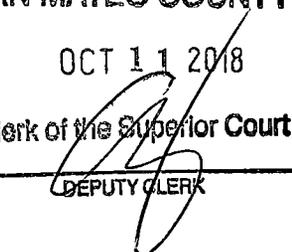


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FILED
SAN MATEO COUNTY

OCT 11 2018

Clerk of the Superior Court
By 
DEPUTY CLERK

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.)

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.

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PARTIES

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

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

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

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

14. Defendant Zhenwei Zheng ("Zheng") is a founding member of the Company and 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.

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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.

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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,

1 undermine the trust and credibility we have established and have a negative
2 impact on our ability to attract new buyers or retain our current buyers. If we
3 are unable to maintain our reputation, enhance our brand recognition or
4 increase positive awareness of our platform, products and services, it may be
difficult to maintain and grow our buyer base, and our business and growth
prospects may be materially and adversely affected.

5 * * *

6 ***We may incur liability for counterfeit, unauthorized, illegal, or***
7 ***infringing products sold or misleading information available on***
our platforms.

8 * * *

9 ***In the event that counterfeit, illegal, unauthorized or infringing***
10 ***products are sold on our platform or infringing or misleading***
11 ***content is posted on our user interface, we could face claims or be***
12 ***imposed penalties. Counterfeit products sold on our platform may***
13 ***damage our reputation and cause buyers to refrain from making***
14 ***future purchases from us, which would materially and adversely***
15 ***affect our business operations and financial results.***

16 62. The Offering Documents also conceded the materiality of any information
17 regarding the sale of counterfeit goods on Pinduoduo's platform by the following statement in
18 the Prospectus:

19 The Tort Liability Law of the PRC, which was enacted by the Standing
20 Committee of the NPC in December 2009 and took effect in July 2010, also
21 provides that if an online service provider is aware that an online user is
22 committing infringing activities, such as selling counterfeit products, through its
internet services and fails to take necessary measures, it shall be jointly liable
with the said online user for such infringement. If the online service provider
receives any notice from the infringed party on any infringing activities, the
online service provider shall take necessary measures, including deleting,
blocking and unlinking the infringing content, in a timely manner. Otherwise, it
will be jointly liable with the relevant online user for the extended damages.

23 63. However, while admitting the potential for significant fines and material effects
24 on its financial results from failure to prevent the sale of counterfeit goods on its platform,
25 Pinduoduo stated in the Offering Documents that it had "adopted strict measures to protect us
26 against these potential liabilities," as follows:

27 Under our current marketplace model, all products offered on our platform are
28 supplied by merchants, who are separately responsible for sourcing the products
that are sold on our platform. In the twelve-month period ended June 30, 2018,

1 we had 1.7 million active merchants on our platform, offering a broad range of
2 product categories. We have been and may continue to be subject to allegations
3 and lawsuits claiming that products listed or sold through our platform by third-
4 party merchants are counterfeit, unauthorized, illegal, or otherwise infringe
5 third-party copyrights, trademarks and patents or other intellectual property
6 rights, or that content posted on our user interface contains misleading
7 information on description of products and comparable prices. **Although we**
8 **have adopted strict measures to protect us against these potential**
9 **liabilities, including proactively verifying the authenticity and**
10 **authorization of products sold on our platform through working**
11 **with brands and conducting offline investigations, immediately**
12 **taking down any counterfeit or illegal products or misleading**
13 **information found on our platform, and freezing the accounts of**
14 **merchants in violation of the platform policies, these measures**
15 **may not always be successful or timely.** For example, in January 2018,
16 we were required by the relevant government authorities to strengthen
17 supervision on the qualifications of the distributors of publications on our
18 platform and to respond effectively to claims of copyright infringement. **We**
19 **have taken a number of measures in accordance with such**
20 **requirements including the implementation of a comprehensive**
21 **system in reviewing and tracking the qualification status of the**
22 **relevant merchants.** We may implement further measures in an effort to
23 eliminate infringing products on our platforms, including taking legal actions
24 against merchants of counterfeit or infringing products, which may cause us to
25 spend substantial additional resources or result in reduced revenues. In
26 addition, these measures may not appeal to consumers, merchants or other
27 participants on our platforms. A merchant whose account is suspended or
28 terminated by us, regardless of our compliance with the applicable laws, rules
and regulations, may have disputes with us and commence action against us for
damages, make public complaints or engage in publicity campaigns against us.
We may incur significant costs to defend against these activities, which could
harm our business.

