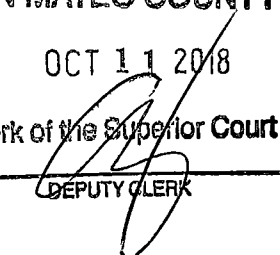


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**FILED**  
**SAN MATEO COUNTY**

OCT 11 2018

Clerk of the Superior Court  
By   
DEPUTY CLERK

7  
8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 COUNTY OF SAN MATEO

10 Roger Webb, Individually and on Behalf of )  
11 All Others Similarly Situated, )  
12 )  
Plaintiff, )

13 vs. )

14 PINDUODUO INC., QI LU, GEORGE )  
15 YONG-BOON YEO, ZHENWEI ZHENG, )  
16 JUNYUN XIAO, HAIFENG LIN, ZHENG )  
17 HUANG, TIAN XU, LEI CHEN, ZHEN )  
18 ZHANG, NANPENG SHEN, JIANMING )  
19 YU, CHINA INTERNATIONAL CAPITAL )  
CORPORATION, HONG KONG )  
SECURITIES LIMITED, CHINA )  
20 RENAISSANCE SECURITIES (HONG )  
KONG) LIMITED, CREDIT SUISSE )  
SECURITIES (USA) LLC, and GOLDMAN )  
21 SACHS (ASIA) L.L.C., )

22 Defendants. )  
23 )  
24 )  
25 )  
26 )  
27 )  
28 )

Case No. **18CV05509**

CLASS ACTION

CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE SECURITIES ACT  
OF 1933

DEMAND FOR JURY TRIAL

18 - CIV - 05509  
CMP  
Complaint  
1430440



File By Fax

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

#### 12 NATURE OF THE ACTION

13 1. This is a securities class action on behalf of all persons other than Defendants  
14 who purchased Pinduoduo American Depository Shares ("ADSs") pursuant and/or traceable  
15 to Pinduoduo's initial public stock offering on or about July 26, 2018 (the "Offering"), seeking  
16 to pursue remedies under the Securities Act of 1933 (the "Securities Act").

17 2. On a day in mid-July 2018, investment bankers from Goldman Sachs and Credit  
18 Suisse hosted a meeting with investors in New York to sell the IPO of Pinduoduo, a fast-  
19 growing and very young Chinese e-commerce company that some think could be the next  
20 JD.com or even Alibaba. Shortly afterwards, the stock priced at the top of its IPO range and  
21 leapt 45% within a few days.

22 3. But it wasn't long before the hype began to wear off. After peaking at a massive  
23 valuation of \$35 billion, or 125 times its 2017 sales, shares of Pinduoduo began a steady  
24 decline towards the IPO price of \$19. Thereafter, the stock declined below the IPO price,  
25 making it a "broken IPO" in Wall Street jargon.

26 4. The nail in the coffin was news that Chinese regulators announced an  
27 investigation into the sale of counterfeit goods and items infringing on copyrights that have  
28 been sold on Pinduoduo's platform. Pinduoduo deals mainly in very cheap items sold between

1 third parties, fertile ground for fake goods to be exchanged.

2 5. These recent events have made it clear that Pinduoduo, its officers and directors,  
3 and the investment banks that brought the Company public made false and misleading  
4 statements in the Company's Prospectus and Registration Statement. The present action  
5 seeks recovery from such Defendants of the damages caused to Plaintiff and other investors  
6 who bought Pinduoduo stock pursuant to such false and misleading Prospectus.

