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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN MATEO

INGEUN SONG, Individually and on Behalf of All Others Similarly Situated,

Plaintiff,

v.

QUDIAN INC., MIN LUO, CARL YEUNG, LIANZHU LV, YI CAO, SHILEI LI, LI DU, CHAO ZHU, TIANYU ZHU, DIANA ARIAS, MORGAN STANLEY & CO. INTERNATIONAL PLC, CREDIT SUISSE SECURITIES (USA) LLC, CITIGROUP GLOBAL MARKETS INC., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, UBS SECURITIES LLC, STIFEL, NICOLAUS & COMPANY, INC., NEEDHAM & COMPANY, LLC, and NOMURA SECURITIES INTERNATIONAL, INC.,

Defendants.

Case No.: 18CIV01425

CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE SECURITIES ACT OF 1933

JURY TRIAL DEMANDED

18-CIV-01425
CMP
Complaint
1044382

BY FAX

Plaintiff Ingeun Song ("Plaintiff") individually and on behalf of all other persons similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the Defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Qudian Inc. ("Qudian" or the "Company"), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all persons other than Defendants who purchased Qudian American Depositary Shares ("ADSs") in or traceable to the Company's October 18, 2017 initial public offering (the "IPO") seeking to pursue remedies under the Securities Act of 1933 (the "Securities Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 11 and 15 of the Securities Act (15 U.S.C. §§ 77k and 77(o)). This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v, which explicitly states that "[e]xcept as provided in section 16(c), no case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court in the United States." Section 16(c) of the Securities Act refers to "covered class actions," which are defined as lawsuits brought as class actions or brought on behalf of more than 50 persons asserting claims under state or common law. This is an action asserting federal law claims. Thus, it does not fall within the definition of a "covered class action" under §16(c) and therefore is not removable to federal court under the Securities Litigation Uniform Standards Act of 1998.

3. Each Defendant has sufficient contacts with California, or otherwise purposefully avails itself of benefits from California or has property in California so as to render the exercise of jurisdiction over each by California courts consistent with traditional notions of fair play and substantial justice.

4. The amount in controversy exceeds the jurisdictional minimum of this Court, and the total amount of damages sought exceeds $25,000.

5. Venue is proper in this Court because Defendants' wrongful acts arose in and emanated from, in part, this County. The violations of law complained of herein occurred in this County, including the dissemination of materially misleading statements into this County, the purchase of the Company's ADSs by members of the class who reside in this County, and the sale of the Company's ADSs by the Underwriter Defendants (defined below) in this County.

PARTIES

6. Plaintiff purchased Qudian ADSs pursuant and/or traceable to the IPO, and was damaged thereby. Plaintiff is a citizen of California.

7. Defendant Qudian is a financial lending company based in Beijing, China. Its ADSs sold in the IPO trade on the New York Stock Exchange ("NYSE") under the ticker symbol "QD."

8. Defendant Min Luo ("Luo") is Qudian's founder, was Qudian's Chief Executive Officer ("CEO") and Chairman of the Board of Directors (the "Board") at the time of the IPO. Defendant Luo was also the controlling shareholder of the Company before and after the IPO by way of his ownership of Qudian Class B shares.

9. Defendant Carl Yeung ("Yeung") was Qudian's Chief Financial Officer ("CFO") at the time of the IPO.

10. Defendant Lianzhu Lv ("Lv") was a director and member of the Board of Qudian at the time of the IPO.

11. Defendant Yi Cao ("Cao") was a director and member of the Board of Qudian at the time of the IPO. Defendant Cao also sold Qudian shares in the IPO.

12. Defendant Shilei Li ("Li") was a director and member of the Board at Qudian at the time of the IPO.

13. Defendant Li Du ("Du") was a director and member of the Board of Qudian at the time of the IPO. Defendant Du also sold Qudian shares in the IPO.

14. Defendant Chao Zhu ("C. Zhu") was a director and member of the Board at the time of the IPO.

15. Defendant Tianyu Zhu ("T. Zhu") was a director and member of the Board of Qudian until September 2017.

16. Defendant Diana Arias ("Arias") was the Company's Senior Manager at the time of the IPO.

17. The defendants identified in ¶¶8-16 are referred to herein as the "Individual Defendants." The Individual Defendants signed the Registration Statement (defined below) and, as directors and/or executive officers of the Company, participated in the solicitation and sale of Qudian ADSs to investors in the IPO for their own benefit and the benefit of Qudian.

