benefit of Shanxi Coal and CITIC.

17. Because Puda no longer possessed any ownership in Shanxi Coal, thus losing its
sole source of revenues, Puda and CITIC concealed this fact to tap the American equity
markets in order to raise funds for Shanxi Coal – through Puda -- from unsuspecting public
investors. Indeed, only because investors believed Puda owned Shanxi Coal did they purchase
shares in a company whose officers and directors publicly stated that all proceeds from stock
offerings would be funneled directly to Shanxi Coal’s operations.

18. In selling $443 million of stock to Chinese investors in CITIC Fund I, CITIC
represented that Shanxi Coal would receive investment from Puda’s U.S. investors. In short,
CITIC knew that Shanxi Coal was really the property of Puda and conspired with Zhao to
wrongfully transfer all of the proceeds of the Secondary Public Offering from U.S. investors to
Shanxi Coal for the benefit of CITIC, CITIC Fund I and Zhao.

19. In its annual reports filed with the SEC and in investment prospectuses
soliciting public investment, Puda misrepresented that it earned over $200 million of revenue
and more than $5 million of profit in 2009 and more than $300 million of revenue and over
$23 million of profit in 2010. In fact, Puda had no revenue and no profit for 2010 and
materially less revenue and profit for 2009 because Zhao had transferred ownership of Puda’s
operation subsidiary, Shanxi Coal, away from Puda on September 3, 2009. CITIC, despite its
knowledge of these facts and its complete control of Shanxi Coal’s operations, did nothing to
correct these misrepresentations because it stood to benefit from the funds raised from U.S.
investors on Shanxi Coal’s behalf.
20. Puda conducted two separate public offerings on U.S. markets in 2010, filing numerous documents with the SEC leading investors to believe that the funds raised from their share purchases would be used in Shanxi Coal's operations for the benefit of Puda and its shareholders. For example, SEC filings made in conjunction with both offerings describe the use of the proceeds as for "general corporate purposes," including "operating expenses, acquisitions, investments, repayment of debt, capital expenditures, [and] repurchase of our capital." In addition, a prospectus supplement for the earlier offering stated that the proceeds would be used to acquire two coal mines and attendant mining rights. To the extent that Zhao and CITIC used the proceeds of the public stock offerings to purchase coal mines and/or mining rights and to otherwise pay the legitimate business debts of Shanxi Coal, they hold Shanxi Coal's assets in constructive trust for Puda and its shareholders.

21. As a result of leading investors to believe that Puda owned and operated 90% of Shanxi Coal's growing business, Puda netted roughly $14.5 million of illicit proceeds from the sale of approximately 2.9 million shares of Puda stock to the public in February 2010, and netted an additional $108 million from the sale of another 9 million shares to public investors in December 2010. Puda raised more than $100 million from public investors by selling shares in an empty shell of a company.

22. CITIC reaped the benefits of investors' funds flowing into Puda's and Shanxi Coal's coffers, knowing that Puda was concealing from its investors that Puda no longer had any ownership interest in Shanxi Coal.

23. On or around April 8, 2011, Alfred Little published a research report on Puda Coal (the "Little Report") accusing Zhao of improperly transferring ownership of Shanxi Coal to himself in September 2009, selling 49% of Shanxi Coal to CITIC in July 2010, and pledging
the remaining 51% interest in Shanxi Coal to CITIC as collateral for a loan. The Little Report further explained that the pledge transferred to CITIC voting rights and veto power over all of Shanxi Coal’s operations, putting control over Shanxi Coal entirely into CITIC’s hands.  

24. Investors immediately reacted negatively to this news. The Company’s stock price promptly declined $3.10 per share, or 34.1%, to close on Friday April 8, 2011, at $6.00 per share, on unusually heavy trading volume. The following Monday morning, before the market opened, NYSE Amex halted trading of the Company’s shares and it remained halted for more than four months, rendering the stock held by Puda’s shareholders illiquid and effectively worthless.

25. In the wake of the Little Report, Puda’s board of directors commenced an investigation into the allegations of fraud. Within a matter of days, on April 11, 2011, Puda stated that “[a]lthough the investigation [was] in its preliminary stages, evidence support[ed] the allegation that there were transfers by Zhao in subsidiary ownership that were inconsistent with disclosure made by the Company in its public securities filings.”

26. In the months that followed, the Company’s outside auditors resigned and informed investors that Puda’s financial results for the fiscal years ending 2009 and 2010 should no longer be relied upon.

Later, according to the Little Report, following a shuffling of parent and subsidiary corporations, Zhao transferred the remaining 51% of his ill-gotten interest in Shanxi Coal to Shanxi Puda Mining Industry, Ltd. (“Puda Mining”), a corporation that appears to be 90% owned by Putai. Puda Mining affirmed Zhao’s pledge of Shanxi Coal’s shares to CITIC as collateral for the July 2010 loan. Puda did not disclose in Puda’s public filings with the SEC the existence of Puda Mining, either as the purported parent corporation to Shanxi Coal or as an entity in the ownership chain between Putai and Shanxi Coal. However, Putai’s, and thus Puda investors’, ownership interest was short-lived: As CITIC later reported to its investors on October 19, 2011, in August 2011, to ensure compliance with obligations to CITIC, CITIC had Puda Mining transfer its 51% interest in Shanxi Coal back to Zhao who repledged the stock to CITIC as collateral for the loan.
27. It was not until August 18, 2011, after more than four months, that trading of Puda's stock finally resumed. Over the course of the next two days of trading, investors dumped their holdings en masse.

28. Puda's share price declined $1.90, nearly 32% (from the April 8, 2011, closing price of $6.00) on August 18, 2011, and another $0.87 per share on August 19, 2011, to close at $3.23 per share. Over these two days, Puda's shares lost 46.17% of their value, on unusually heavy trading volume. The freefall of Puda's stock price was once again stopped when trading was halted prior to the start of trading on Monday, August 22, 2011.

29. On September 2, 2011, trading resumed and Puda's shares plummeted another $1.21 per share, or 37.5%, after Puda's Audit Committee disclosed, inter alia, that the interim findings of its internal investigation effectively confirmed that the rumors of Zhao's improper and undisclosed transfer of Puda's ownership of Shanxi Coal to himself and CITIC were true. However, citing conflicting evidence, the Audit Committee could not determine whether CITIC had made any loan to Shanxi Coal. For his part, Zhao had denied that any financing transaction had taken place, rendering both the equity transfer and the pledge void; he even provided a letter purporting to be from CITIC verifying this fact. CITIC itself refused to cooperate with the Audit Committee's investigation, claiming that Shanxi Coal had barred it from doing so (citing a confidentiality provision in CITIC's agreement with Shanxi Coal).

30. In a September 26, 2011, press release, Puda announced that its Chief Executive Officer, Liping Zhu ("Zhu"), had resigned after having provided a forged letter to the SEC, purporting to be from CITIC, disclaiming any interest in Shanxi Coal. Puda also disclosed that Zhao had provided the forged letter to its Audit Committee:

On September 23, 2011, the Board of Directors of Puda Coal, Inc. (the "Company"; Other OTC: PUDA.PK) received a letter from the Company's
Chief Executive Officer ("CEO"), Liping Zhu, dated September 22, 2011. The letter states that Mr. Zhu resigns from his positions as the Company's CEO and as a director on the Board. The letter also states that, on August 29, 2011, Mr. Zhu provided a false letter from CITIC Trust Co. Ltd. ("CITIC") to the U.S. Securities and Exchange Commission ("SEC") and to counsel for Ming Zhao, Chairman of Puda Coal.

On September 1, 2011, the Company filed a current report on Form 8-K with the SEC disclosing interim findings of the internal investigation by the Audit Committee, including that, on August 31, 2011, Ming Zhao, through his counsel, provided the Audit Committee with a letter purportedly from CITIC (the "CITIC Letter"), and that the Audit Committee was unable to verify the authenticity of, or the information contained in, the "CITIC Letter." The "CITIC Letter" appears to be the same letter that was referred to in the resignation letter from CEO Liping Zhu.

31. Two days later, Puda's Chief Financial Officer, Qiong Wu ("Wu") resigned.

32. On October 3, 2011, the last day of the Class Period, Puda disclosed that the so-called CITIC Letter that had been provided to the SEC was, in fact, forged. Puda's stock dropped 16.6% in response.

33. The following chart reflects the loss that Defendant's misconduct caused to the value of Puda's common stock as the public learned the truth about Puda:
34. On December 28, 2011, Puda received a Wells Notice from the SEC for failing to comply with SEC rules and the Securities Exchange Act of 1934. (Indeed, Puda has not filed a quarterly report since 2010.) Earlier, in September 2011, Puda announced that Zhao had received a Wells Notice.

35. On January 13, 2012, Puda announced that Jianfei Ni ("Ni"), an independent director since 2007, had resigned from the Company in late December, joining the two executive officers (CEO Zhu and CFO Wu) who departed Puda in the wake of the scandal.

36. On February 22, 2012, the SEC filed a civil injunctive action in this Court charging Zhao and Zhu with securities fraud for the undisclosed theft of Puda’s primary asset. The Complaint charged Zhao and Zhu with violations of Section 17(a) of the Securities Act of 1933 and Sections 10(b), 13(b)(5) and 14(a) of the Securities Exchange Act, and Rules 10b-5, 13b2-2, 14a-3 and 14a-9a thereunder. Zhao and Zhu are also both charged under 20(a) of the
Exchange Act as control persons of Puda, for Puda’s violations. (The SEC has not yet been able to effect service of process on Zhao and Zhu. See 12-cv-1316 (Dkt. No. 7)).

37. Puda has not had a shareholders meeting in over two years. Upon information and belief, Tang and Wizel, prior to resigning, had intended to call a meeting of the Board of Directors to remove Zhao. However, this meeting ever came to fruition.

38. Instead, on March 1, 2012, the last of Puda’s independent directors, Tang and Wizel, who had each served since 2007, resigned -- leaving only Ming Zhao, the mastermind of the theft of the entire Company, at the helm of Puda.

39. In addition to being defendants in a related securities action pending in this District, Tang and Wizel are defendants in a derivative action filed on Puda’s behalf in Delaware. Tang and Wizel unsuccessfully sought dismissal of that action on the ground that the plaintiff did not make a demand on the Board of Directors, to pursue Puda’s claims against Zhao and others. In denying the motion to dismiss, the Delaware Court Chancellor, the Honorable Leo E. Strine, noted that it would be “Kafkaesque” to allow two former Board members who did not themselves seek to pursue and control these claims while on the Board, but instead “quit [and] le[ft] the company under the sole dominion of a person they believe has pervasively breached his fiduciary duty of loyalty” to “use the shield of [Rule] 23.1” and its demand requirement. Now, Zhao is Puda’s only Director and demand is futile.

40. Throughout the Class Period, CITIC controlled Shanxi Coal, Puda and Zhao, acted in furtherance of a scheme to defraud investors, and caused Puda to make false and misleading statements which failed to disclose material adverse facts about the Company’s business and operations. Specifically, CITIC was aware of and allowed Puda to make false and misleading statements and to fail to disclose that: (1) Zhao had transferred all of Puda’s
ownership and shares of Shanxi Coal to himself; (2) Zhao had sold 49% of Shanxi Coal to CITIC; (3) Zhao had pledged a 51% interest in Shanxi Coal as collateral to CITIC for a loan; (4) having had its 90% interest in Shanxi Coal stolen, Puda had no business, operations, assets or revenue; (5) Puda’s reported financial results and financial condition were materially misstated; (6) Puda’s financial statements falsely represented that it had earned revenue and income from the operations of Shanxi Coal.

41. CITIC is additionally liable to Puda’s shareholders because it controls Puda, through its control of Shanxi Coal and Zhao as a result of the various share transfer, loan, pledge and related agreements executed in July 2010.

42. CITIC Trust is additionally liable to the Company because it aided and abetted Zhao’s breaches of fiduciary duties to the Company, to wit: his theft of Shanxi Coal for the benefit of CITIC and CITIC Fund I, gross mismanagement of the Company, abuse of Zhao’s control position within the Company, and his waste and/or conversion of the Company’s assets.

II. JURISDICTION AND VENUE

43. The claims asserted herein arise under 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 by the SEC (17 C.F.R. § 240.10b-5).

44. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1331, §1332 and §1367.

45. Venue is proper in this Judicial District pursuant Section 27 of the Exchange Act (15 U.S.C. §78aa(c)) and §28 U.S.C. §1391(b). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District.
46. In connection with the acts, transactions, and conduct alleged herein, Defendant directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

III. PARTIES

A. Plaintiffs

47. Plaintiff Thomas Tarsavage purchased Puda securities during the Class Period, as set forth in his attached certification and incorporated by reference herein, and has suffered damages as a result of CITIC’s federal securities law violations.

48. Plaintiff also serves as derivative plaintiff in the name of Puda to recover for the harms CITIC has inflicted upon Puda by conspiring with, and aiding and abetting, Zhao’s breaches of fiduciary duty to Puda.

B. Defendant CITIC Trust

49. Defendant CITIC Trust Co., Ltd. (referred to herein as “CITIC”) is an entity based in the People’s Republic of China (“PRC”) and controlled by the Chinese Government. CITIC is part of the CITIC Group Corporation (“CITIC Group”), the largest private equity fund management company in China, possessing over 1/10 of the total assets under management of all industry in China. One of the CITIC Group’s representative overseas offices is located in this judicial district. CITIC Group also does business in this district, via, inter alia, the commercial banking operations of a branch of the China CITIC Bank International, Ltd.

50. Ming Zhao was, at all relevant times, the Chairman of the Board of Puda and owned about 36% of Puda’s outstanding common stock. Defendant Zhao was also, at all
relevant times, Chairman of Shanxi Coal’s Board. Defendant Zhao was previously Puda’s President and CEO from July 2005 to June 2008 and Shanxi Coal’s CEO from 1995 to June 2008. Zhao was a control person of Puda during the Class Period.

51. Nominal defendant Puda Coal, Inc. is a Delaware corporation. Puda is named only as a nominal defendant necessary to provide full relief on Plaintiff’s claims. Plaintiff does not allege any causes of action against Puda. Rather, Plaintiff seeks to recover funds for Puda. Since Zhao and CITIC have completely gutted Puda and stolen its assets and Puda no longer contains any assets, operations or even a functioning board of directors, any funds recovered derivatively in this action for Puda, shall be held in trust for the shareholders of Puda who were defrauded and harmed by CITIC and Zhao.

C. Relevant Non-Defendants

52. Liping Zhu was President, CEO and a director of Puda from June 2008 until September 22, 2011, when he resigned from his positions.

53. Qiong Wu was Puda’s CFO from July 2008 and Puda’s secretary from April 2010 until her resignation from both positions on September 27, 2011.

IV. CLASS ACTION ALLEGATIONS

54. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons or entities who purchased or otherwise acquired Puda securities, including common stock and options, between July 15, 2010, and October 3, 2011, inclusive (the “Class Period”), and who were damaged thereby (the “Class”), seeking to pursue remedies under the Exchange Act.
55. Excluded from the Class is Defendant, the officers and directors of Puda at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendant has or had a controlling interest.

56. The members of the Class are so numerous that joinder of all members is impracticable. During the Class Period, Puda securities were actively traded on the NYSE Amex Exchange ("NYSE Amex"). While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Millions of Puda Coal shares were traded publicly during the Class Period on the NYSE Amex and as of March 7, 2011, the Company had 30,022,856 shares of common stock outstanding. There were approximately 9 million shares sold in the December Offering. Record owners and other members of the Class may be identified from records maintained by Puda 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.

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

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

59. 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: (i) whether the federal securities laws were violated by Defendant’s acts as alleged herein; (ii) whether Defendant controlled the Company
and its business; and (iii) to what extent the members of the Class have sustained damages and the proper measure of damages.

60. 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 makes 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.

V. DERIVATIVE ACTION ALLEGATIONS

61. Plaintiff also brings this action derivatively pursuant to Federal Rule of Civil Procedure 23.1 in the right and for the benefit of Puda to redress injuries suffered by Puda as a direct result of, inter alia: (1) CITIC’s aiding and abetting the improper transfer of the Company’s sole revenue-producing, operating subsidiary away from Puda and (2) corresponding breaches of fiduciary duty by Zhao.

62. Plaintiffs will adequately and fairly represent the interests of Puda in prosecuting its rights. The wrongs complained of herein occurred during the relevant time period during which time Plaintiff has continuously been a shareholder of Puda. Plaintiff has continuously held Puda stock since July 23, 2007. Plaintiff continues to hold Puda shares. Hence, Plaintiff has standing to bring this derivative claim on behalf of the Company to recover for all of the misconduct described herein.

63. Defendant’s wrongful conduct, as alleged herein, has caused Puda to expend significant sums of money for internal investigations, restatement of the Company’s financial statements, related legal and accounting fees, and most of all, Puda’s loss of Shanxi Coal, its
sole revenue producing asset, as a result of Zhao’s fraudulent transfers. The Company’s goodwill and reputation has also been irreparably damaged. In short, as a result of defendant’s wrongful conduct the shares of Puda are now worthless.

64. The Board of Directors at the time of the filing of the derivative claims in this Complaint consists only of Zhao. All of the other members of the Board of Directors resigned in the wake of the scandal. Puda has not held a shareholders’ meeting in over two years.

65. Plaintiff has not made any demand on the board to institute this action because such a demand would be a futile, wasteful and useless act. Zhao spearheaded the wrongful acts alleged for his and CITIC’s financial gain. Although Zhao is a defendant in the related securities action pending in this District, he has not yet appeared in that action to defend against the charge that he unlawfully purloined Shanxi Coal away from Puda and its investors and later sold and pledged all of Shanxi Coal’s shares to CITIC. Given Zhao’s considerable potential financial exposure, he is undoubtedly not “disinterested” and cannot exercise independent business judgment on the issue of whether Puda should prosecute this action. Zhao knew of the unlawful acts herein, participated in the unlawful acts alleged herein, and failed to prevent and stop the unlawful acts alleged herein. Zhao, who has other business dealings with CITIC in addition to their Shanxi Coal relationship, would not sue CITIC to recover the damages Puda has incurred. As a result, demand on Puda and Zhao, the Company’s only remaining board member, would be futile and is therefore excused.

66. Demand is further excused because, although Puda has incurred significant losses due to the wrongdoing complained of herein, the board of directors has not filed any lawsuits against CITIC and others who were responsible for that wrongful conduct to attempt to recover for Puda any part of the damages suffered thereby, notwithstanding to
outrageousness and obviousness of the wrongdoing. Instead, Puda’s board sat on its hands and then quit, leaving Puda entirely in the hands of Zhao and CITIC.

VI. PUDA’S CONSOLIDATION OF SHANXI COAL’s OPERATING RESULTS WAS A VIOLATION OF GAAP AND REGULATION S-X, RESULTING IN THE FILING OF FALSE AND MISLEADING FINANCIAL STATEMENTS

67. Puda came to the United States securities market through the back door, in the form of a “reverse merger”. In a reverse merger, a private operating company based in the PRC is “acquired” by a previously-registered, U.S.-based, publicly-traded “shell company,” thereby bypassing the rigorous IPO registration process. As described by The Wall Street Journal:

In reverse mergers, a foreign company is “bought” by a publicly traded U.S. shell company. But the foreign company assumes control and gets the shell’s U.S. listing without the level of scrutiny that an initial public offering entails. Though companies from other countries also engage in reverse mergers, such deals are especially common among the Chinese. The PCAOB says nearly three-quarters of the 215 Chinese companies listing in the U.S. from 2007 to early 2010 did so via reverse merger.6

68. Because Puda was a public company in the United States before its first public offering of stock to U.S. investors in early 2010, both before and during the Class Period, Puda filed periodic reports with the SEC, including, Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K, containing the Company’s financial statements of operations.

69. As reflected by the chart below, subsequent to Zhao’s unauthorized transfer of Shanxi Coal to himself, Puda issued the following press releases announcing its financial and operating results, which were largely, if not completely, based on the operating results of Shanxi Coal:

PRESS RELEASES ISSUED BY PUDA BEFORE AND DURING THE CLASS PERIOD ANNOUNCING THE COMPANY’S FINANCIAL RESULTS

<table>
<thead>
<tr>
<th>Period</th>
<th>Date</th>
<th>Referred to below as</th>
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<tbody>
<tr>
<td>2009 Fiscal Year</td>
<td>3/24/2010</td>
<td>FY 2009 PR</td>
</tr>
<tr>
<td>2010 Fiscal 1st Quarter</td>
<td>5/13/2010</td>
<td>Q1 2010 PR</td>
</tr>
<tr>
<td>2010 Fiscal 3rd Quarter</td>
<td>11/15/2010</td>
<td>Q3 2010 PR</td>
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<tr>
<td>2010 Fiscal Year</td>
<td>3/14/2011</td>
<td>FY 2010 PR</td>
</tr>
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70. All of Puda’s financial statements/results issued during the Class Period, including the Company’s financial statements contained in Puda’s Q3 2009 Form 10-Q, FY 2009 Form 10-K, Q1 2010 Form 10-Q, Q2 2010 Form 10-Q, Q3 2010 Form 10-Q, and FY 2010 Form 10-K, as well as the financial results that were derived from those financial statements, discussed in those SEC filings, and discussed in the Company’s press releases, including the FY 2009 PR, Q1 2010 PR, Q3 2010 PR, and FY 2010 PR, were materially false and/or misleading because, as set forth herein, the financial statements failed to comply with SEC rules and GAAP.

71. Federal regulations strictly govern what must be included in documents filed with the SEC. In particular, federal regulations required Puda to comply with U.S. GAAP, which are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Specifically, SEC Regulation S-X requires that annual and interim financial statements as filed with the SEC to be prepared in accordance with GAAP. Filings that do not comply with GAAP are “presumed to be misleading or inaccurate.” 17 C.F.R. §210.4-01(a)(1).

72. In addition to requiring SEC-filed financial statements to comply with GAAP, SEC Regulation S-X, Rule 3A-02 (17 C.F.R. §210.3A-02), entitled “Consolidated Financial Statements of the Registrant and Its Subsidiaries,” also governed the presentation of Puda’s
financial statements. Rule 3A-02(a) provides: "Generally, registrants shall consolidate entities that are majority owned and shall not consolidate entities that are not majority owned."  

73. Subsequent to Zhao’s transfer of Shanxi Coal, Puda’s financial statements beginning with its 2009 fiscal fourth quarter through the 2010 full fiscal year violated Rule 3A-02(a) and GAAP – rendering them materially false and misleading – because the Company continued to consolidate the operating results of Shanxi Coal into Puda’s financial statements.

74. GAAP, in particular, Statement of Financial Accounting Standards (“SFAS”) 94, entitled “Consolidation of All Majority-Owned Subsidiaries,” adopted in October 1987 (amending, *inter alia*, ARB 51), defines conditions under which consolidation should occur:

a) Similarly, the first sentence of paragraph 2 [of ARB 51] describes its general rule of consolidation policy. The usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule ownership by one company, directly or indirectly, of over fifty percent of the outstanding voting shares of another company is a condition pointing toward consolidation.

b) Paragraph 2 precludes consolidation of a majority-owned subsidiary where the control does not rest with the majority owners (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy).

75. Zhao had transferred Puda’s entire ownership of Shanxi Coal to himself in September 2009. Even were one to credit Zhao’s later transfer to Puda Mining of a minority interest in Shanxi Coal (without the voting power and veto power already transferred to CITIC) once CITIC obtained 49% of the Shanxi Coal in July 2010, Putai’s temporary interest in Shanxi Coal through Puda Mining, as pointed out in the Little Report, only amounted to 45.9% (90% of 51%). Thus, Zhao’s sham transfer in late 2010 did not enable Puda to consolidate Shanxi Coal’s operating results with its own virtually non-existent results. In any event, Rule 3A-02 also provides: “In rare situations, consolidation of a majority owned subsidiary may not result in a fair presentation, because the registrant, in substance, does not have a controlling financial interest ...” Here, Puda lost control of any interest during 2009 and may have only briefly regained a minority equity interest in December 2010. After July 2010, CITIC controlled Shanxi Coal through its equity interest, voting rights and veto power. Consolidation in 2009 and 2010 was not proper.
as a return of some portion of Puda’s ownership over Shanxi Coal, Puda was not allowed under GAAP to consolidate Shanxi Coal’s results of operations into its own because, after September 3, 2009, Puda no longer had a “a controlling financial interest” or a “majority voting interest” in Shanxi Coal.