### 7 JURISDICTION AND VENUE

8 6. The claims alleged herein arise under §§ 11, 12(a)(2) and 15 of the 1933 Act, 15  
9 U.S.C. §§ 77k, 77l (a)(2) and 77(o). This Court has jurisdiction over the subject matter of this  
10 action pursuant to Section 22 of the Securities Act, and 15 U.S.C. § 77v, which explicitly states  
11 that "[e]xcept as provided in section 16(c), no case arising under this title and brought in any  
12 State court of competent jurisdiction shall be removed to any court in the United States."  
13 Section 16(c) of the Securities Act refers to "covered class actions," which are defined as  
14 lawsuits brought as class actions or brought on behalf of more than 50 persons asserting  
15 claims under state or common law. This is an action asserting federal law claims. Thus, it  
16 does not fall within the definition of a "covered class action" under Section 16(c) and therefore  
17 is not removable to federal court under the Securities Litigation Uniform Standards Act of  
18 1998. *See Cyan, Inc. v. Beaver County Employees Ret. Fund*, 583 U.S. \_\_\_, 138 S. Ct. 1061  
19 (2018).

20 7. Each Defendant has sufficient contacts with California, or otherwise purposefully  
21 avails itself of benefits from California or has property in California so as to render the exercise  
22 of jurisdiction over each by California courts consistent with traditional notions of fair play  
23 and substantial justice. Defendants sold Pinduoduo ADSs to California residents and citizens,  
24 including Plaintiff.

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

27 9. Venue is proper in this Court pursuant to C.C.P. Section 395(a) because Plaintiff  
28 is a citizen and resident of California and none of the Defendants reside in this State.

## PARTIES

1  
2 10. Plaintiff Roger Webb purchased Pinduoduo ADSs in California pursuant and/or  
3 traceable to the Offering, and was damaged thereby. Plaintiff is a citizen and resident of  
4 California.

5 11. Defendant Pinduoduo, Inc. is a Cayman Island corporation which operates an e-  
6 commerce platform that provides buyers with value-for-money merchandise and interactive  
7 shopping experiences. Third-party vendors also sell products through Pinduoduo's platform.  
8 Pinduoduo has its headquarters at No. 533 Loushanguan Road, 28<sup>th</sup> Floor, Changning District,  
9 Shanghai, 200051. Pinduoduo's ADSs trade on the NASDAQ stock exchange under the ticker  
10 "PDD."

11 12. Defendant Qi Lu ("Lu") has been an independent director and the chairman of  
12 Pinduoduo's compensation committee since July 2018. Currently, he is the vice chairman of  
13 the board of directors of Baidu, Inc. Prior to joining Baidu, Lu served as Microsoft's global  
14 executive vice president and led Applications and Services Group. Lu joined Microsoft in  
15 2009 as president of its Online Services Division. Earlier in his career, Lu joined Yahoo! in  
16 1998, later becoming senior vice president in charge of search and advertising technologies,  
17 and subsequently executive vice president in 2007. Lu holds bachelor and master degrees in  
18 computer science from Fudan University in Shanghai and a Ph.D. in computer science from  
19 Carnegie Mellon University. Upon information and belief, Lu is a citizen and resident of  
20 China.

21 13. Defendant Lei Chen ("Chen") is a founding member of the Company and has  
22 been a director of the Company since February 2017. Chen has also been the chief technology  
23 officer of Pinduoduo since 2016. Prior to joining the Company, Mr. Chen served as chief  
24 technology officer of Xinyoudi Studio since 2011. Mr. Chen's prior working experience  
25 includes internships with Google, Yahoo Inc., and IBM in the United States. Upon information  
26 and belief, Chen is a citizen and resident of China.

27 14. Defendant Zhenwei Zheng ("Zheng") is a founding member of the Company and  
28 has been a director of the Company since April 2018. Zheng also has served as the senior vice

1 president of product development for the Company since 2016. Prior to joining Pinduoduo,  
2 Mr. Zheng served as the chief executive officer of Xinyoudi Studio since 2011. Prior to that, he  
3 held various positions at Baidu from 2008 to 2010. Upon information and belief, Zheng is a  
4 citizen and resident of China.

5 15. Defendant George Yong-Boon Yeo ("Yong-Boon Yeo") has served as a director of  
6 Pinduoduo since July 2018. He currently serves as the chairman of the board of directors of  
7 Kerry Logistics Network (HKEx: 00636), a director of Kerry Holdings Limited, and an  
8 independent non-executive director of AIA Group Limited (HKEx: 01299). Prior to that, Yeo  
9 served 23 years in the government of Singapore, and was Minister for Information and the  
10 Arts, Health, Trade & Industry, and Foreign Affairs of Singapore. Yeo graduated with an MBA  
11 from the Harvard Business School in 1985. Upon information and belief, Yong-Boon Yeo is a  
12 citizen and resident of China.