18. Defendants Morgan Stanley & Co. International plc ("Morgan Stanley") served as an underwriter for the IPO and sold 14,252,850 ADSs for which it received certain fees and commissions. Upon information and belief Morgan Stanley conducts business in California.

19. Defendant Credit Suisse Securities (USA) LLC ("Credit Suisse") served as an underwriter for the IPO and sold 5,616,890 ADSs for which it received certain fees and commissions. Credit Suisse is registered to do business in California and is a FINRA registered broker in California. Credit Suisse conducts business in California. Credit Suisse maintains an office at 650 California Street, San Francisco, CA 94108.

20. Defendant Citigroup Global Markets Inc. ("Citigroup") served as an underwriter for the IPO and sold 4,914,778 ADSs for which it received certain fees and commissions. Citigroup is registered to do business in California and is a FINRA registered broker in California.

Citigroup conducts business in California. Citigroup maintains an office at 2450 Glendale Blvd., Los Angeles, CA 90039.

21. Defendant China International Capital Corporation Hong Kong Securities Limited ("China International") served as an underwriter for the IPO and sold 6,108,365 ADSs for which it received certain fees and commissions. Upon information and belief China International conducts business in California.

22. Defendant UBS Securities LLC ("UBS") served as an underwriter for the IPO and sold 4,212,670 ADSs for which it received certain fees and commissions. UBS is registered to do business in California and is a FINRA registered broker in California. UBS conducts business in California. UBS maintains an office at 555 California Street, 34th/46th Floor, San Francisco, CA 94104.

23. Defendant Stifel, Nicolaus and Company, Incorporated ("Stifel") served as an underwriter for the IPO and sold 819,148 ADSs for which it received certain fees and commissions. Stifel is registered to do business in California and is a FINRA registered broker in California. Stifel conducts business in California. Stifel maintains an office at 1240 Rocky Ridge Drive, Roseville, CA 95661.

24. Defendant Needham & Company, LLC ("Needham") served as an underwriter for the IPO and sold 945,187 ADSs for which it received certain fees and commissions. Needham is registered to do business in California and is a FINRA registered broker in California. Needham conducts business in California. Needham maintains an office at 535 Mission Street, Suite 2200, San Francisco, CA 94105.

25. Defendant Nomura Securities International, Inc. ("Nomura") served as an underwriter for the IPO and sold 630,112 ADSs for which it received certain fees and commissions. Nomura is registered to do business in California and is a FINRA registered broker

in California. Nomura conducts business in California. Nomura maintains an office at 425 California Street, Suite 2600, San Francisco, CA 94104.

26. The defendants identified in ¶¶18-25 are referred to herein as the "Underwriter Defendants."

27. The Underwriter Defendants drafted and disseminated the Registration Statement. The Underwriter Defendants' failure to conduct an adequate due diligence investigation was a substantial factor leading to the harm complained of herein.

28. Qudian, the Individual Defendants, and the Underwriter Defendants are collectively referred to hereinafter as "Defendants."

29. Pursuant to the Securities Act, the Underwriter Defendants are liable for the false and misleading statements in the Registration Statement. The Underwriter Defendants failure to conduct adequate due diligence investigations was a substantial factor leading to the harm complained of herein.

30. In addition, the Underwriter Defendants met with potential investors and presented highly favorable but materially incorrect and/or materially misleading information about the Company, its business, products, plans, and financial prospects, and/or omitted to disclose material information required to be disclosed under the federal securities laws and applicable regulations promulgated thereunder.

31. Representatives of the Underwriter Defendants also assisted the Company and the Individual Defendants in planning the IPO. They also purported to conduct an adequate and reasonable investigation into the business, operations, products, and plans of file Company, an undertaking known as a "due diligence" investigation. During the course of their "due diligence," the Underwriter Defendants had continual access to confidential corporate information concerning the Company's business, financial condition, products, plans, and prospects.

32. In addition to having access to internal corporate documents, the Underwriter Defendants and/or its agents, including its counsel, had access to the Company's lawyers, management, directors, and top executives to determine: (1) the strategy to best accomplish the

Offering; (2) the terms of the Offering, including the price at which the Company's ADSs would be sold; (3) the language to be used in the Registration Statement; (4) what disclosures about the Company would be made in the Registration Statement; and (5) what responses would be made to the SEC in connection with its review of the Registration Statement. As a result of those constant contacts and communications between the Underwriter Defendants' representatives and the Company's management and top executives, at a minimum, the Underwriter Defendants should have known of the Company's undisclosed existing problems and plans, and the material misstatements and omissions contained in the Registration Statement as detailed herein.