76. Therefore, all of the assets, liabilities, revenue, expense and net income figures reported by Puda in the financial statements at issue, filed before and during the class period as set forth above, violated GAAP and were presented in violation of Reg S-X, rendering them false and materially misleading.

VII. CITIC TRUST’S PARTICIPATION IN PUDA’S FRAUD

77. As discussed above, Puda’s only asset was Shanxi Coal. Shanxi Coal’s operating results were consolidated with Puda’s financial results, and Puda’s annual reports made clear that Puda’s financial performance was wholly dependent upon its ownership of Shanxi Coal. Puda’s 2009 10-K stated “our operations are conducted exclusively through Shanxi Coal, in which we own 90% of the equity interest. The operations of Shanxi Coal are our sole source of revenues.” See Puda 2009 Form 10-K and 2010 Form 10-K. On or around September 2, 2008 the Chinese government announced that as part of its efforts to regulate and improve the coal industry it would award certain large coal production enterprises the opportunity to acquire, consolidate and restructure smaller coal mines, through mergers, acquisitions and asset or share transfers.

78. On or around September 28, 2009, Puda announced that Shanxi Coal was selected by the Chinese government to become a coal mining consolidator of eight mines located in Pinglu County, in the southern Shanxi Province (the “Pinglu Project”), and another four mines to the north of Pinglu (the “Jianhe Project”). This was a very lucrative opportunity
for Shanxi Coal and, thereby, Puda. (As previously alleged, however, by that point in time, Zhao had already transferred control of Shanxi Coal away from Puda.)

79. Pursuant to this government program, Shanxi Coal was required to consolidate operations, upgrade certain mines and close other small mines, depending on their size, location and production. These directives were to be completed by the end of 2010.

80. Shanxi Coal and Puda were in need of substantial financing in late 2009 and 2010 to complete these directives. For example, the Form 10-Q for Q3 2009, filed November 13, 2009, at 35, stated: “Our principal on-going capital requirements are to finance our coal washing operations, ... for the acquisition of Jianhe Coal mine, and for the consolidation and potential acquisition of eight coal mines in Pinglu County.” Shortly thereafter, Puda sought to raise money from United States investors. A Prospectus Supplement for its first stock offering, filed on February 12, 2010, at S-3 and S-4, stated: “In December 2009, Puda announced that it had entered into agreements with two companies to acquire assets and mining rights with respect to two coal mines ... We intend to use the net proceeds from the sale of the shares of common stock, together with our available cash, to fund the purchase price of the previously-announced acquisition of two coal mines.”

81. Following the successful stock offering, Puda was still in need of capital. In a Form 8-K, filed on May 12, 2010, Puda reported that Zhao lent Shanxi Coal’s parent (and Puda subsidiary), Putai, $35.2 million (USD) to meet the registered capital requirements for coal mine consolidators. Less than a week later, Puda filed with the SEC the slide-show presentation it planned to make at the “China Rising Investment Conference,” on May 17, 2010, where Puda also sought to “engage in a series of discussions with investors and market
professionals regarding potential investments in the Company to support its acquisition financing needs.”

82. On July 1, 2010, Puda proudly announced the successful closing on the first two transactions of its consolidation plan. On June 25, 2010, following payment of the bulk of the purchase price for each, Puda announced completion of the acquisition, i.e., rights and titles had been passed to Puda, of the two mines and mining rights that were the subject of the December 2009 agreement.

83. One month later, on August 1, 2010, Puda announced how it planned to finance the remaining consolidations in the Pinglu Project. Specifically, as reported on Form 8-K, on August 5, 2010, Puda explained that the next step in its mine acquisition process was its entrance into an Investment Cooperation Agreement whereby Shanxi Coal, Zhao and an unrelated third party, Jianping Gao, would together “purchase, consolidate and co-develop six mines” in Pinglu County. Although investment and profits were to be apportioned 40% to Shanxi Coal and 30% each to Zhao and Gao, Shanxi Coal acquired 51% of the voting rights in the joint venture so that it could exercise full operating and management control.

84. Puda’s Prospectus Supplement, filed on December 8, 2010, on the eve of the secondary stock offering explained, at S-21, that the proceeds of the secondary stock offering would be used “to fund the coal mine acquisitions and construction under the Pinglu Project and the Jianhe Project.” Shortly thereafter, on December 30, 2010, Puda announced the completion of the acquisition of four mines in the Pinglu Project (initially announced in October) under the auspices of the Investment Cooperation Agreement.

85. Investors were misled to believe that their share purchases, as well as funds from Zhao and Gao, were funding the expansion and consolidation efforts of Puda’s
subsidiary, Shanxi Coal, and that no other entities had any interest in Shanxi Coal or its business operations. This was not, however, an accurate depiction of events.

86. After he transferred control of Shanxi Coal to himself, in the fall of 2009, Zhao was in search of substantial financing to complete the consolidation by 2010. The complexity of the agreements entered into between Zhao, Shanxi Coal and CITIC, as well as CITIC’s need to accurately value the underlying assets for the purposes of determining the price at which to sell equity interests in CITIC Fund I are indicative of the fact that negotiations on the deal began many months before it was consummated in July 2010. Thus, CITIC was aware that Puda was selling stock to U.S. investors based on the false statement that Puda owned Shanxi, yet CITIC aided and abetted Zhao in concealing from investors Zhao’s and CITIC’s transactions relating to Shanxi Coal because CITIC stood to benefit from the downstream transfer of U.S. investors’ funds from Puda to Shanxi.

A. CITIC Trust and Shanxi Coal Enter Into a Mutually Advantageous Relationship

87. As a member of the CITIC Group, CITIC Trust (referred to for ease of reference in the other paragraphs herein merely as “CITIC”) is a member of a very financially sophisticated corporate family. Its sister company, CITIC Securities Co., is China’s largest brokerage firm. The CITIC Group also does a substantial amount of international business. An EDGAR search of filings with the SEC indicates that CITIC Group and more than a dozen CITIC entities have filed documents with the SEC concerning aspects of their relationships to U.S. companies. Moreover, various CITIC Group entities (prior to government ownership) obtained annual outside audits and are thus aware of and reported to their investors the results of their operations in accordance with generally accepted accounting principles. For example, in the 2009 Annual Report of CITIC Bank International, Ltd., the Notes to the Financial
Statements specifically stated: "The consolidated financial statements for the year ended 31 December 2009 comprise the bank and its subsidiaries ..." The Notes further define a subsidiary as an entity the bank controls, explaining that: "Control exists when the [bank] has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account." Clearly, members of the CITIC Group are not only familiar with the necessity and importance of SEC filings, but of the core accounting principle at issue here, to wit, only consolidating the results of entities owned or otherwise controlled, e.g., by voting rights, by the reporting corporation.

88. CITIC’s marketing material not only touts its investing and management acumen, but its excellence, as a trust, in the area of “fiduciary assets” – assets held and managed in trust for another and not used for one’s own benefit:

“CITIC Trust is the industry leading and large state-owned trust direct supervised by the CBRC [China Banking Regulatory Commission]...CITIC Trust has advanced management concepts, deep investment experience, strictly regulated internal control system, project review procedures and processes and excellent project teams. CITIC Trust received the ‘Best Trust Award’ in 2009. The following indicators were ranked first for 3 consecutive years in the industry: **fiduciary assets**, integrated financial management capacity and professional ability." 8 (emphasis supplied)

Consequently, CITIC was aware that Zhao and others of Puda’s officers and directors owed a fiduciary duty to Puda’s shareholders only to use Puda’s assets to benefit the Puda and its shareholders – not Shanxi Coal which, after September 3, 2009, Puda in no way owned or controlled.

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8 See “CITIC Juxinhujin Coal Industry Investment Fund No. 1 Collective Trust Plan: Promotion Information for Priority Level Innovation & Research Department, July 2010” (the “July 2010 Marketing Report”), Slide 9.
89. In July 2010, CITIC established the CITIC Fund I (the "CITIC Fund I" or the "Fund").

90. On or about July 15, 2010, Zhao transferred 49% of the shares of Shanxi Coal to CITIC, in exchange for 100% of the ordinary share class in the CITIC Fund I (the "Share Transfer"). CITIC immediately installed one of its high-ranking officers on Shanxi Coal's board of directors.

91. Several days later, on July 19, 2010, Zhao pledged the remaining 51% of Shanxi Coal’s shares to CITIC as collateral for a loan from CITIC in the amount of RMB 2.5 billion. This loan had to be repaid by Shanxi Coal within three years at 12.5% annual interest and 2% annual fees (the "Loan"). In November 2010, the size of the Loan was increased to RMB 3.5 billion and in January, 2011, the size of the Loan was again increased, to RMB 5 billion. (The 12.5% annual interest rate and 2% annual fees remain unchanged).

92. The proceeds of the CITIC Fund I were intended to be used to purchase Shanxi Coal. According to The Third Report, under the heading "Use of Proceeds," the report states that as of April 30, 2011 CITIC Fund I had used total capital of RMB 3.01654 billion to purchase Shanxi Coal’s assets.

93. The Fund’s marketing materials further confirm that the Fund was formed solely to invest in Shanxi Coal. Slide 3 of the July 2010 Marketing Report, entitled “Key Elements of [This] Financial Products” describes the “investment portfolio” of the Fund, stating that the

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10 The Fund had two other share classes, “priority” and “intermediate.”

11 Exchange Rate USD 1 = 6.77 RMB.
Fund’s primary purpose would be the acquisition of Shanxi Coal’s eight coal mines and three coal washing plants’ economic interest and then the subsequent resale of those same assets back to Shanxi Coal for a premium.

94. CITIC Fund I reported that it spent 1.5 RMB acquiring two coal mines on behalf of Shanxi Coal. (Third Report at 2).

95. According to CITIC, the Fund and Shanxi Coal also had a joint bank account with approximately RMB 616.54 million in cash. CITIC allowed Shanxi Coal to use 500 million RMB from that account to acquire equity in two mines. (Third Report at 2).

96. Puda completed two public offerings to U.S. investors, one in February 2010 and the other in December 2010. As detailed above, at ¶¶77-82, Puda’s public statements and SEC filings from February 2010 through December 2010 contain materially false and misleading statements regarding Puda’s ownership of Shanxi Coal and the sources of funding for Shanxi Coal’s operations. Puda’s consolidated financial statements likewise contain these same materially false and misleading statements.

97. CITIC was fully aware of and expected to benefit from Puda’s public stock offerings. As stated in the July 2010 Marketing Report in a slide entitled “Subscription Benefits,” CITIC touted to investors that it intended to cooperate with Shanxi Coal and take advantage of Puda’s “strength in resources.” July 2010 Marketing Report, Slide 18.

98. By virtue of the Share Transfer, the Loan and pledge, CITIC, through the Fund, owned and/or controlled all of Shanxi Coal. Because of its total control of Shanxi Coal, CITIC possessed the ability to control, and did control, the actions of Puda and Zhao.

99. The relationship between Shanxi Coal and CITIC benefitted all involved except for Puda’s U.S. investors: CITIC and Zhao knew that CITIC’s fundraising ability would
ensure that Puda had sufficient funds to complete multiple acquisitions pursuant to the lucrative government consolidation program and that Puda’s public offerings in the U.S. could not be conducted without demonstrated progress towards that goal. Puda’s fraud was thus directly dependent upon CITIC Trust’s participation and assistance therein. CITIC, in turn, obtained ownership and control over Shanxi Coal’s growing mine operations, reaped significant management fees, and was able to pay dividends to its investors from the funds raised from U.S. investors in Puda’s public offerings.