13 16. Defendant Junyun Xiao ("Xiao") is a founding member of the Company and has  
14 been a director of the Company since April 2018. Prior to joining Pinduoduo, Mr. Xiao served  
15 as operation director of Xinyoudi Studio since 2011. Prior to that, he was a member of the  
16 founding team of Ouku.com and served as operation manager from 2007 to 2010. Upon  
17 information and belief, Xiao is a citizen and resident of China.

18 17. Defendant Zheng Huang ("Huang") is the founder of Pinduoduo and has been  
19 the Company's Chairman of the Board of Directors and Chief Executive Officer at all relevant  
20 times, including during the Company's IPO. Prior to founding Pinduoduo, Mr. Huang  
21 founded Xinyoudi Studio in 2011 to develop and operate online games. Prior to that, Mr.  
22 Huang founded Ouku.com, a company that operated an online B2C platform for consumer  
23 electronics and home appliances, which was subsequently sold in 2010. Mr. Huang started his  
24 career at Google's headquarters in California in 2004 as a software engineer and project  
25 manager. Mr. Huang subsequently relocated to China and was part of the team that  
26 established Google China. Upon information and belief, Huang is a citizen and resident of  
27 China.

28 ///

1 18. Defendant Tian Xu (“Xu”) has been the Company’s Vice President of Finance  
2 since June 2018. Xu has been responsible for overseeing the Company’s financial and  
3 accounting functions and prepared parts of the Offering Documents. Prior to joining  
4 Pinduoduo, Mr. Xu served as a finance director at Baidu (Nasdaq: BIDU) since 2016. Prior to  
5 that, he served as a finance director at Alibaba (NYSE: BABA) from 2014 to 2016. From 2004  
6 to 2012, Mr. Xu served as a finance controller at ABB Group, a leading technology company.  
7 Prior to that, he served as an auditor in the auditing group of KPMG Huazhen from 2003 to  
8 2004. Mr. Xu received his bachelor’s degree from Central University of Finance and  
9 Economics in 2000, his master’s degree from Renmin University of China in 2003, and his  
10 master’s degree in business administration from the Massachusetts Institute of Technology in  
11 2013. Upon information and belief, Xu is a citizen and resident of China.

12 19. Defendant Haifeng Lin (“Lin”) has been a director of the Company since June  
13 2017. Mr. Lin has also served as general manager of the merger and acquisitions department  
14 of Tencent Technology (Shenzhen) Company Limited, an affiliate of Tencent Holdings Limited  
15 (HKEx: 00700), since November 2010, and has been an executive director of Huayi Tencent  
16 Entertainment Company Limited (HKEx: 00419) since February 2016. From July 2003 to  
17 November 2010, Mr. Lin served as a director of Microsoft China. Prior to that, Mr. Lin worked  
18 at Nokia China from 1999 to 2001. Mr. Lin received his bachelor’s degree in engineering from  
19 Zhejiang University in June 1997 and his master’s degree in business administration from the  
20 Wharton School of the University of Pennsylvania in June 2003. Upon information and belief,  
21 Lin is a citizen and resident of China.

22 20. Defendant Zhen Zhang (“Zhang”) has been a director of the Company since  
23 November 2015. Mr. Zhang is one of the founders of Gaorong Capital and has served as its  
24 partner since 2014. Mr. Zhang focuses on investments in the technology, media and  
25 telecommunications sector and has experience in helping early to growth stage companies  
26 develop their business. Prior to founding Gaorong Capital, Mr. Zhang worked at IDG Capital  
27 Partners from 2002 to 2013 and was a partner and a member of the investment committee at  
28 IDG Capital Partners. Upon information and belief, Zhang is a citizen and resident of China.