33. The Underwriter Defendants caused the Registration Statement to be filed with the SEC and to be declared effective in connection with offers and sales of the Company's ADSs pursuant and/or traceable to the IPO and the Registration Statement, including to Plaintiff and the Class.

SUBSTANTIVE ALLEGATIONS

Background

34. Defendant Qudian is a lending company which provides online credit products including funds in digital form and merchandise credit products. The Company serves customers in China.

35. In 2015, Qudian established a strategic partnership with Ant Financial, one of its principal shareholders. Alipay, operated by Ant Financial, is a leading online and mobile third-party payment service provider in China. The Company engages the majority of its active borrowers through the Alipay consumer interface, which has significantly contributed to the Company's rapid growth. The Company also collaborates with Zhima Credit, a credit assessment service provider operated by Ant Financial. Following Qudian's partnership with Ant Financial, its number of active borrowers grew from only 250,000 in September 2015 to more than 5.5 million by June 2017.

36. The Company took a number of steps leading up to the IPO to reassure investors that it had minimized regulatory risk and that its rapid growth rate was the product of legitimate and sustainable business practices. For example, while historically the Company also provided peer-to-peer and campus credit lending services, these services were phased out in the months preceding the

IPO, partly in a response to increased governmental regulations and a ban on online lending to college students initiated by the Chinese government. In addition, the Company capped its APR at 36%, obtained licenses for online small-credit business and claimed that it employed user-friendly collection methods, such as non-threatening text and telephone reminders.

37. On September 18, 2017, Qudian filed a registration statement on Form F-1 with the SEC for the IPO. After several amendments the registration statement was declared effective on October 17, 2017 (the Form F-1, together with all amendments, is referred to herein as the "Registration Statement").

Materially False and Misleading Statements

38. On or about October 18, 2017, Qudian filed a prospectus for the IPO on Form 424B4 which incorporated and formed part of the Registration Statement (the "Prospectus"). Together, the Registration Statement and Prospectus were used to sell to the investing public approximately 37.5 million Qudian ADSs, representing 37.5 million Qudian Class A ordinary shares, at $24 per share thereby raising net proceeds of approximately $900 million.

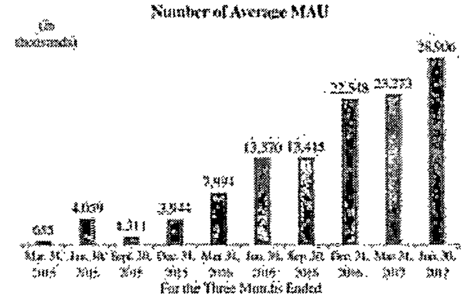
39. The Registration Statement was negligently prepared and, as a result, contained untrue statements of material fact, omitted material facts necessary to make the statements contained therein not misleading, and failed to make adequate disclosures required under the rules and regulations governing the preparation of such documents.

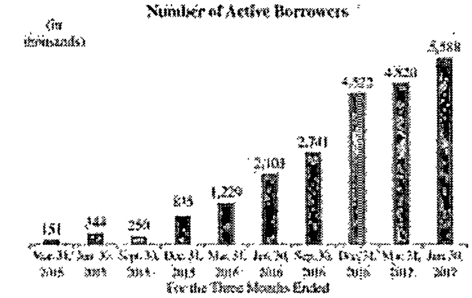
40. For example, the Registration Statement stated that Qudian had experienced rapid growth in revenues, net income and active users in the years leading up to the IPO, but failed to disclose that this growth had been fueled by improper lending, underwriting and collection practices. The Registration Statement stated the following in pertinent part:

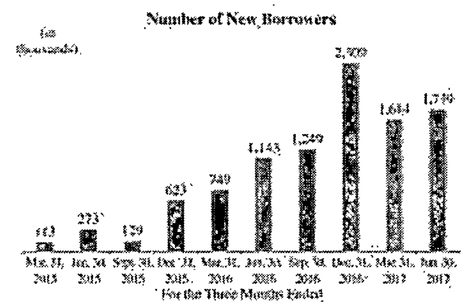
> We are the largest online provider of small cash credit products in China in terms of the number of active borrowers and the amount of transactions in the six months ended June 30, 2017, according to the Oliver Wyman Report. In the six months ended June 30, 2017, we facilitated approximately RMB38.2 billion (US$5.6 billion) in transactions to 7.0 million active borrowers.