B. CITIC’s Absolute Control Over Shanxi Coal

100. CITIC’s July 2010 Marketing Report repeatedly makes clear that CITIC had absolute control over Shanxi Coal.

101. Slide 8 of the July 2010 Marketing Report expressly touts CITIC’s “absolute control” of Shanxi Coal.

102. In a slide entitled “Advantage 4: Stable product revenue and little investment risk” CITIC lists as one of the advantages “100% control of [Shanxi Coal’s] equity through transfer of 49% of shares, and pledge of 51% of shares and management arrangement, our company achieved 100% equity control of Shanxi Coal.” The slide goes on to emphasize: “Equity value of the coal company is huge, and CITIC Trust [sic] used transfer of shares, Pledge of shares and a management arrangement to achieve the absolute control of Shanxi Coal. This effectively ensured the safety of principal and income of investors.” July 2010 Marketing Report, Slide 8.

103. CITIC’s July 2010 Marketing Report further described the various ways in which it controlled Shanxi Coal through the CITIC Fund I, emphasizing that it would be involved in directing its daily financial operations: “CITIC Trust will supervise Shanxi Coal’s
daily operation very closely: Strictly control cash flow out; strictly supervise cash flow came from investment and fund raising activity; make sure Shanxi Coal maintains its solvency and debt repayment ability.” July 2010 Marketing Report, Slide 13 (emphasis added).

104. CITIC Trust also assured its investors that it would control risk by playing an active role in the management of Shanxi Coal:

“Risk Control Measure (1): Active Involvement in Management

Onsite directors: CITIC Trust will send a director to Shanxi Coal during the project period to participate in the company’s decision making. The independent director will have critical veto rights of the company’s major issues.

Supervision & Audit [CITIC Trust will] Hire a professional agency to assist the supervision of Shanxi Coal’s financial situation and production. If there is any negative significant matter, CITIC Trust has the right to request Shanxi Coal to take remedial measures or pay additional guarantee, otherwise will have the right to accelerate maturity.

Trust accounts. The trust plan will open a bank account with the Everbright Bank for receipt of cash and accrual of trust benefits and payment of all other trust expenses.”

See July 2010 Marketing Report, Slide 15 (emphasis supplied).

105. CITIC also controlled Shanxi Coal’s expenditures: “When Shanxi Coal acquires other coal mining resources and has expenses for other major investment: [Shanxi Coal] … Must get approval from CITIC Trust.” July 2010 Marketing Report, Slide 16

106. Indeed, CITIC controlled Shanxi Coal’s ability to raise funds, including its ability to conduct stock offerings: “Risk Control Measure (2) … Financing Management: When Shanxi Coal uses mining certificates or other assets for financing [inter alia, it]: Must get approval from CITIC Trust.” July 2010 Marketing Report, Slide 16 (emphasis supplied).
107. CITIC Trust additionally dictated that Shanxi Coal’s asset-liability ratio could not exceed 70% and that it had the right to hire a professional agency to assist in supervising Shanxi Coal’s finances, among other things. July 2010 Marketing Report, Slides 16 and 17.

108. CITIC stated that it intended to use Puda’s financial resources for the benefit of Shanxi and CITIC – “Potentially utilize Puda Group’s two public listed companies’ resources for capital operation”. July 2010 Marketing Report, Slide 18.

109. As promised to its investors, CITIC did “send a director to Shanxi Coal...[who] will have critical veto rights to the company’s major issues.” On or around July 15, 2010, CITIC’s Deputy Party Secretary, Jingsheng Lu, was elected as one of the three members of the Board of Directors of Shanxi Coal. The other two member of the Board of Directors of Shanxi Coal are Zhao and Wei Zhang -- the other owners of Shanxi Coal, following the September 3, 2009, transfers away from Puda.

110. CITIC Trust’s control over Shanxi Coal is also evidenced by its knowledge and control over the disposition of the remaining 51% of Shanxi Coal’s shares, pledged to CITIC. These shares, which already had a history of rapid-fire transfer, continued to change hands several times, from July 2010 to August 2011, in an attempt to conceal the fraud.

111. Commencing in March 2010, the 51% ownership interest in Shanxi Coal’s shares was transferred from: (1) Zhao and Wei Zhang to Puda Mining; (2) Puda Mining to a party called Shanxi Longxing Coke Co., Ltd., also in March 2010; (3) Shanxi Longxing Coke Co., Ltd. back to Ming Zhao and Wei Zhang, in April 2010; and (4) Ming Zhao and Wei Zhang back to Puda Mining, in December 2010.

112. As a sophisticated private equity firm, CITIC knew that the series of transfers described above – which occurred just months before CITIC invested in Shanxi Coal -- were
extremely suspect and were not approved by the Board of Directors or prior owners of Puda, BVI and Putai or disclosed to Puda’s U.S. shareholders. Because of the pecuniary benefits it expected to derive from its relationship with and control over Shanxi Coal, and knowing Puda was filing statements with the SEC claiming that it still owned 90% of Shanxi Coal, CITIC assisted Zhao in perpetrating a fraud on Puda’s public shareholders in the U.S.

113. After July 2010, however, it was CITIC Trust, pursuant to the Loan to Shanxi Coal and Pledge, which now had the power to control the remaining 51% equity interest in Shanxi Coal.

114. In December 2010, just as Puda was conducting its secondary stock offering, the 51% interest in Shanxi Coal that was pledged by Ming Zhao and Wei Zhang to CITIC as collateral for the Loan was suddenly transferred to Puda Mining, and thus to Putai and Puda. This transfer was done with the knowledge and approval of CITIC – in a clumsy effort to cover up Zhao and CITIC’s theft of Shanxi coal prior to the public offering.

115. Consequently, at CITIC’s behest, the 51% interest in Shanxi Coal was transferred back to Zhao (and pledged back to CITIC) in August, 2011. Specifically, according to a CITIC Fund I management report dated October 19, 2011, “In August 2011, upon CITIC Trust’s approval, Puda Mining’s 51% interest in Shanxi Coal was transferred to Ming Zhao, the in-fact control person of Shanxi Coal. For the purpose to assure Shanxi Coal to perform its obligations under the main contact, the 51% of Shanxi Coal now owned by Ming Zhao was pledged to CITIC again.” (emphasis added).  

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12 A somewhat different chain of ownership was set forth in Puda’s SEC filing on Form 8-K on September 1, 2011, “Government registry documents also demonstrate that, on or about April 26, 2011, the ownership of Puda Mining was transferred from Putai (99.55%) and Ming Zhao (0.45%) to Ming Zhao (99%) and Wei Zhang (1%), respectively, but Ming Zhao, through counsel, provided phony documents to the Audit Committee showing that, as of August 3,
116. Thus, since the creation of the CITIC Fund I in July 2010 and its acquisition of Shanxi and related Loan and Pledge, CITIC Trust has exercised complete and total control over Shanxi Coal, and directly and indirectly through Zhao, exercised control over all of the assets and operations of Puda.

C. CITIC’s Other Coal Mining Business Deal with Zhao

117. CITIC’s coal mining deals with Zhao were not limited to Shanxi Coal and Puda. According to CITIC’s marketing materials, Zhao also controls King Stone Energy (Hong Kong exchange: “KSE”), owning 65% as of June 2010. KSE’s ties to CITIC include:

- In April 2011, KSE announced that it was setting up a joint venture with CITIC to form a fund that would invest in coal mines and related industries;
- On July 12, 2011, Beijing Juxintaihe Energy Investment Fund Management Co., Ltd. (“Juxintaihe Fund”) was established by CITIC and KSE’s subsidiary Shanxi Puhua. Juxintaihe Fund’s CFO and representative is Shuxue Pang, one of CITIC Fund I’s managers;
- On August 26, 2011, Daoyuan Wang -- a CITIC vice president, and Feng Li -- the head of CITIC’s Innovation Department and the major promoter of CITIC Fund I, were appointed as non-executive directors of KSE;

There was therefore substantial overlap between CITIC and KSE, and Zhao worked closely with some of the same individuals at both CITIC and KSE.

118. The SEC issued a Wells notice to Puda in December 2011 and in February 2012, the SEC sued Zhao and Zhu for securities fraud. Puda’s fraud, which was dependent 2011, the ownership of Puda Mining had been transferred back to Putai (99.55%) and Ming Zhao (0.45%).” Regardless of who owned the shares in the interim, they have always been pledged to CITIC and are not owned by Puda – either directly or indirectly.
upon CITIC’s participation, was heatedly discussed in the media in both the U.S. and China. Amid this controversy, both Daoyuan Wang and Feng Li resigned from the KSE Board.

D. **CITIC Was a Culpable Participant in Zhao’s Fraud**

119. CITIC Trust, as one of the largest fund management companies in China and a constituent organization of the CITIC Group, one of the largest financial conglomerates in China and the world, unquestionably investigated the legitimacy of the Share Transfer and the Loan. Therefore, CITIC, a sophisticated asset management firm, knew that the transfer of Puda’s operating business from Putai to Zhao was not approved by Puda’s board of directors, and a breach of fiduciary duty to Puda and its U.S. shareholders.

120. Chinese law allowed CITIC to check the transfer record of Shanxi’s ownership. According to the amended Measures for Inquiry of the Files of Enterprise Registration, “[all] organizations and individuals may inquire about the registration information of enterprises to obtain hardcopy of the filings, and they may also verify the softcopy of such information on site at the SAIC office.” Such registration information includes each historic and current owner on record. Checking the transfer records of Shanxi’s ownership would have been a common and standard procedure on the part of any party to a financial transaction, no less a sophisticated party such as CITIC.

121. It is standard business practice that prior to acquiring a business in China (whether a partial or complete share acquisition), the acquirer will check the registration information of the target corporation in the SAIC office to determine, among other things, the names of the shareholders of the business. PRC law requires all shares transfers to be promptly registered with the SAIC.
122. Since CITIC registered with SAIC its acquisition of 49% share ownership Shanxi and also registered the pledge of Shanxi shares to CITIC in July 2010, it necessarily reviewed the SAIC files and saw that Zhao had fraudulently transferred ownership of Shanxi to himself in September 2009. This is particularly true, since CITIC Fund I’s offering documents and shareholder reports acknowledge the existence of Puda as a U.S. public company run by Zhao that will be providing financial resources to Shanxi.

123. In conducting its due diligence for its purchase of 49% of Shanxi Coal from Ming Zhao, CITIC would have readily been alerted to the fact that Shanxi Coal was Puda’s sole asset, and that the 90% owner prior to September 2009 was Putai -- a WFOE (wholly foreign-owned entity) of a U.S. public company. As an experienced trust management firm, CITIC would have known that the corporate signature, or “chop”, of the WFOE’s legal representative alone was not sufficient to execute a transfer of assets, and thus that the Share Transfer was fraudulent.

124. According to Puda’s Audit Committee investigation, there were other changes in ownership in the 49% stake in Shanxi Coal preceding its transfer to CITIC Trust, which would have raised red flags during a due diligence investigation. For example, after Putai allegedly transferred Shanxi Coal’s ownership to Zhao in September 2009, government registry documents show that Zhao signed documents that permitted a company called Shanxi Longxing Coke Limited (“Longxing Coke”) to temporarily become a majority shareholder of Shanxi Coal briefly, during March and April 2010, before transferring the shares right back to Zhao. Any experienced private equity firm would have consulted the SAIC records and found these frequent transfers to be an alarming “red flag.”
125. Even in the unlikely event that CITIC did not check the SAIC records for all transfers of Shanxi Coal equities, there is proof that it became aware of at least one very recent transfer: Shanxi Coal’s by-laws, dated July 15, 2010, were signed by Zhao and Wei Zhang and stamped by CITIC. These by-laws show that Zhao’s shares were acquired in March 2010, just four months before the transfer to CITIC.

126. CITIC’s significant investment in Shanxi Coal warranted CITIC’s performance of an in-depth due diligence investigation concerning Shanxi Coal. CITIC’s 49% of Shanxi Coal was valued by CITIC at $165mm. In addition, CITIC sold Chinese investors $443mm in Preferred Shares in CITIC Trust I, and CITIC loaned Shanxi over $500mm at 14.5% interest, which was secured by a 51% interest in Shanxi. CITIC itself valued Shanxi at $2.3 billion. These large investments merited CITIC’s due diligence into whether Zhao was the proper legal owner of Shanxi Coal when he transferred 49% of Shanxi to CITIC. 13

127. Puda conducted its second public offering of 9,000,000 shares to public investors in December 2010, raising $100 million for what was an essentially a shell company. At the time of this offering CITIC effectively owned and controlled all of Shanxi Coal via the Share Exchange and Loan. CITIC therefore participated in issuing the false and misleading prospectus because it knew that Puda was selling stock in what was essentially a shell company and that the proceeds of the sale – Puda’s only real assets – would be down streamed by Zhao and other officers and directors of Puda to Shanxi Coal for CITIC’s benefit.