1           21. Defendant Nanpeng Shen (“Shen”) has been a director of the Company since  
2 April 2018. Shen is the founding and managing partner of Sequoia China, and is also a co-  
3 founder of Ctrip.com International, Ltd. (Nasdaq: CTRP) and Homeinns Hotel Group. Shen  
4 currently serves as an independent director of Ctrip and Momo Inc. (Nasdaq: Momo). He also  
5 serves on the board of directors of PPDAl Group Inc. (NYSE: PPDF) and Noah Holdings  
6 Limited (NYSE: NOAH). Mr. Shen received his bachelor’s degree from Shanghai Jiao Tong  
7 University and his master’s degree from Yale University. Upon information and belief, Shen is  
8 a citizen and resident of China.

9           22. Defendant Jianming Yu (“Yu”) has been a director of the Company since March  
10 2018. Yu currently serves as a director of Zai Lab Ltd. (Nasdaq: ZLAB). Mr. Yu received his  
11 bachelor’s degree in biology from Tsinghua University in 1994, his doctoral degree in biology  
12 from Harvard University in 1998, and his master’s degree in business administration from the  
13 Kellogg School of Management at Northwestern University in 2000. Upon information and  
14 belief, Yu is a citizen and resident of China.

15           23. Defendants Lu, Yong-Boon Yeo, Huang, Xu, Chen, Zheng, Xiao, Lin, Zhang,  
16 Shen, and Yu are collectively referred to hereinafter as the “Individual Defendants”.

17           24. Defendant China International Capital Corporation Hong Kong Securities  
18 Limited (“CICC”) was an underwriter of the Company’s Offering, served as a financial advisor,  
19 and assisted in the preparation and dissemination of Pinduoduo’s false and misleading  
20 Offering Documents. Defendant CICC is headquartered at 29th Floor, One International  
21 Finance Center, 1 Harbor View Street, Central, Hong Kong.

22           25. Defendant China Renaissance Securities (Hong Kong) Limited (“China  
23 Renaissance”) was an underwriter of the Company’s Offering, served as a financial advisor and  
24 assisted in the preparation and dissemination of Pinduoduo’s false and misleading Offering  
25 Documents. Defendant China Renaissance is headquartered at Unit 901-3, 9th Floor,  
26 Agricultural Bank of China Tower, 50 Connaught Road Central, Central, Hong Kong.

27           26. Defendant Credit Suisse Securities (USA) LLC (“Credit Suisse”) is a Delaware  
28 limited liability company which is headquartered at 11 Madison Avenue, New York, New York.

1 Credit Suisse Securities (USA) LLC was an underwriter of the Company's Offering, served as a  
2 financial advisor, and assisted in the preparation and dissemination of Pinduoduo's false and  
3 misleading Offering Documents (defined below).

4 27. Defendant Goldman Sachs (Asia) L.L.C. ("Goldman Sachs") was an underwriter  
5 of the Company's Offering, served as a financial advisor, and assisted in the preparation and  
6 dissemination of Pinduoduo's false and misleading Offering Documents. The company is  
7 headquartered at Cheung Kong Center, 68th Floor, 2 Queen's Road, Central, Hong Kong.

8 28. Credit Suisse, Goldman Sachs, CICC, and China Renaissance are referred to  
9 herein as the "Underwriter Defendants".

10 29. Pinduoduo, the Individual Defendants, and the Underwriter Defendants are  
11 collectively referred to herein as "Defendants".

12 30. Pursuant to the Securities Act, the Underwriter Defendants are liable for the  
13 false and misleading statements in the Registration Statement and Prospectus (the "Offering  
14 Documents"). The Underwriter Defendants' failure to conduct adequate due diligence  
15 investigations was a substantial factor leading to the harm complained of herein.