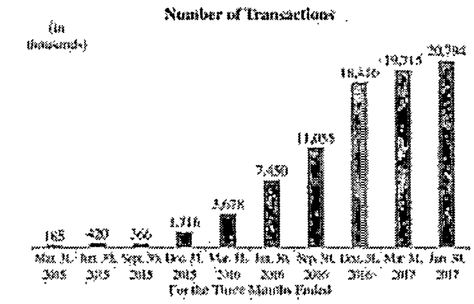
* * *

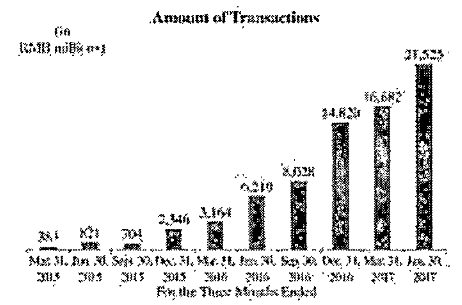
***Since inception in 2014, our business has witnessed significant growth and increased borrower activities, as illustrated by the charts below*:**











We have achieved significant scale and experienced strong growth in our results of operations. Our total revenues increased from RMB24.1 million in the period from April 9 to December 31, 2014 to RMB235.0 million in 2015. Our total revenues further reached RMB1,442.8 million (US$212.8 million) in 2016, which was 514.0% higher than our total revenues in 2015. ***Our total revenues increased by 393.3% from RMB371.6 million in the six months ended June 30, 2016 to RMB1,833.1 million (US$270.4 million) in the same period in 2017.*** Our net losses were RMB40.8 million in the period from April 9 to December 31, 2014 and RMB233.2 million in 2015. In 2016, we recorded net income of RMB576.7 million (US$85.1 million). ***Our net income increased by 695.2% from RMB122.4 million in the six months ended June 30, 2016 to RMB973.7 million (US$143.6 million) in the same period in 2017.***

*   *   *

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

> *Total revenues. **Our total revenues increased from RMB371.6 million in the six months ended June 30, 2016 to RMB1,833.1 million (US$270.4 million) in the same period in 2017 primarily due to increase in financing income from RMB324.0 million in the six months ended June 30, 2016 to RMB1,527.4 million (US$225.3 million) in the same period in 2017 as a result of the substantial increase in amount of transactions from approximately RMB9.4 billion in the six months ended June 30, 2016 to RMB35.4 billion (US$5.2 billion) in the same period in 2017. The increase in amount of transactions was due to the substantial increase in the number of active borrowers from 2.5 million in the six months ended June 30, 2016 to 7.0 million in the same period in 2017. Such increase in the number of active borrowers was primarily the result of (i) the shift of our target borrower base from college students to young consumers in general and (ii) increase in borrower engagement efficiency. The attractiveness of our products and our brand value also led to an increase in drawdowns by borrowers of their credit.*** The number of transactions per active borrower increased to 5.8 in the six months ended June 30, 2017 from 4.5 in the same period in 2016. Such short-term credit drawdowns generated lower revenue per transaction, partially offsetting the higher revenue driven by increasing number of transactions.

(Emphasis added).

41. The Registration Statement also stated that the Company focused on borrowers with "***emerging prime credit quality***" who had been underserved by traditional financial institutions. The Registration Statement stated that Qudian used technology to make "***personalized credit accessible***" to this underserved segment of borrowers. The Registration Statement stated in pertinent part:

> ***We target hundreds of millions of quality, unserved or underserved consumers in China.*** They are young, mobile-active consumers who need access to small credit for their discretionary spending but are underserved by traditional financial institutions due to their lack of traditional credit data and the operational inefficiency of traditional financial institutions. We believe our operating efficiency and big data analytics capability to understand our prospective borrowers from different behavioral and transactional perspectives, assess their credit profiles and offer them instantaneous and affordable credit products with customized terms distinguishes our business and offerings.
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> ***We target the large and growing number of creditworthy borrowers in China who we believe are of emerging prime credit quality but have limited credit history and access to traditional consumer credit from banks or other lenders.*** As we have been focused on providing credit products to young consumers across China, we have gained extensive experience and understanding into the behavior and consumption preference of such demographic of users since our inception. In the six

months ended June 30, 2017, approximately 90.8% of active borrowers are between 18 and 35 years of age.

(Emphasis added).