VII. PUDA’S MATERIALLY FALSE AND MISLEADING STATEMENTS REGARDING OWNERSHIP OF SHANXI COAL.

13 While Zhao falsely claimed that he was holding the shares of Shanxi Coal for the benefit of U.S. investors, CITIC cannot claim it relied on or believed this false claim because Zhao stated that he never disclosed to CITIC that he was not the beneficial owner of the shares he was selling.
128. Even though Zhao had come to possess 99% ownership of Shanxi Coal and Puda’s ownership had been reduced to nothing, the Company represented during the Class Period that Shanxi Coal was still 90% owned by Putai, and hence, that Puda indirectly owned 90% of Shanxi Coal.

129. The Company’s Q3 2010 Form 10-Q represented that “[t]he owners of Shanxi Coal were Putai (90%), Mr. Ming Zhao (8%) and Mr. Yao Zhao (2%)” and that “[i]n May 2010, Mr. Yao Zhao transferred his 2% ownership to Mr. Ming Zhao.” The Company’s FY 2010 Form 10-K also similarly represented that “Putai became a 90% owner of Shanxi Coal, and Mr. Ming Zhao and Mr. Yao Zhao owned 8% and 2%, respectively” and that “[i]n May 2010, Mr. Yao Zhao transferred his 2% ownership to Mr. Ming Zhao.”

130. These statements regarding Putai/Puda’s ownership interest in Shanxi Coal in Puda’s Q3 2010 Form 10-Q and FY 2010 Form 10-K filed with the SEC were made while CITIC controlled Puda’s assets and were materially false and misleading when made because, as of September 2009, Puda did not maintain any ownership interest in Shanxi Coal. Additionally, the Company’s FY 2010 Form 10-K represented that “[t]he operations of Shanxi Coal are [Puda’s] sole source of revenues.” These statements were materially false and misleading when made because Puda did not maintain any ownership interest in Shanxi Coal. In fact, the exact opposite was true: In 2010, Shanxi Coal twice received funds from Puda’s stock sales to U.S. investors; thus, Puda’s sole assets were being transferred to Shanxi Coal.

131. Because CITIC had complete control over Shanxi Coal as of July 2010, via its stock ownership and veto power, its strict supervision of daily operations, its management position, and its ability to dictate expenditures and approve all financing transactions, it was it both CITIC’s interest and Zhao’s – as the owner of a 51% interest in Shanxi Coal that was
pledged in exchange for the very sizable Loan – for Puda to appear to be the owner of Shanxi Coal, so that more than $100 million (USD) could be raised and down streamed from Puda to its purported subsidiary. Because CITIC, through Zhao, controlled Puda’s only asset – the money it raised in public offerings -- CITIC is liable for Puda’s false and misleading financial statements contained in the Q3 Form 10-Q and 2010 Form 10-K.

132. CEO Zhu was aware of the transfer of the 90% interest in Shanxi Coal away from Puda to Zhao at the time of the initial transfer but did not disclose it to anyone. CFO Wu, who had previously been employed as an auditor by and Ernst & Young affiliate and, in a prior job, was responsible for both audits and internal control design, was highly reckless in making these statements, because she should have uncovered the theft of Shanxi Coal from Puda.

133. Zhao, Zhu and Wu’s scienter may be imputed to Puda.

VIII. ZHU AND WU MADE MATERIALLY FALSE AND MISLEADING SARBANES-OXLEY CERTIFICATIONS

134. Puda’s Q3 Form 10-Q, covering the three-month period ending on September 30, 2010, filed on November 15, 2010, contained the following certification required by Section 906 of the Sarbanes-Oxley Act of 2002, signed by Zhu and Wu: “This Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010 of the Company fully complies with the requirement of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.”

135. In addition, Zhu and Wu separately executed disclosures required by rules promulgated under the Securities Exchange Act of 1934, concerning the accuracy of Puda’s financial reporting as well as representations about Puda’s internal controls and potential fraud:

1. I have reviewed this Quarterly Report on Form 10-Q of Puda Coal, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designated under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the
registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

136. Each of Zhu’s and Wu’s certifications were materially false and/or misleading when made because Puda failed to disclose or indicate the following: (1) that Zhao had transferred ownership/shares of Shanxi Coal to himself; (2) that Zhao had sold 49% of Shanxi Coal; (3) that Zhao had pledged a 51% interest in Shanxi Coal to CITIC as collateral for a loan; (4) that, as a result, Puda did not possess the ownership interests in Shanxi Coal that the Company claimed to possess; (5) that the Company’s internal controls were ineffective and fraught with material weaknesses; and (6) that the Company’s financial statements were materially false and misleading and not presented in accordance with GAAP.

137. According to the Audit Committee’s investigation, CEO Zhu was aware of the transfer of the 90% interest in Shanxi Coal away from Puda to Zhao at the time of the initial transfer but did not disclose it to anyone. CFO Wu, who had previously been employed as an auditor by and Ernst & Young affiliate and, in a prior job, was responsible for both audits and internal control design, was highly reckless in making these statements, because she should have uncovered the theft of Shanxi Coal from Puda. Zhu’s and Wu’s scienter may be imputed to Puda.

138. CITIC, which had used Puda’s status as a publicly-traded company as a selling point to its own investors, was aware that Puda was required to file this quarterly report on
Form 10-Q, covering the quarter in which CITIC took total control of Shanxi Coal. The issuance of the false and misleading Form 10-Q furthered the fraudulent scheme to raise money from U.S. investors under false pretenses. CITIC participated in Puda’s issuance of these false and misleading Sarbanes-Oxley certifications by virtue of its control over Shanxi Coal, Zhao and Puda.

139. Puda’s Form 10-K for 2010, filed on March 16, 2011, contained the same certifications executed by Zhu and Wu, for the reasons stated above, the statements were false and misleading and made with scienter, Zhu’s and Wu’s scienter may be imputed to Puda, and CITIC may be held liable for the issuance of a Form 10-Q it too knew to be false and materially misleading because of its control of Shanxi Coal, Zhao, and Puda.

X. MATERIALLY FALSE AND MISLEADING STATEMENTS CONTAINED IN THE DECEMBER OFFERING DOCUMENTS

140. On December 8, 2010, Puda issued a press release announcing that it intended to sell its common stock in an offering underwritten by Macquarie and Brean. In connection with the December Offering, Puda filed with the SEC a series of Registration Statements and Prospectuses (beginning with an initial prospectus on October 29, 2010) (collectively, the “December Offering Materials”).

141. The Registration Statement and/or Prospectus filed with the SEC in connection with the December Offering were signed by Zhu, Wu, Zhao, Ni, Tang and Wizel, and expressly incorporated Puda’s false and misleading FY 2009 Form 10-K, Q1 2010 Form 10-Q, Q2 2010 Form 10-Q, and Q3 2010 Form 10-Q. As a result, the December Offering Materials were materially false and misleading because they incorporated false and misleading financial and other statements from those reports.
142. The Company’s Registration Statement and Prospectus for the December Offering made material misstatements, including that: (1) “[t]he owners of Shanxi Coal were Putai (90%), Mr. Ming Zhao (8%) and Mr. Yao Zhao (2%);” (2) Shanxi Coal was 90% owned by Puda/Putai; and (3) Shanxi Coal’s results of operations were properly consolidated into and reported with Puda’s when they should not have been.

143. The Registration Statement and Prospectus also suffered from the following material omissions: (1) that Zhao had transferred ownership/shares of Shanxi Coal to himself; (2) that Zhao had sold 49% of Shanxi Coal; (3) that Defendant Zhao had pledged a 51% interest in Shanxi Coal as collateral to CITIC for a loan; (4) that, as a result, Puda did not possess the ownership interests in Shanxi Coal that the Company claimed to possess; (5) that the Company lacked adequate internal and financial controls; and (6) that the Company’s financial statements were materially false and misleading and not presented in accordance with GAAP.

144. CITIC, which had used Puda’s status as a publicly-traded company as a selling point to its own investors and expected to benefit from Shanxi Coal’s receipt of as much as $100 million in proceeds from the secondary offering, was aware that Puda was required to file a Registration Statement and Prospectus so that investors could make fully-informed decisions regarding the purchase of Puda’s stock. CITIC participated in Puda’s issuance of the materially inaccurate December Offering Materials by virtue of its control over Shanxi Coal, Zhao and Puda.

XI. LOSS CAUSATION

145. Defendant’s wrongful conduct, as alleged herein, directly and proximately caused the economic losses suffered by Plaintiffs and the Class.
146. On or about April 8, 2011, Alfred Little published a research report on the Internet entitled, "Puda Coal Chairman Secretly Sold Half the Company and Pledged the Other Half to Chinese PE Investors." The report challenged Puda’s representations about its 90% ownership of Shanxi Coal. The report stated, in relevant part:

Chinese RTO Puda Coal, Inc. (NYSE AMEX: PUDA) Chairman Ming Zhao transferred the ownership of PUDA’s sole Chinese operating entity, Shanxi Puda Coal Group Co., Ltd (“Shanxi Coal”), to himself in 2009 without shareholder approval according to official government filings. Then, in 2010 Zhao sold 49% and pledged the other 51% of Shanxi Coal to CITIC Trust Co., Ltd (“CITIC”), a Chinese private equity fund, for RMB245 million ($37.1 million). Zhao then recklessly leveraged Shanxi Coal by borrowing RMB3.5 billion ($530.3 million) from CITIC at an incredibly high 14.5% annual interest rate (including fees) to finance the development of its coal mines. PUDA shareholders are completely unaware of these transactions that decimate the value of its U.S. listed shares.

* * *

PUDA COAL Chairman Ming Zhao Takes Action, Stealing Shanxi Coal from U.S. Shareholder

In order to raise money domestically, Zhao needed to sever the direct foreign shareholder ownership of Shanxi Coal, PUDA’s sole Chinese operating subsidiary. On 9/3/09, Yao Zhao (Ming Zhao’s brother and the legal representative of PUDA’s WFOE, Shanxi Putai Resources Limited, “Putai”) illegally authorized Putai to transfer 90% of Shanxi Coal to Ming Zhao, adding to the 8% Ming Zhao already held. Additionally, Yao Zhao divided his own 2% of Shanxi Coal between Ming Zhao and Wei Zhang. An official copy of the “Notification of Share Registry Change” can be downloaded here, including a partial translation. The transfers resulted in Ming Zhao owning 99% of Shanxi Coal, leaving U.S. investors with nothing. Incredibly, PUDA’s auditor, Moore Stephens, failed to catch this theft of an entire company that is clearly documented in government ownership filings that any lawyer can obtain direct from the source.

After stealing Shanxi Coal from U.S. investors, Ming Zhao began looking for domestic investors to fund his aggressive expansion plans. At the same time, Zhao brazenly continued trying to raise money for PUDA in the U.S., despite the fact PUDA (without Shanxi Coal) was just a shell company. As U.S. capital markets recovered, on 2/18/10 PUDA sold 3.284 million shares in a public offering underwritten by Brean Murray and Newbridge Securities raising $14.5 million (8-K here), without disclosing to the investors that PUDA no longer owned Shanxi
Coal, its sole operating subsidiary in China. Why did Brean Murray fail to perform any basic legal due diligence on the real ownership of Shanxi Coal?

**Chairman Zhao Sells Half of Shanxi Coal and Borrows $530.3 Million at 14.5%**

In July 2010, Zhao recklessly accepted a highly leveraged RMB2.745 billion ($416 million) equity and debt investment from the $31.3 billion Chinese private equity arm of China International Trust and Investment Company (“CITIC”, website here). On 7/15/10 Zhao sold 49% of Shanxi Coal to CITIC for RMB245 million ($37.1 million) and pocketed the proceeds. An official copy of the “Notification of Share Registry Change” can be downloaded here, including a partial translation. On 7/19/10 Zhao and Zhang pledged the other 51% of Shanxi Coal to CITIC as security so that the company could obtain a 3-year loan for RMB2.5 billion ($379 million) at a cost of 14.5% (annual interest plus fees) from CITIC. (Note: Zhao pledged 50% and Wei Zhang pledged his 1% of Shanxi Coal to CITIC so that the entire remaining 51% of the company was thus pledged to CITIC). The loan was subsequently increased to RMB3.5 billion ($530.3 million), bringing the combined investment to RMB 3.745 billion ($567.4 million).