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

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

28 33. In addition to having access to internal corporate documents, the Underwriter



1 Defendants and/or their agents, including their counsel, had access to the Company's lawyers,  
2 management, directors, and top executives to determine: (1) the strategy to best accomplish  
3 the Offering; (2) the terms of the Offering, including the price at which the Company's ADSs  
4 would be sold; (3) the language to be used in the Offering Documents; (4) what disclosures  
5 about the Company would be made in the Offering Documents; and (5) what responses would  
6 be made to the SEC in connection with its review of the Offering Documents. As a result of  
7 those constant contacts and communications between the Underwriter Defendants'  
8 representatives and the Company's management and top executives, at a minimum, the  
9 Underwriter Defendants should have known of the Company's undisclosed existing problems  
10 and plans, and the material misstatements and omissions contained in the Offering  
11 Documents as detailed herein.

12 34. The Underwriter Defendants caused the Offering Documents to be filed with the  
13 SEC and to be declared effective in connection with offers and sales of the Company's shares  
14 pursuant and/or traceable to the Offering and relevant offering materials, including to Plaintiff  
15 and the Class.

#### 16 **CLASS ACTION ALLEGATIONS**

17 35. Plaintiff brings this action as a class action pursuant to § 382 of the California  
18 Code of Civil Procedure on behalf of a class consisting of all persons or entities who acquired  
19 the ADSs of Pinduoduo, Inc. pursuant and/or traceable to the false and misleading Offering  
20 Documents issued in connection with the IPO (the "Class"). Excluded from the Class are  
21 defendants and their families, the officers, directors and affiliates of the defendants, at all  
22 relevant times, members of their immediate families and their legal representatives, heirs,  
23 successors or assigns and any entity in which defendants have or had a controlling interest.

24 36. The members of the Class are so numerous that joinder of all members is  
25 impracticable. The ADS shares are actively traded on the NASDAQ, a developed and global  
26 electronic market. While the exact number of Class members is unknown to Plaintiff at this  
27 time and can only be ascertained through appropriate discovery, Plaintiff believes that there  
28 are thousands of members in the proposed Class. In the IPO, at least 85,600,000 ADSs were

1 sold at \$19.00 per share to thousands of investors. Record owners and other members of the  
2 Class may be identified from records maintained by the Company or its transfer agent and  
3 may be notified of the pendency of this action by mail, using the form of notice similar to that  
4 customarily used in securities class actions.

5 37. Plaintiff's claims are typical of the claims of the members of the Class, as all  
6 members of the Class are similarly affected by defendants' wrongful conduct in violation of  
7 federal law that is complained of herein.

8 38. Plaintiff will fairly and adequately protect the interests of the members of the  
9 Class and has retained counsel competent and experienced in class and securities litigation,  
10 including litigation in San Mateo Superior Court.

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

14 (a) whether the 1933 Act was violated by defendants' acts as alleged herein,

15 (b) whether statements made by defendants to the investing public in  
16 connection with the IPO and in the Offering Documents misrepresented material facts about  
17 the business, operations and prospects of Pinduoduo, and

18 (c) to what extent the members of the Class have sustained damages and the  
19 proper measure of damages.

20 40. A class action is superior to all other available methods for the fair and efficient  
21 adjudication of this controversy since joinder of all members is impracticable. In the IPO, at  
22 least 85,600,000 ADSs were sold at \$19.00 per share to thousands of investors.

23 41. Furthermore, as the damages suffered by individual Class members may be  
24 relatively small, the expense and burden of individual litigation make it impracticable for  
25 members of the Class to individually redress the wrongs done to them. There will be no  
26 difficulty in the management of this action as a class action.

27 ///

28 ///

**SUBSTANTIVE ALLEGATIONS**

**I. Background on Pinduoduo**

1  
2  
3 42. Pinduoduo’s CEO, Colin Huang, has stated that he wants his company to  
4 resemble a combination of “Costco and Disney” that enables customers to receive value for  
5 their money by offering economical deals partnered with entertainment. Value for money is  
6 generated either by selling private label brands or highly discounted branded items.

7 43. Some analysts have described Pinduoduo as a more aggressive version of  
8 Groupon and a dollar store. It uses group buying mechanics and social networking via  
9 WeChat to meet the minimum group size mandated by the merchant within a 24-hour time  
10 period from initiation, leading to all participants enjoying a better deal. The customer is able  
11 to get a better price on already cheap products and the merchant is able to generate more  
12 sales. If the minimum group size is not generated, the merchant cancels the order and group  
13 members are refunded their payment.