42. In addition, the Registration Statement stated that Qudian employed robust credit assessment and monitoring tools, "big data" analytics and a variety of other techniques to ensure that it was only making loans to borrowers who had demonstrated the ability and "willingness" to repay the loans. The Registration Statement stated the following in pertinent part:

> We aggregate our borrowers' behavioral data with data and credit analyses from various partners as inputs for our credit assessment model. As an innovator in the application of artificial intelligence to financial services, ***we utilize machine learning to accurately assess borrowers' credit profiles. We focus on data analyses that not only reflect borrowers' ability to repay but also their willingness to do so. These analyses are based on the prospective borrowers' social and shopping behavioral data, among others, in addition to the characteristic metrics such as locations and demographics***. We have increased the number of variables analyzed by our credit assessment system from a few to several hundred for each transaction, and we assign each borrower a personalized credit limit based on his or her credit profile. As borrowers repay, they build credit histories with us. Based on the credit histories, our artificial intelligence-based credit assessment model enables us to continually re-evaluate borrowers' credit profiles and provide more personalized credit limits. We offer borrowers with stronger credit profiles higher credit limits and longer repayment durations, thereby driving higher engagement with them.
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> Our mission is to use technology to make personalized credit accessible. ***To accomplish this, we employ big data-enabled technologies, such as artificial intelligence and machine learning, to assess credit quality, and then offer small credit products to quality, unserved or underserved consumers in China.*** We believe there is a large unmet demand of small credit from the young, mobile-active consumers in China for their frequent discretionary spending, which can only be served with the power of big data and technologies in a cost efficient way. ***Our big data analytics utilizes distributed computing and machine learning to analyze correlations between users' behavior and their willingness and ability to repay***. For such analysis, we leverage our online model to aggregate a broad range of data, including users' behavior in filling out applications, repayment performances from completed borrowing cycles, social activity information, online retail and mobile commerce transaction activity information, credit analysis from other parties such as Zhima Credit and other leading anti-fraud institutions in China. Such analysis constitutes the core input of our credit assessment model and risk management system and also helps us make decisions regarding product design and business focus. The results of such analysis drive constant improvements to our credit

decisioning process, as well as adaptations of attributes of merchandises most attractive to borrowers, thereby enhancing the desirability of our credit products.

Effective Data-Driven Analytics and Credit Assessment Model

We developed a rigorous credit assessment model and robust risk management system. Our model and system allow us to innovate the way user credit profile is assessed by analyzing a variety of behavioral data typically ignored by traditional financial institutions. Machine learning enables us to draw insights from the high volume of transaction data that we collect. ***We continuously test, validate and optimize this model and system by changing the types of data we analyze.*** In particular, as we identify creditworthy borrowers whom our model previously regarded as risky and raise the credit limits for quality borrowers, we are able to increase the amount of transactions without undertaking significantly more risk. Since inception, we have been able to expand the granularity of our credit assessment model to further refine the risk levels of prospective borrowers in a continuous self-reinforcing manner. We have increased the number of variables analyzed by our credit assessment system from a few to several hundred for each transaction, and we assign each borrower a personalized credit limit based on his or her credit profile. For example, prospective borrowers with the same Zhima Credit Score may receive different credit limits that carry different repayment terms and financing service fees. As borrowers repay they build credit histories with us. Based on the credit histories, our artificial intelligence-based credit assessment model enables us to continually re-evaluate borrowers' credit profiles and provide more personalized credit limits. We offer borrowers with stronger credit profiles higher credit limits and longer repayment durations, thereby driving higher engagement with them.

(Emphasis added).

43. Similarly, the Registration Statement claimed that the Company's focus on micro-loans with short durations further decreased credit risk and increased the credit quality of the Company's customers. The Registration Statement stated the following in pertinent part:

Small credit products serve consumers' immediate needs for discretionary consumption. They typically have short durations, enabling us to quickly understand a borrower's behavior and further refine our data analytics and credit assessment model upon the completion of transaction cycles. On average, an active borrower drew down credit approximately six times in the six months ended June 30, 2017. As of June 30, 2017, borrowers with outstanding credit drawdowns utilized approximately 51.3% of their credit limits on average. We believe borrowers who did not utilize the maximum amounts available for drawdowns under their respective credit limits tend to be those who utilize credit responsibly.