* * *

**Chairman Zhao Secretly Returns a Portion of the Shanxi Coal to the Rightful Owner** In a partial attempt to cover up his theft of the company, Chairman Zhao and Wei Zhang transferred their pledged 51% interest in Shanxi Coal to Shanxi Puda Mining Industry Ltd (“Puda Mining”), a former 100% owned subsidiary of Shanxi Coal that, through suspicious shareholder shuffling, Zhao maneuvered to make it the 51% parent of Shanxi Coal. Puda Mining’s 51% interest in Shanxi Coal continues to be completely pledged to CITIC. According to the government filing, Puda Mining shares are now 90% owned by Putai (the WFOE), 8% Ming Zhao and 2% Yao Zhao. Following these transfers, PUDA now owns only 45.9% (90% of 51%) of Shanxi Coal, about half of the 90% PUDA owned before Chairman Zhao began his shenanigans.

**PUDA’s 2009 and 2010 Audited Financials can No Longer be Relied Upon**

Since Ming Zhao stole 99% of Shanxi Coal in 2009, the operating company’s 2009 and 2010 financials should not have been consolidated into PUDA’s 2009 and 2010 audited financials. PUDA’s audited 2009 and 2010 financials can thus no longer be relied upon. For 2011, even though Zhao recently returned 45.9% of Shanxi Coal to PUDA through its 90% ownership of Puda Mining (the 51% owner of Shanxi Coal Puda Mining’s 1% interest in Shanxi Coal is entirely pledged to CITIC).

(Emphasis in original).
147. On this adverse news, the Company’s shares immediately declined $3.10 per share, or 34.1%, to close on Friday April 8, 2011, at $6.00 per share, on unusually heavy trading volume, wiping out more than $161 million in Puda’s market capitalization. Trading of the Company’s shares was halted prior to the start of trading on Monday April 11, 2011, by the NYSE Amex at approximately 8:20 a.m.

148. On April 11, 2011, the Company issued a press release announcing that it was conducting an investigation into the allegations and that “[a]lthough the investigation is in its preliminary stages, evidence supports the allegation that there were transfers by Mr. Zhao in subsidiary ownership that were inconsistent with disclosure made by the Company in its public securities filings.” The press release further disclosed that Zhao had agreed to a voluntarily leave of absence as Chairman of the Board of the Company until the investigation was complete.

149. In a last-minute effort to avoid liability as a result of the fraudulent transfers, in a press release dated April 29, 2011, Zhao offered to buy the Company for $12 per share.\textsuperscript{14} The press release further announced that Puda’s Audit Committee intended to review and negotiate the terms of the sale and that the Company was “continu[ing] to investigate the allegations raised in a recent article alleging various unauthorized transactions in the shares of a subsidiary company, Shanxi Coal, by Mr. Zhao” and that Puda intended “to provide further information when the investigation [was] complete.”

\textsuperscript{14} On May 3, 2011, Alfred Little published an additional article on the investing website “Seeking Alpha” lambasting Zhao’s ability to obtain funding for a $12 per share offer for the shares of Puda that he did not already own. In particular, the article stated “Shanxi Coal’s 2011 cash flow is insufficient [to] cover the $76.9 million interest and fees payable to CITIC in 2011.... Therefore adding $246 million debt [the amount needed to purchase the outstanding shares at $12 per share] to Shanxi Coal in 2011 is impossible and certainly would not be in the best interests of CITIC [which controls Shanxi Coal].”
150. Zhao’s promised $12.00 per share buyout offer never materialized and appears to have been nothing but his desperate effort to stave off a collapse of Puda’s share price in the wake of the revelation of his fraud.

151. On June 24, 2011, Puda disclosed that it had received a notice from the NYSE Amex indicating that the Company was not in compliance with its listing standards and that “[i]n order to maintain its listing, the Company must submit a plan of compliance by July 5, 2011 to demonstrate its ability to regain compliance with the applicable continued listing standards by no later than September 20, 2011.”

152. On July 12, 2011, the Company announced that it had received a resignation letter from its outside auditor, Moore Stephens, on July 7, 2011. In its resignation letter, Moore Stephens disclosed that Puda’s financial results for the fiscal years ending 2009 and 2010 should no longer be relied upon.

153. On July 25, 2011, the Company issued a press release stating its intent to regain compliance with NYSE Amex’s listing standards.

154. On August 10, 2011, the Company issued a press release announcing its receipt of the delisting notice from the NYSE Amex on August 4, 2011. Therein, the Company, in relevant part, stated:

On August 4, 2011, NYSE Amex (the “Exchange”) notified Puda Coal, Inc. (NYSE Amex: PUDA) (the “Company”) that the Exchange intends to delist the Company’s common stock from the Exchange by filing a delisting application with the SEC pursuant to Section 1009(d) of the NYSE Company Guide. The Staff of the Exchange determined that it is necessary and appropriate for the protection of investors to initiate immediate delisting proceedings. The Staff based its decision on the reasons that (i) the Company is subject to delisting pursuant to Sections 134 and 1101 of the NYSE Company Guide in that the Company did not timely file its reports with the SEC; (ii) the Company is subject to delisting pursuant to Section 1003(f)(iii) of the NYSE Company Guide in that the Company or its management engaged in operations which, in the opinion of the Staff, are contrary to the public interest; (iii) the Company is
subject to delisting pursuant to Section 132(e) of the NYSE Company Guide in that the Company’s communications contained material misstatements or omitted material information necessary to make such communications to the Exchange not misleading; and (iv) the Company is subject to delisting pursuant to Section 1002(e) of the NYSE Company Guide in that the an event has occurred or a condition exists which makes further dealings of the Company’s securities on the Exchange unwarranted. (Emphasis supplied.)

155. Then, on August 18, 2011, just a few weeks after it issued a press release announcing to its shareholders its intent to regain compliance with the NYSE Amex listing standards, Puda issued a press release stating that it did not intend to comply with the listing standards and that it expected to be delisted from the NYSE Amex immediately. The Company also announced its continued review of Zhao’s buy-out proposal, stating:

Neither the Company nor the Independent Committee can provide any assurances that a definitive agreement will be executed or approved or that a transaction will be consummated or the timing of such. In addition, the Company's audit committee is in the process of engaging a successor independent accounting firm.

156. Additionally, on August 18, 2011, after more than four months, the trading halt of Puda’s shares was lifted. As soon as trading of the Company’s shares resumed, Puda’s shares steeply declined by $1.90 per share, nearly 32%, from the April 8, 2011 closing price of $6.00 per share, to close of $4.10 per share on August 18, 2011, on heavy trading volume. The Company’s shares further declined $0.87 per share, more than 21%, to close, on Friday, August 19, 2011, at $3.23 per share, also on heavy trading volume. Over these two days, Puda’s shares lost 46.17% of their value. Trading of the Company’s shares was once again halted prior to the start of trading on Monday August 22, 2011.

157. On September 1, 2011, Puda’s Audit Committee disclosed its interim findings of its internal investigation, which essentially confirmed the fraudulent transfers, while
maintaining that it was unable to confirm or deny Zhao's representation that its 49% transfer was not actually funded by CITIC. Therein, the Company, in relevant part, stated:

**Item 8.01 Other Events**

As disclosed in the current Report on Form 8-K on April 12, 2011, on April 9, 2011 the Audit Committee of Puda Coal, Inc. (the “Company”) was authorized by the Company’s Board of Directors to investigate the allegations raised in an article published online by a short seller of the Company’s stock, Alfred Little, on April 8, 2011. In the article, Alfred Little alleged that Ming Zhao, the Chairman of the Company’s Board of Directors, engaged in a number of undisclosed transactions involving the ownership of Shanxi Puda Coal Group Co., Ltd. (“Shanxi Coal”), and the Company’s operating subsidiary in China. On August 30, 2011, the Audit Committee presented its interim findings to the Company’s Board of Directors.

The investigation has been constrained by certain limitations, including, among other things, the lack of cooperation by key individuals, limited access to individuals in China who have knowledge of the allegations, and restrictions on evidence gathering in China. Subject to these and other limitations, below is a summary of the findings of the Audit Committee to date. These findings are interim in nature, do not reflect all of the matters examined in the context of the investigation or all of the conflicting evidence obtained with respect to the matters under investigation, and are subject to revision if additional facts are uncovered.

(1) Allegations Concerning the Transfer of 90% Ownership of Shanxi Coal to Ming Zhao in September 2009.

The Audit Committee has found that Ming Zhao arranged for Shanxi Putai Resources Limited (“Putai”), another subsidiary of the Company and the parent company of Shanxi Coal, to transfer its 90% ownership (and thereby the Company’s indirect 90% ownership) of Shanxi Coal to himself in September 2009 (the “90% Transfer”) and that Yao Zhao, Ming Zhao’s brother and the legal representative of Putai under Chinese law, authorized the transfer. The Audit Committee has also found that Liping Zhu, the Company’s CEO, President and director on the Board, was aware of the 90% Transfer but did not disclose it to any other director. Ming Zhao contends that this transfer was pursuant to a “Trusted Shareholding Agreement” that granted him merely nominal ownership of Putai’s 90% equity interest in Shanxi Coal but reserved beneficial ownership for Putai, and also states that he effectuated this transfer for a legitimate business purpose — to help Shanxi Coal obtain government approval to become a consolidator of coal mines.

(2) Allegations Concerning the Transfer of 49% of Shanxi Coal to CITIC Trust Co., Ltd. (“CITIC”) for RMB245 Million in July 2010.
The Audit Committee has found that Ming Zhao signed various documents to further transfer 49% of the ownership of Shanxi Coal to CITIC in or around July 2010 (the “49% Transfer”), and that he did not disclose the 49% Transfer to the Audit Committee. Ming Zhao claims that the 49% Transfer was subject to the Trusted Shareholding Agreement discussed above and, as such, beneficial ownership of the 49% equity in Shanxi Coal remained with Putai. Ming Zhao stated, however, that he did not tell CITIC about the Trusted Shareholding Agreement or his “nominal” ownership of Shanxi Coal, nor is there any evidence that the Trusted Shareholding Agreement was filed in any government registry. The investigation did not find any evidence that Ming Zhao personally received any funds from CITIC in exchange for the 49% Transfer, but documents in connection with this transaction, among other things, state that he received consideration in the form of trust units in CITIC’s trust plan.

(3) Allegations Concerning the 3-Year “Loan” from CITIC as Being Initially Funded for RMB2.5 Billion, and then Increased to RMB3.5 Billion.

The Audit Committee has found conflicting evidence with respect to these allegations. The Audit Committee found evidence that would support finding that CITIC loaned money to Shanxi Coal, including but not limited to the following: (a) Ming Zhao signed agreements with CITIC to obtain RMB2.5 billion in financing for Shanxi Coal in July 2010; (b) pursuant to the terms of these agreements, this financing appeared to be a functional equivalent of a “loan” that had to be repaid by Shanxi Coal within three years at a 12.5% annual interest and 2% annual fees; (c) documents reflect that this “loan” increased to RMB3.5 billion in November 2010; (d) CITIC stated in various publications, among other things, that it has funded the “loan” to Shanxi Coal, and Shanxi Coal used such funds to pay for its acquisition of coal mines and for technological upgrades to existing coal mines; and (e) various CITIC representatives orally confirmed the funding of such a “loan.”

The Audit Committee, however, has also found evidence that is inconsistent with the CITIC reports stating that the CITIC “loan” had been funded, including but not limited to: (a) Ming Zhao’s repeated denial that CITIC has funded the “loan” to Shanxi Coal; (b) on August 31, 2011, Ming Zhao, through his counsel, provided the Audit Committee with a letter purportedly from CITIC stating (i) that CITIC has not advanced any funds to Shanxi Coal in connection with the credit facility that CITIC established for Shanxi Coal; and (ii) that none of CITIC Trust or any of its subsidiaries or any of its affiliates has ever brought or will bring any claim in respect of any pledge on or ownership interest in any shares in or assets of Shanxi Coal or any of its affiliates; (c) Ming Zhao’s claims, made through his counsel, that numerous inaccuracies exist in reports issued by CITIC rendering the reports wholly unreliable; and (d) the lack of any documentary evidence demonstrating CITIC’s lending of funds to Shanxi Coal. Ming Zhao, through his counsel, claims that the lack of funding makes the 49%
Transfer and the 51% pledge (discussed below) ineffective, as the transfer and pledge were both part of the overall financing transaction with CITIC.