14 44. Founded in late 2015, Pinduoduo, whose name loosely translates to mean “buy  
15 more together,” exists as a mobile app and a mini-program on messaging app WeChat that  
16 offers users generous discounts if they and at least one of their WeChat friends decide to  
17 purchase an item together.

18 45. Many of Pinduoduo’s items are offered at less than 10 yuan after discounts,  
19 making it especially appealing to users from less-developed areas where incomes are lower.  
20 These users tend to view e-commerce shopping with friends as a form of cheap and fun  
21 entertainment in a country where smartphone users total 717 million.

22 46. Its social+ group buying business model has proven so popular that Alibaba,  
23 which owns the Post, and JD.com have launched similar versions on their online  
24 marketplaces. For the year ended March 31, 2018, Pinduoduo sold merchandise with a total  
25 value of 198.7 billion yuan.

26 47. Pinduoduo founder Colin Huang became China’s 12th richest person with the  
27 soaring US trading debut. The former Google engineer’s US\$13.8 billion fortune after the IPO  
28 places him among the world’s 100 richest people, according to the Bloomberg Billionaires

1 Index. Huang retains a 46.8 percent stake after the IPO, before any exercise of an over-  
2 allotment option.

3 48. Defendant Defendant Huang, the CEO of Pinduoduo Inc., received at least \$1  
4 billion of stock without any performance hurdles as part of Pinduoduo's IPO. As reported by  
5 Bloomberg:

6 The concept of an IPO bonus that's not tied to future performance metrics is  
7 unusual because a public offering is already a way of compensating CEOs and  
8 their lieutenants. Founders like the heads of Pinduoduo, Xiaomi and JD already  
9 hold substantial stakes and would become billionaires even without the extra  
10 payout. That raises concerns that such rich paydays are coming at the expense of  
11 future shareholders, and could push startups to take on public investors even if  
12 they're not ready.

13 "Generally we regard any pay package that doesn't align pay with performance  
14 not in the best interest of shareholders," said Michael Cheng, vice president of  
15 ESG Research at MSCI Inc. "Share awards that don't come with performance  
16 metrics defeat the whole purpose of equity retention policies, which are meant  
17 as incentives to executives to create value for the company and all shareholders."

18 Colin Huang, the head of Pinduoduo, may soon have an \$8.3 billion fortune,  
19 based on his holdings in the e-commerce operator and the IPO bonus. That  
20 would make him among the 25 richest people in China, according to the  
21 Bloomberg Billionaires Index. . . . The \$8.3 billion fortune is based on the low  
22 end of the pricing range. The top end would mean a net worth of \$9.9 billion,  
23 making him the 16th-richest person in China, ahead of Richard Liu, the founder  
24 of China's No. 2 e-commerce operator JD.com.

25 See Shelly Banjo & David Ramli, "CEOs Are Starting to Bank Billion-Dollar Bonuses With  
26 IPOs," BLOOMBERG, July 23, 2018.

## 27 **II. Materially False and Misleading Statements in the Prospectus**

28 49. On May 7, 2018, Pinduoduo filed a draft Registration Statement on Form DRS  
with the SEC. On June 29, 2018, Pinduoduo filed a Registration Statement on Form F-1 with  
the SEC. Following several amendments made in response to comments received by the SEC,  
the SEC declared the Registration Statement effective on July 25, 2018. The Registration  
Statement was utilized in the Offering.

50. Each of the Individual Defendants signed the Registration Statement.

51. On July 26, 2018, Pinduoduo filed its Prospectus with the SEC on Form 424B4.

1           52. The Registration Statement and Prospectus are referred to herein as the  
2 "Offering Documents."