* * *

> We offer small-sized cash credit products and merchandise credit products. In the six months ended June 30, 2017, our cash credit products had an average size of approximately RMB920 (US$136) and weighted average term of approximately two months, and our merchandise credit products had an average size of approximately RMB1,250 (US$184) and weighted average term of approximately eight months. ***Small credit products enjoy favorable risk characteristics compared to larger credit products. A borrower is more likely to repay a smaller amount timely to maintain the quality of his or her credit profile, which may impact future borrowing activities. Benefits to fraudulent borrowers are also limited given the small amount of money borrowed. The short-term nature of our credit products contributes to frequent repayments and repeat borrowing activities, which drive the volume and comprehensiveness of the data we collect and analyze.*** During the three months ended June 30, 2017, we processed an average of 9,521 credit drawdowns and 21,482 repayments per hour. Our machine learning-based approach enables us to continuously refine our credit assessment model based on insights from the high volume of transaction data that we collect.

(Emphasis added).

44. Furthermore, the Registration Statement stated that the Company's robust credit assessment processes and procedures and relatively high credit quality customers had allowed it to enjoy a low delinquency rate. For example, the Registration Statement claimed that the Company had only a 0.5% or less M1+ Delinquency Rate for vintages in 2016 and the first quarter of 2017.[1] The Registration Statement stated the following in pertinent part:

> With respect to on-balance sheet transactions, principal for which any installment payment was more than 30 calendar days past due accounted for 0.05%, 0.92%, 1.29% and 1.14% of total outstanding principal as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.
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> ***M1+ Delinquency Rate by Vintage for vintages in 2016 and the first quarter in 2017 have remained at a level of 0.5% or less up to June 30, 2017 as a result of our effective credit assessment model and risk management system despite serving a more diverse customer group.*** After we started to engage borrowers online in

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[1] The Company defines the M1+ Delinquency Rate by Vintage as the total balance of outstanding principal of a vintage for which any installment payment is over 30 calendar days past due as of a particular date (adjusted to reflect the total amount of recovered past due payments for principal and without taking into account charge-offs), divided by the total initial principal in such vintage.

> November 2015, we have fully automated our data collection and risk management process and placed increasing emphasis on big data analytics. M1+ Delinquency Rate by Vintage for the fourth quarter of 2016 is higher than other vintages in 2016 primarily due to a significant increase in the amount of transactions within a concentrated short period during the quarter, as we aimed to satisfy the increased borrower demand during November 11 and December 12 shopping seasons. The amount of transactions further increased in the first quarter of 2017, while M1+ Delinquency Rate by Vintage for such quarter slightly decreased compared to the fourth quarter of 2016, which demonstrates the strength of our credit assessment model.

(Emphasis added).

45. In addition, the Registration Statement stated that the Company no longer provided online loans to college students. For example, the Registration Statement stated that Qudian had "***terminated*** [its] initial business of facilitating credit to college students on campuses across China" and instead had "shifted [its] focus to a broader base of young consumers in China starting from November 2015." The Registration Statement also stated that this shift was a primary driver of the Company's recent revenue and active borrower growth.

46. The Registration Statement also claimed that the Company employed user-friendly and non-threatening debt collection methods that complied with applicable laws and regulations. For example, the Registration Statement stated that Qudian and its employees "aim to ensure our collection efforts comply with the relevant laws and regulations in the PRC and we have established strict internal policies that our collections personnel do not engage in aggressive practices." The Registration Statement continued in pertinent part:

> **Our business depends on our ability to collect payment on and service the transactions we facilitate.**
>
> ***We have implemented payment and collection policies and practices designed to optimize regulatory compliant repayment, while also providing superior borrower experience.*** Our collection process is divided into distinct stages based on the severity of delinquency, which dictates the level of collection steps taken. For example, automatic reminders through text, voice and instant messages are sent to a delinquent borrower as soon as the collections process commences. Our collection team will also make phone calls to borrowers following the first missed payment and periodically thereafter. Our collection team also disclose such delinquency to Zhima Credit if a payment is more than 20 calendar days past due. For amounts more than 90 calendar days past due, we continue to contact the relevant borrowers by phone. For larger amounts past due, we may also conduct in-

> person visits. During 2015, 2016 and the six months ended June 30, 2017, we recovered RMB0.9 million, RMB7.4 million (US$1.1 million) and RMB7.8 million (US$1.2 million), respectively, of principal and financing service fees of on-balance sheet transactions for which any installment payment is more than 90 calendar days past due.
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> A majority of our risk management team members are responsible for credit management and collection. We have implemented payment and collection policies and practices, included through automated repayment process in which borrowers authorize deduction from their Alipay accounts for the amount of scheduled repayments. ***These policies and practices are designed to optimize regulatory compliant repayment, while also providing superior borrower experience.*** We operate centralized collection teams within our two call centers. Our collections teams are trained to help borrowers to understand the value of their credit profile, explore available payment alternatives and make reasonable arrangements to repay outstanding balances. Call center employees contact borrowers following the first missed payment and periodically thereafter. Our primary methods of contacting past due borrowers are to send reminders through text, voice and instant messages, phone calls, letters and emails.