The investigation into these allegations has been complicated by the general limitations noted above and further by, among other things, claims by Ming Zhao's counsel that Chinese law does not allow Ming Zhao to authorize CITIC to respond to the Audit Committee's requests for interviews and documents, and CITIC's claim that Shanxi Coal will not authorize it to share information based on confidentiality provisions in the agreements between Shanxi Coal and CITIC. As a result, at this time, the Audit Committee cannot verify the authenticity of, or the information contained in, the above-mentioned letter from CITIC, and might not be able to do so unless Ming Zhao, CITIC and other third parties located in China provide verifiable evidence relating to these allegations.

(4) Allegations Concerning Ming Zhao and Wei Zhang's Pledge of Shanxi Coal's Remaining 51% to CITIC as Security Interest for a 3-Year "Loan".

The Audit Committee has found that Ming Zhao and Wei Zhang, a Shanxi Coal employee and a 1% shareholder of Shanxi Coal, signed agreements pledging their 51% equity interest in Shanxi Coal to CITIC in July 2010. Similar to the other transactions with CITIC, the 51% pledge to CITIC was not disclosed to the Audit Committee prior to the Audit Committee's investigation.

(5) Allegations Concerning the Creation of Shanxi Puda Mining Industry, Ltd. ("Puda Mining") as a New Parent Company of Shanxi Coal, the Transfer of 51% of Shanxi Coal to Puda Mining, and Puda Mining's Re-Pledge of 51% of Shanxi Coal to CITIC.

The Audit Committee has found that, in or around March 2010, Ming Zhao caused Puda Mining, which was initially a subsidiary of Shanxi Coal, to become a new parent company of Shanxi Coal without prior disclosure to or approval from the Audit Committee. **Additionally, the Audit Committee has found that Ming Zhao and Wei Zhang transferred their 51% equity interest in Shanxi Coal to Puda Mining in December 2010. The Audit Committee has further found that Puda Mining then re-pledged its 51% equity interest in Shanxi Coal to CITIC. Ming Zhao contends that the Puda Mining pledge of 51% of Shanxi Coal to CITIC is not effective because no funding of the "loan" has occurred.**

(6) Additional Matters Identified during the Investigation.
(a) The Audit Committee has identified a number of instances throughout 2010 and early 2011 when Ming Zhao made affirmative statements (directly and indirectly) to the Company's financial employees and to the Audit Committee that, among other things, Putai owned 90% of Shanxi Coal, without disclosing the 90% Transfer, the
49% Transfer, the purported Trusted Shareholding Agreement, or the transactions with CITIC.

(b) The Audit Committee has identified several additional instances of ownership changes relating to the Company’s Chinese subsidiaries that were also not disclosed to the Audit Committee at the time they were executed. For example, government registry documents show that Ming Zhao signed documents that permitted a company called Shanxi Longxin Coke Limited to temporarily become a majority shareholder of Shanxi Coal in March and April 2010. Government registry documents also demonstrate that, on or about April 26, 2011 the ownership of Puda Mining was transferred from Putai (99.55%) and Ming Zhao (0.45%) to Ming Zhao (99%) and Wei Zhang (1%), respectively, but Ming Zhao, through counsel, provided documents to the Audit Committee showing that, as of August 3, 2011, the ownership of Puda Mining had been transferred back to Putai (99.55%) and Ming Zhao (0.45%). Additionally, in June 2011, Ming Zhao signed “restructuring” agreements that purportedly transfer all assets from Shanxi Coal to Putai and Puda Mining. Ming Zhao states that he transferred these assets to alleviate concerns that CITIC has interest in Shanxi Coal’s assets. No disclosure of these agreements was made to the Audit Committee prior to their execution, nor has Ming Zhao provided any evidence that these asset transfer agreements have been filed in a government registry.

158. Following this adverse announcement, Puda’s shares resumed trading and promptly declined $1.21 per share – a whopping 37.46% -- to close on September 2, 2011, at $2.02 per share, on unusually heavy trading volume.

159. On September 7, 2011, the Company disclosed that the SEC had issued a Wells Notice to Zhao indicating that the SEC intended to file an action against him for violations of the federal securities laws.

160. On September 26, 2011, Puda Coal issued a press release entitled “Puda Coal Received a Resignation Letter from its CEO,” admitting that CEO Liping Zhu issued a fraudulent letter from CITIC to the SEC:

TAIYUAN, China, Sept. 26, 2011 /PRNewswire-Asia-FirstCall/ -- On September 23, 2011, the Board of Directors of Puda Coal, Inc. (the "Company"; Other OTC: PUDA .PK) received a letter from the Company's Chief Executive Officer ("CEO"), Liping Zhu, dated September 22, 2011. The letter states that
Mr. Zhu resigns from his positions as the Company's CEO and as a director on the Board. The letter also states that, on August 29, 2011, Mr. Zhu provided a false letter from CITIC Trust Co. Ltd. ("CITIC") to the U.S. Securities and Exchange Commission ("SEC") and to counsel for Ming Zhao, Chairman of Puda Coal.

On September 1, 2011, the Company filed a current report on Form 8-K with the SEC disclosing interim findings of the internal investigation by the Audit Committee, including that, on August 31, 2011, Ming Zhao, through his counsel, provided the Audit Committee with a letter purportedly from CITIC (the "CITIC Letter"), and that the Audit Committee was unable to verify the authenticity of, or the information contained in, the "CITIC Letter." The "CITIC Letter" appears to be the same letter that was referred to in the resignation letter from CEO Liping Zhu.

161. On this news, the Company's shares declined $0.07 per share, more than 9%, to close on September 26, 2011, at $0.68 per share.

162. On October 3, 2011, Puda released more bad news, this time confirming that the CITIC Letter Zhao provided the Audit Committee, purportedly disclaiming the loan and any interest in Shanxi Coal, was false; it was further disclosed that Zhu had provided this false letter to the SEC. On October 4, 2011, Puda's shares lost more than 16% -- falling from $0.50 to $0.60 -- following the last disclosure of the Class Period.

163. In the wake of the Little Report and subsequent disclosures, Puda's market capitalization has lost more than $325 million in value.

XII. APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)

164. The trading market for Puda securities was open, well-developed and efficient at all relevant times for the following reasons, among others:

(a) Puda stock met the requirements for listing, and was listed and actively traded on the NYSE Amex, a highly efficient and automated market;
(b) During the class period, on average, 2.7 million shares of PUDA common stock were traded on a weekly basis. Approximately 17.3% of the public float, and 12.1% of all outstanding shares, were bought and sold on a weekly basis, demonstrating a very strong presumption of an efficient market;

(c) As a regulated issuer, Puda filed periodic public reports with the SEC and the NYSE Amex and was eligible (and did file) S-3 registration statements with the SEC during the Class Period;

(d) Puda regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

(e) Puda was followed by several securities analysts employed by major brokerage firms including Brean Murray and Liberty Analytics (among others), who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

(f) There were active market-makers in Puda stock at all times during the Class Period; and

(g) Unexpected material news about Puda was rapidly reflected in and incorporated into the Company’s stock price during the Class Period.

165. As a result of the foregoing, the market for Puda securities promptly digested current information regarding Puda from all publicly available sources and reflected such
information in Puda’s stock price. Under these circumstances, Plaintiffs and the Class are permitted a presumption of reliance on the integrity of the market price for Puda securities.

XIII. CLAIMS

COUNT I
(Violation of Section 20(a) of The Exchange Act)

166. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

167. Puda violated Section 10(b) of the Securities Exchange Act by issuing false and misleading statements concerning its ownership of Shanxi and the revenue and income it earned from such ownership.

168. Puda’s scienter in making false and misleading statements described above is evident from the knowledge and recklessness of Zhao, Zhu and Wu who were aware that Zhao had transferred Shanxi to himself and CITIC.

169. Zhao, Zhu and Wu’s scienter may be imputed to Puda.

170. CITIC was a controlling person within the meaning of Section 20(a) of the Exchange Act as alleged herein.

171. CITIC had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

172. First, CITIC controlled Zhao: Through its onerous pledge agreement with Zhao -- pursuant to which, inter alia, CITIC obtained voting control and veto power over Shanxi Coal's operations and charged steep interest on the funds loaned -- CITIC held Zhao's 51% equity interest in Shanxi Coal hostage.

173. Second, Zhao controlled Puda, through, inter alia, his substantial equity stake in the Company and in his role as Chairman of the Board of Puda (e.g., Zhao executed Puda's
Therefore, CITIC, through Zhao, controlled Puda and its material misrepresentations and omissions during the Class Period.

174. In particular, CITIC knew that Puda was using stock sales to access the U.S. markets for funding and touted this fact to its own investors. Puda's SEC filings indicated that the proceeds of the stock sales to U.S. investors would be used to fund Shanxi Coal's operations. Therefore, CITIC was aware of the following facts: (1) Puda's investors were told that Puda held a 90% stake in Shanxi Coal; (2) Puda's investors were told that their share purchases were funding Shanxi Coal's operations; (3) Puda's SEC filings and other public statements concealed the fact that Puda did not have an ownership interest in Shanxi Coal; and (4) at the time the operative misstatements and omissions were made, CITIC and Zhao were the actual owners of Shanxi Coal and not Puda.

175. As set forth above, Puda violated Section 10(b) and Rule 10b-5, by its acts and/or omissions as alleged in this Complaint. By virtue of its position as a controlling person of Puda, CITIC is liable pursuant to Section 20(a) of the Exchange Act for Puda's violations of Section 10(b) and Rule 10b-5 as described above. As a direct and proximate result of CITIC's wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's securities of the Class Period.

176. As set forth above, CITIC violated Section 10(b) and Rule 10b-5, by its acts and/or omissions as alleged in this Complaint. By virtue of its position as a controlling person of Puda, CITIC is liable pursuant to Section 20(a) of the Exchange Act for Puda's violations of Section 10(b) and Rule 10b-5 as described above.
177. As a direct and proximate result of CITIC’s wrongful conduct, Plaintiffs and
other members of the Class suffered damages in connection with their purchases of the
Company’s securities of the Class Period.

178. This action was filed within two years of discovery of the fraud and within five
years of each Plaintiff’s purchases of securities giving rise to the cause of action.

COUNT II
(Aiding and Abetting A Breach of Fiduciary Duty)

179. Plaintiffs repeat and reallege each and every allegation contained above as if
fully set forth herein.

180. The Officers and Directors of Puda owed fiduciary duties of good faith, candor,
fair dealing, loyalty, and due care and due diligence care to Puda and its shareholders and have
acted to put their personal interests ahead that of the Company and Puda’s shareholders.

181. By the acts, transactions, and course of conduct alleged herein, CITIC,
individually and acting as a part of a common plan has caused injury to both Puda and its
shareholders.

182. CITIC had actual knowledge of the Directors’ and Officers’ fiduciary breaches
through its direct participation and substantial assistance in the commission of the breaches, as
describe herein.

183. CITIC, as a sophisticated financial institution and the largest private equity fund
and merchant bank in China, knew that Shanxi Coal was listed in Puda’s financial statements
as Puda’s sole operating subsidiary from which Puda derived all of its revenue.
184. When Zhao sold 49% of Shanxi Coal to CITIC in July 2010, and pledged the remaining 51% interest in Shanxi Coal to CITIC as collateral for a loan, CITIC knew that Zhao did not rightfully own Shanxi Coal, and that he had stolen it from Puda.

185. Despite knowing this, CITIC accepted the Share Transfer and Loan, thereby providing substantial assistance to Zhao in stealing Shanxi Coal from Puda and concealing from the public the true fact that Puda had no assets and was a shell company.