3           53. On July 26, 2018 Pinduoduo Inc. announced the pricing of its initial public  
4 offering of 85,600,000 American Depositary Shares ("ADSs") (equivalent of 342,400,000  
5 Class A ordinary shares) at a price of US\$19 per ADS for a total offering size of US\$1.63  
6 billion, assuming the underwriters do not exercise their option to purchase additional ADSs.  
7 The Company announced that its ADSs, each representing four Class A ordinary shares of the  
8 Company, had been approved for listing on the NASDAQ Global Select Market and were  
9 expected to begin trading on July 26, 2018 under the symbol "PDD".

10           54. The Company also announced that the underwriters had been granted a 30-day  
11 option to purchase up to an additional 12,840,000 ADSs from the Company (equivalent of  
12 51,360,000 Class A ordinary shares), which would contribute to additional gross proceeds of  
13 US\$244 million. This option is referred to by investment bankers as the "greenshoe" option.

14           55. The number of ordinary shares outstanding immediately after the offering  
15 (assuming the full vesting and exercise of 581,972,860 options granted and outstanding as of  
16 the offering) will be 5,013,118,240 ordinary shares on a fully diluted basis (or 5,064,478,240  
17 ordinary shares if the underwriters exercise the over-allotment option in full).

18           56. On July 26, 2018, Pinduoduo ADSs began trading on NASDAQ, under the ticker  
19 "PDD". The stock opened at \$26.50 per share and closed at \$26.70 per share on July 26,  
20 2018.

21           57. The Offering Documents were negligently prepared and, as a result, contained  
22 untrue statements of material facts or omitted to state other facts necessary to make the  
23 statements made not misleading, and were not prepared in accordance with the rules and  
24 regulations governing their preparation as the Offering Documents failed to disclose that: (1)  
25 Pinduoduo was not taking adequate steps to prevent counterfeit products from being sold on  
26 its platform or to remove counterfeit products from its platform; (2) Pinduoduo, rather than  
27 trying to eliminate the selling of counterfeit products from its platform, was actually  
28 encouraging the use of trademarks and aiding the selling of counterfeit products on its

1 platform; (3) Pinduoduo was experiencing higher customer churn; (4) the full extent of the  
2 conflicts of interest posed to the Company by its reliance on a steady stream of traffic from one  
3 of the Company's principal shareholders — Tencent's WeChat; and (5) as a result, Defendants'  
4 statements about the Company's business, operations, and prospects were materially false and  
5 misleading and/or lacked a reasonable basis at all relevant times.

6 58. The Offering Documents stated: "Our large and highly active buyer base has  
7 helped attract merchants to our platform, and ***the scale of our sales volume has***  
8 ***encouraged merchants to offer even more competitive pricing and customized***  
9 ***products and services to buyers, thus forming a virtuous cycle. In the twelve-***  
10 ***month period ended June 30, 2018, we had 1.7 million active merchants on our***  
11 ***platform, offering a broad range of product categories.***"

12 59. The Offering Documents also stated: "***Our number of active buyers,***  
13 ***annual spending per active buyer and average monthly active users have been***  
14 ***increasing ... primarily been driven by the growing popularity and recognition***  
15 ***of our brand and platform,*** the consumer preferences for our innovative shopping  
16 experience, wide selection and attractive prices of merchandise offered on our platform, and  
17 the positive impact of our promotional and marketing campaigns," the company said in its  
18 prospectus.

19 60. These statements were false and misleading because the Offering Documents did  
20 not disclose that Pinduoduo was not taking adequate steps to prevent counterfeit products  
21 from being sold on its platform or to remove counterfeit products from its platform, and thus  
22 that far from representing a "virtuous cycle" Pinduoduo's rapid growth was achieved in  
23 significant part by the increased sale of counterfeit goods on its platform.

24 61. The materiality of any sale of counterfeit goods on Pinduoduo's platform was  
25 acknowledged by the Offering Documents, which stated:

26 Public perception that counterfeit, unauthorized, illegal, or infringing products  
27 are sold on our platform or that we or merchants on our platform do not provide  
28 satisfactory consumer services, even if factually incorrect or based on isolated  
incidents, could damage our reputation, diminish the value of our brand,



