(Emphasis added).

47. Furthermore, the Registration Statement highlighted the Company's relationship with Ant Financial and Alipay, listing the partnership as a key competitive "strength" that "contribute[s] to our success and reinforce[s] our market leading position." Likewise, the Registration Statement stated that Qudian had "***established a strategic partnership with Ant Financial . . . and ha[d] in-depth cooperation in multiple areas of our business***." The Registration Statement continued in pertinent part:

> ***We have established a strategic partnership with Ant Financial, one of our principal shareholders, and have in-depth cooperation in multiple areas of our business***. Alipay, operated by Ant Financial, is a leading online and mobile third-party payment service provider in China. ***We engage the majority of our active borrowers through the Alipay consumer interface, which has significantly contributed to our rapid growth***.
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> We have established a strategic partnership with Ant Financial. Our collaboration with Ant Financial has an important effect on our results of operations. ***We benefit from Alipay's strong brand recognition and wide adoption in China***. In particular, we are able to promote our products and launch campaigns through the public

> service window on the Alipay consumer interface, a borrower engagement channel which is free of charge and generally available to third parties. We have been able to engage the majority of our active borrowers, particularly repeat borrowers, through such channel since 2016. ***Such collaboration with Alipay has been an important factor in expanding our borrower base while controlling our sales and marketing expenses.***
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> In 2015, we approached Ant Financial for a potential partnership of business cooperation. We have established a rapidly expanding business as a provider of online credit products and demonstrated strong capabilities in data technology and risk management. ***Ant Financial, which operates Alipay, offers us valuable channels to engage Alipay's large number of users. Furthermore, Alipay requires its users to provide personal identification information and verifies such information, which differentiates Alipay from its competitors and contributes to our risk management efforts.*** Furthermore, Ant Financial and us agreed to strengthen the strategic partnership through an equity investment by Ant Financial. . . .
>
> . . . Alipay is a leading online and mobile payment service provider in China, which we believe is a highly efficient channel in enabling us to engage prospective borrowers. At the same time, we believe our credit products enhance user awareness and engagement of Alipay, thereby creating a mutually beneficial relationship.

(Emphasis added).

48. The Registration Statement also stated that the Company's "business and operations may be adversely affected" "if" the Company was "unable to protect the confidential information of [its] users." Similarly, the Registration Statement stated that "if" its security measures were breached, such a breach "could" expose the Company to "the loss of the information, time-consuming and expensive litigation and negative publicity" and the Company's "relationships with users could be severely damaged, we could incur significant liability and our business and operations could be adversely affected." While the Registration Statement acknowledged the material importance to investors of protecting Qudian's customer information and preventing the leak of customer data, it failed to disclose that such a breach had already occurred and compromised nearly one million borrower accounts, rendering the conditional statements of potential harm in the Registration Statement themselves materially misleading.

49. Similarly, while the Registration Statement stated that the Company was subject to changing laws and regulations in China that "may" affect the Company, the Registration Statement failed to disclose that Qudian was engaged in a host of improper lending, credit assessment and loan collection practices that increased the risk that governmental and regulatory changes would adversely affect the Company's business, operations and prospects. To the contrary, the Registration Statement stated that new laws and regulations "could also provide new product and market opportunities" for Qudian.

50. The statements identified in ¶¶38-49 were inaccurate statements of material fact because they failed to disclose, *inter alia*, the following facts that existed at the time of the IPO: (1) that the Company was engaged in predatory lending practices that saddled subprime borrowers and/or those with poor or limited credit histories with high interest rate debt that they could not repay; (2) that many of the Company's customers were using Qudian-provided loans to repay their existing loans, thereby inflating the Company's revenues and active borrower numbers and increasing the likelihood of defaults; (3) that the Company was providing online loans to college students despite a governmental ban on the practice; (4) that the Company was engaged overly aggressive and improper collection practices; (5) that the Company had understated the number of its non-performing loans in the Registration Statement and Prospectus; (6) that because of the Company's improper lending, underwriting and collection practices it was subject to a heightened risk of adverse actions by Chinese regulators; (7) that the Company's largest sales platform and strategic partner, Alipay and Ant Financial, could unilaterally cap the APR for loans provided by Qudian; (8) that the Company had failed to implement necessary safeguards to protect customer data; and (9) that data for nearly one million Company customers had been leaked for sale to the black market, including names, addresses, phone numbers, loan information, accounts and, in some cases, passwords to CHIS, the state-backed higher-education qualification verification institution in China, subjecting the Company to undisclosed risks of penalties and financial and reputational harm.