186. CITIC participated in the Directors’ and Officers’ breaches of fiduciary duty and assisting in Zhao’s fraudulent transfers by purchasing 49% of Shanxi Coal from Zhao.

187. As a direct and proximate result of CITIC’s participation in the Directors’ and Officers’ fiduciary breaches the Company has sustained significant damages, for which CITIC is liable.

188. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, CITIC acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of its overall contribution to and furtherance of the wrongdoing.

COUNT III
(Abuse of Control Against CITIC on Behalf of Puda Coal Derivatively)

189. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

190. CITIC’s misconduct alleged herein constituted an abuse of its ability to control and influence Puda, for which it is legally responsible. In particular, CITIC abused its position of control over Puda by causing or allowing Puda to misrepresent material facts regarding its financial position.
191. As a direct and proximate result of CITIC’s abuse of control, the Company has sustained significant damages.

192. As a result of the misconduct alleged herein, CITIC is liable to Puda.

193. Plaintiffs, on behalf of the Company, have no adequate remedy at law.

**COUNT IV**

**(Gross Mismanagement Against CITIC on Behalf of Puda Coal Derivatively)**

194. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

195. By the allegations alleged herein, CITIC, either directly or through aiding and abetting, abandoned and abdicated its responsibilities and fiduciary duties with regard to prudently managing the assets and business of the Company in a manner consistent with the operations of a publicly held corporation. By committing the misconduct alleged herein, CITIC, breached its duties of due care, diligence and candor in the management and administration of Puda’s affairs and in the use and preservation of Puda’s assets.

196. As a direct and proximate result of CITIC’s gross mismanagement, the Company has sustained significant damages for which CITIC is liable.

197. Plaintiffs, on behalf of the Company, have no adequate remedy at law.

**COUNT V**

**(Contribution, Indemnification and Declaratory Relief on Behalf of Puda Coal Derivatively)**

198. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

199. The Company is liable to various persons, entities and/or classes by virtue of the same circumstances as are alleged herein that give rise to Defendant’s liability to the Company.
200. The Company’s alleged liability on account of the wrongful acts, practices and related misconduct described above arises, in whole or in part, from the knowing, reckless, disloyal and/or bad faith acts or omissions of Defendant as alleged above, and the Company is entitled to contribution and indemnification from Defendant in connection with all such claims that have been made, or may in the future be made against the Company by virtue of the Defendant’s misconduct.

**COUNT VI**
(Unjust Enrichment on Behalf of Puda Coal Derivatively)

201. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

202. Defendant was unjustly enriched at the expense and detriment of the Company as a result of their wrongful acts and omissions.

203. Plaintiffs, on behalf of the Company, seek restitution from Defendant and seek an order of this Court disgorging its profits, benefits and other compensation its wrongful conduct.

**COUNT VII**
(Fraudulent Concealment on Behalf of Puda Coal Derivatively)

204. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein

205. By virtue of its control over Puda, CITIC: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company’s securities in an effort to maintain artificially high market prices for Puda’s securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5.
206. By virtue of its control over Puda, CITIC directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to misrepresent material facts and conceal adverse material information about Puda's financial well-being and prospects, as specified herein.

207. CITIC unbeknownst to Puda's investors, owned 49% of the stock of Puda's sole revenue producing subsidiary, Shanxi Coal, and -- by means of a pledge of the remaining 51% for a sizeable loan, which conferred voting rights and veto power -- controlled its daily operations, was actively involved in its management, dictated its expenses, and had to give permission before Shanxi Coal could engage in financing transactions; CITIC enjoyed significant personal contact and familiarity with Zhao and the directors and officers of the Company; because Zhao feared losing his equity interest by defaulting on the loan and CITIC desired to collect management fees and pay its own investors dividends, CITIC controlled Zhao, who in turn, controlled Puda. To effect a scheme to obtain money from Puda investors, CITIC was aware of the Company's dissemination of information to the investing public which it knew and/or recklessly disregarded was materially false and misleading because it represented that Shanxi Col was still a Puda subsidiary, upstreaming 90% of its revenues to Puda.

208. CITIC had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them.
209. As a direct and proximate result of the this conduct, Puda has suffered significant damages, including among other things, a dramatic decrease in its market value, loss of goodwill, and significant legal fees as a result of ensuing litigation.

**COUNT VIII**
(Civil Conspiracy on Behalf of Puda Coal Derivatively)

210. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth fully herein.

211. As set forth above, prior to the Company’s February 2010 stock offering, on or about September 3, 2009, Puda’s Chairman and major shareholder, Ming Zhao (“Zhao”), improperly transferred Puda’s 90% share of Shanxi Coal’s common stock to himself for no consideration. Thereafter he transferred 49% of Shanxi Coal to CITIC Fund I and pledged the other 51% as security for in exchange for certain loans.

212. As detailed above, Puda’s public statements and SEC filings from February 2010 through December 2010 contained materially false and misleading statements regarding Puda’s ownership of Shanxi Coal and the sources of funding for Shanxi Coal’s operations. Puda’s consolidated financial statements likewise contain these same materially false and misleading statements.

213. CITIC was fully aware of and expected to benefit from Puda’s public stock offerings. As stated in the July 2010 Marketing Report in a slide entitled “Subscription Benefits,” CITIC touted to investors that it intended to cooperate with Shanxi Coal and take advantage of Puda’s “strength in resources.” July 2010 Marketing Report, Slide 18.

214. By virtue of the Share Transfer and the Loan, CITIC, through the Fund, owned and/or controlled all of Shanxi Coal. Because of its total control of Shanxi Coal, CITIC possessed the ability to control, and did control, the actions of Puda through Zhao.
215. The relationship between Shanxi Coal and CITIC benefitted all involved except for Puda’s U.S. investors: CITIC and Zhao knew that CITIC’s fundraising ability would ensure that Puda had sufficient funds to complete multiple acquisitions pursuant to the lucrative government consolidation program and that Puda’s public offerings in the U.S. could not be conducted without demonstrated progress towards that goal. Puda’s fraud was thus directly dependent upon CITIC Trust’s participation and assistance therein. CITIC, in turn, obtained ownership and control over Shanxi Coal’s growing mine operations, reaped significant management fees, and was able to pay dividends to its investors from the funds raised from U.S. investors in Puda’s public offerings.

216. As a direct and proximate result of the this conduct, Puda has suffered significant damages, including, among other things, a dramatic decrease in its market value, loss of goodwill, and significant legal fees as a result of ensuing litigation.

**COUNT IX**

(Fraudulent Conveyance on behalf of Puda Coal Derivatively)

217. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth fully herein.

218. Unbeknownst to Puda investors, on or about September 3, 2009, just before the start of the Class Period, Zhao arranged for his brother Y. Zhao to improperly authorize and cause the transfer of Puda’s 90% interest in Shanxi Coal to Zhao, adding to the 8% interest Zhao already held. Additionally, Y. Zhao divided and transferred his 2% interest of Shanxi Coal to his brother Zhao (1.0%) and a Shanxi Coal employee named Wei Zhang (1.0%). As a result, as of around September 3, 2009, Zhao had increased his ownership of Shanxi Coal to 99%, thereby leaving Puda with zero ownership in Shanxi Coal.
219. Thereafter Zhao transferred 49% of Shanxi Coal to CITIC Fund I and pledged the other 51% as security for in exchange for certain loans leaving Puda a shell Company.

220. CITIC is a sophisticated entity that understood that it was acquiring the Company’s sole asset. CITIC also understood that Puda was not receiving appropriate consideration in exchange for its sole asset.

221. As a direct and proximate result of this conduct, Puda has suffered significant damages.

**COUNT X**  
*(Constructive Trust on behalf of Puda Coal Derivatively)*

222. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth fully herein.

223. As detailed above, Unbeknownst to Puda investors, on or about September 3, 2009, just before the start of the Class Period, Zhao arranged for his brother Y. Zhao to improperly authorize and cause the transfer of Puda’s 90% interest in Shanxi Coal to Zhao, adding to the 8% interest Zhao already held. Additionally, Y. Zhao divided and transferred his 2% interest of Shanxi Coal to his brother Zhao (1.0%) and a Shanxi Coal employee named Wei Zhang (1.0%). As a result, as of around September 3, 2009, Zhao had increased his ownership of Shanxi Coal to 99%, thereby leaving Puda with zero ownership in Shanxi Coal.

224. Thereafter Zhao transferred 49% of Shanxi Coal to CITIC Fund I and pledged the other 51% as security for in exchange for certain loans leaving Puda a shell Company.

225. CITIC is a sophisticated entity that understood that it was acquiring the Company’s sole asset. CITIC also understood that Puda was not receiving appropriate consideration in exchange for its sole asset.
226. As a direct and proximate result of this conduct Puda suffered significant harm, including the transfer of its sole revenue producing asset for no consideration.

227. This Court should impose a constructive trust on the Shanxi Coal common stock and all other assets that were transferred from Puda to CITIC.

XIV. **PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiffs and the other Class members against Defendant for all damages sustained as a result of Defendant’s wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Requiring CITIC to account for all if the assets received from Puda during the periods relevant to these proceedings, and imposing a constructive trust on these assets;

(d) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

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

XV. **JURY TRIAL DEMANDED**

Plaintiffs hereby demand a trial by jury.

DATED: April 8, 2013

THE ROSEN LAW FIRM, P.A.

By: [Signature]
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CERTIFICATION

The individual or institution listed below (the "Plaintiff") authorizes the Rosen Law Firm, P.A. to file an action or amend a current action under the federal securities laws and derivative claims under State law to recover damages and to seek other relief against CITIC Trust Co. and its affiliated entities in connection with my purchase of Puda Coal, Inc. securities. The Rosen Law Firm, P.A. agrees to prosecute the action on a contingent fee basis not to exceed one-third of any recovery and will advance all costs and expenses. Any legal fees and expenses will be determined by, and payable, only upon order of the U.S. District Court.

Plaintiff declares, as to the claims asserted under the federal securities laws, that:

1. I have reviewed the complaint against CITIC Trust Co. and certain of its officers and directors and I retain the Rosen Law Firm, P.A. as counsel in this action for all purposes.

2. I did not engage in transactions in the securities that are the subject of this action at the direction of plaintiff's counsel or in order to participate in this or any other litigation under the securities laws of the United States.

3. I am willing to serve as a lead plaintiff either individually or as part of a group. A lead plaintiff is a representative party who acts on behalf of other class members in directing the action, and whose duties may include testifying at deposition and trial.

4. The following is a list of all of the purchases and sales I have made in PUDA securities during the class period set forth in the complaint. I have made no transactions during the class period in the debt or equity securities that are the subject of this lawsuit except those set forth below.

   7/23/2007 Bought 1000 shrs @ $2.29/shr
   8/3/2007 Bought 1000 shrs @ $1.84/shr
   10/26/2007 Bought 1000 shrs @ $1.38/shr
   On 9/01/2009 a reverse split took my 3000 shares purchased to a total of 429 shrs. This amounted to a 1 shr for 7 shrs reverse split
   12/28/2009 Bought 300 shrs @ $7.14/shr
   3/18/2010 Bought 300 shrs @ $9.81/shr
   12/1/2010 Sold 200 shrs @ $14.77/shr
   12/2/2010 Sold 300 shrs @ $16.75/shr
   12/15/10 Bought 200 shrs @ $ 12.05/shr

5. I have not, within the three years preceding the date of this certification, sought to serve or served as a representative party on behalf of a class in an action involving alleged violations of the federal securities laws, except: for the following company(ies):

PLEASE FAX CERTIFICATION TO ROSEN LAW FIRM at (212) 202-3827
OR EMAIL TO INFO@ROSENLEGAL.COM
6. I will not accept any payment for serving as a representative party beyond my pro rata share of any recovery, except reasonable costs and expenses, such as travel expenses and lost wages directly related to the class representation, as ordered or approved by the court pursuant to law.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 5th day of April.

Signature: Thomas Tarsavage
Name: Thomas Tarsavage
VERIFICATION

I, Thomas Tarsavage, am the plaintiff in the within action and am a citizen of the State of Pennsylvania. I have read the foregoing complaint and know the contents thereof. The allegations of the complaint are true of my personal knowledge, except as to the matters therein stated to be alleged on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 5, of April 2013.

[Signature]
Thomas Tarsavage