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## *CTE's mysterious "import agent" Dongying Luda Petrochemical Equipment Co., Ltd.*

According to SinoTech Energy Limited, Inc.'s (NASDAQ: CTE \$2.80) Form 20-F for the fiscal year ended September 30, 2010, CTE relies exclusively on a company called Dongying Luda Petrochemical Equipment Co., Ltd. ("Dongying Luda" or "DL") to import its LHD units from Jet Drill Well Services, Inc. DL purportedly provides assembly, testing and fine-tuning services and ancillary tools and equipment related to CTE's Jet Drill LHD units.

CTE filed three contracts covering the purchase of ten LHD units from Jet Drill with Dongying Luda as exhibits to its Form F-1/A for its initial public offering dated November 3, 2010. A copy of these contracts is available [here](http://www.asensio.com/cte/lhdcontract/lhdcontracts.pdf). We conducted research on all of the representatives associated with Dongying Luda on U.S. and Chinese search engines including Google, EDGAR, Nexis, Baidu and Factiva and found no mention of them being involved with the LHD industry or the assembling or design or manufacturing of LHD ancillary tools and equipment.

More recently, CTE filed a copy of a fourth contract covering the purchase of additional ten LHD units with Dongying Luda. Click [here](http://www.asensio.com/cte/lhdcontract/4.67.pdf) to see it. The contract is signed by a Xinkuan Quan, on DL's behalf. Together the four contracts cover all twenty LHD units purportedly owned by CTE.

The contracts demonstrate certain irregularities. They are only three pages long. The terms used lack the specificity that is standard for the international purchase of complex capital equipment of this value. An example of the specifications included in a typical contract between a LHD manufacturer and a buyer, such as CTE, is available [here](http://www.asensio.com/cte/lhdcontract/item.pdf) for comparison purposes. CTE's contracts with Dongying Luda contain no such specifications. The payment dates in some of the Dongying Luda contracts required payment on a fixed delivery date with no explanation of what would occur if the units are not delivered on the fixed delivery date. This would not be an acceptable term in a standard contract of this type. Payments for the units are set after they are "tested and accepted" without establishing any standards to test the units or establishing a procedure for settlement of disputes. Also, the contracts do not have an address or a statement of where the incorporation called Dongying Luda legally existed.

We checked with two LHD companies operating in China and conducted our own search and were unable to verify that Dongying Luda operates in the LHD and LHD ancillary tools and equipment industry independently of CTE, much less on the scale suggested by CTE's disclosures.

We were only able to find mention of Dongying Luda on the Dongying Municipal Bureau of Commerce website, which provided no information other than its name included on a spread sheet titled, "2010 Dongying City Advanced Technology and Equipment Import and 2011 Projected Import Survey" where Dongying Luda Petrochemical Equipment was listed along with 80 other companies. The spread sheet is available [here](http://www.asensio.com/cte/luda/ludaimport.pdf).

We verified that a company named Dongying Luda Petrochemical Equipment Co., Ltd. is registered in China with an

address at 6 District Dongmei Renyuan Area Floor 3 number 313, City. This information is available at the Dongying City Administration's web site available <a href=http://www.hc23.com/card-968229.shtml>here</a>.

Miao Zhijun, who signed one of the four contracts between CTE and Dongying Luda, is shown as Dongying Luda's Legal Representative on this site. Interestingly, we found that Dongying Luda was registered with the SAIC in September 2007, just weeks before Ernest Cheung entered into the equity transfer with Guoqiang Xin, Fengkai Liu and Fengshan Liu on October 12, 2007. Also interesting is that CTE purportedly entered into its first contract with Dongying Luda on July 1, 2007, before Dongying Luda as a company was registered.

Each of the four contracts we reviewed is executed by one of three individuals unidentified as a Legal Representative for Dongying Luda. The individuals signing as Dongying Luda's Legal Representative are named Xinkuan Quan, Zheng Yan, and Miao Zhijun. None of these individuals are known to be involved with the manufacturing of LHD rigs.