51. Moreover, Item 303 of SEC Regulation S-K, 17 C.F.R. §229.303(a)(3)(ii), requires defendants to "[d]escribe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on the sales or revenues or

income from continuing operations." Similarly, Item 503 of SEC Regulation S-K, 17 C.F.R. §229.503, requires, in the "Risk Factor" section of registration statements and prospectuses, "a discussion of the most significant factors that make the offering speculative or risky" and requires each risk factor to "adequately describe[] the risk." The failure of the Registration Statement to disclose the facts listed in ¶50 violated 17 C.F.R. §229.303(a)(3)(ii), because these undisclosed facts would (and did) have an unfavorable impact on the Company's sales, revenues and income from continuing operations. This failure also violated 17 C.F.R. §229.503, because these specific risks were not adequately disclosed, or disclosed at all, even though they were some of the most significant factors that made an investment in Qudian ADSs speculative or risky.

52. On December 12, 2017, Qudian's ADR price closed at $13.19, approximately 45% below the $24.00 IPO price.

53. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's ADSs, Plaintiff and other Class members have suffered significant losses and damages.

CLASS ACTION ALLEGATIONS

54. Plaintiff brings this action as a class action pursuant to California Code of Civil Procedure Section 382 on behalf of himself and on behalf of all purchasers of Qudian ADSs issued pursuant to and/or traceable to the Company's IPO (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

55. The members of the Class are so numerous that joinder of all members is impracticable. The precise number of Class Members is unknown to Plaintiff at this time but it is believed to be in the thousands. Members of the Class may be identified by records maintained by

Qudian or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice customarily used in securities class actions.

56. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by the Defendants' respective wrongful conduct in violation of the federal laws complained of herein.

57. Plaintiff has and will continue to fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

58. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by the Defendants' respective acts as alleged herein;

(b) whether the Registration Statement issued by Defendants to the investing public committed and/or misrepresented material facts about the Company and its business; and

(c) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

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

COUNT I

Violations of §11 of the Securities Act Against All Defendants

60. Plaintiff repeats and realleges the allegations contained above as if fully set forth herein.

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

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

63. All Defendants owed to the purchasers of the shares obtained through the Registration Statement the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement at the time they became effective to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading.

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

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

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

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

68. By reason of the foregoing, Plaintiff and the other members of the Class are entitled to damages under Section 11 as measured by the provisions of the Section 11(e), from the Defendants and each of them, jointly and severally.

COUNT II

Violations of §12(a)(2) of the Securities Act Against the Individual Defendants and the Underwriter Defendants

69. Plaintiff repeats and realleges the allegations contained above as if fully set forth herein.

70. By means of the defective Prospectus, the Individual Defendants and the Underwriter Defendants promoted and sold Qudian stock to Plaintiff and other members of the Class.

71. The Prospectus contained untrue statements of material fact, and concealed and failed to disclose material facts, as detailed above. Individual Defendants the Underwriter Defendants owed Plaintiff and the other members of the Class who purchased Qudian ADSs pursuant to the Prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Individual Defendants the Underwriter Defendants in the exercise of reasonable care, should have known of the misstatements and omissions contained in the Prospectus as set forth above.

72. Plaintiff did not know, nor in the exercise of reasonable diligence could have known, of the untruths and omissions contained in the Prospectus at the time Plaintiff acquired Qudian ADSs.

73. By reason of the conduct alleged herein, Individual Defendants and the Underwriter Defendants violated §12(a)(2) of the Securities Act. As a direct and proximate result of such violation, Plaintiff and the other members of the Class who purchased Qudian ADSs pursuant to the Prospectus sustained substantial damages in connection with their purchases of the stock. Accordingly, Plaintiff and the other members of the Class who hold the securities issued pursuant to the Prospectus have the right to rescind and recover the consideration paid for their shares, and hereby tender their securities to Defendants sued herein. Class members who have sold their securities seek damages to the extent permitted by law.

COUNT III

Violation of §15 of the Securities Act Against the Individual Defendants

74. Plaintiff repeats and realleges the allegations contained above as if fully set forth herein.

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

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

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