64. The aforementioned statements in the Offering Documents to the effect that
Pinduoduo had “**adopted strict measures to protect us against these potential**
liabilities” and had “**immediately tak[en] down any counterfeit or illegal**
products or misleading information found on our platform, and freezing the
accounts of merchants in violation of the platform policies” were false and
misleading because, in fact, at the time of the IPO, the extent of counterfeit goods being sold
on Pinduoduo’s platform was substantial and Pinduoduo had not done enough to counter the
sale of such counterfeit goods. Moreover, the statements were false and misleading because
Pinduoduo, rather than trying to eliminate the sale of counterfeit products from its platform,

1 was actually encouraging the use of trademarks and aiding the selling of counterfeit products
2 on its platform.

3 65. Similarly, the Prospectus stated that Pinduoduo was subject to regulations
4 adopted in China and which were applicable to e-commerce companies such as Pinduoduo,
5 but failed to disclose that the Chinese regulators were already analyzing Pinduoduo for
6 potential regulatory action :

7 “In May 2010, SAIC adopted the Interim Measures for the Administration of
8 Online Commodities Trading and Relevant Services, which took effect in
9 July 2010. Under these measures, enterprises or other operators which engage
10 in online commodities trading and other services and have been registered with
11 SAIC or its local branches must make the information stated in their business
12 license available to the public or provide a link to their business license on their
13 website. **Online distributors must adopt measures to ensure the
14 security of online transactions, protect online shoppers’ rights and
15 prevent the sale of counterfeit goods.** Information on products and
16 transactions released by online distributors must be authentic, accurate,
17 complete and sufficient.”

18 “In January 2014, SAIC adopted the Administrative Measures for Online
19 Trading, or the Online Trading Measures, which terminated the above interim
20 measures and took effect in March 2014. Under the Online Trading Measures, e-
21 commerce platform operators shall examine and register the identity
22 information of the merchants applying for having access to their platforms,
23 archive such information which shall be kept verified and updated regularly. It
24 is further provided that e-commerce platform operators shall make publicly
25 available the link to or the information contained in the business licenses of
26 such merchants (in the case of business entities) or a label confirming the
27 verified identity of the merchants (in the case of individuals). A consumer is
28 entitled to return the commodities within seven days from the date after receipt
of the commodities without giving a reason, except for the following
commodities: customized commodities, fresh and perishable commodities,
audio-visual products downloaded online or unpackaged by consumers and
computer software and other digital commodities, and newspapers and journals
that have been delivered. The online commodity operators shall, within seven
days upon receipt of the returned commodities, provide full refunds to
consumers for relevant commodities. In addition, operators shall not, by using
contractual terms or by other manners, set out the provisions that are not fair or
reasonable to consumers such as those that exclude or restrain consumers’
rights, relieve or exempt operators’ responsibilities, and increase the consumers’
responsibilities, and shall not, by using contractual terms and by technical
means, conduct transactions in a forcible manner.”

66. These statements were false and misleading because the Prospectus failed to

1 disclose that Chinese regulators were already looking at Pinduoduo for additional regulatory
2 action due to increased sales of counterfeit goods by Pinduoduo merchants.

3 67. The Offering Documents also contained material omissions, including:

4 (a) The failure to disclose the extent of customer churn;

5 (b) The full extent of risks and conflicts of interest posed to the Company by
6 its reliance a steady stream of traffic from one of the Company's principal shareholders –
7 Tencent's WeChat;

8 (c) Pinduoduo's platform actually encourages counterfeits as there is a
9 function called "Pinduoduo loading assistant" which allows a seller on Pinduoduo's platform
10 to type in a product he/she is looking to sell and then copy the authentic seller's website
11 content including pictures and trademarks; and

12 (d) the fact that Pinduoduo had received the most complaints about
13 counterfeit goods among all comparable e-commerce sites in China in 2016.

14 68. In addition, Item 303 of SEC Regulation S-K, 17 C.F.R. § 229.303(a)(3)(ii) ("Item
15 303"), required the Offering Documents to "[d]escribe any known trends or uncertainties that
16 have had or that the registrant reasonably expects will have a material favorable or
17 unfavorable impact on the sales or revenues or income from continuing operations." The
18 regulation also requires the Offering Documents to disclose events that the registrant knew
19 would "cause a material change in the relationship between costs and revenues." *Id.* The fact
20 that Pinduoduo was experiencing an increased incidence of counterfeit goods on its platform,
21 had been ineffectual in stopping the sale of such goods, and that it faced increased regulatory
22 action for failing to stem the tide of counterfeit goods sales on its platform, as well as the
23 impact such trend would have on its financial results and expenses, which would lead to lower
24 growth, revenue, and profit margins, were required to be disclosed pursuant to Item 303,
25 because these facts posed events and uncertainties that would (and did) have an unfavorable
26 impact on Pinduoduo's revenues and income from operations.

27 69. While the Registration Statement generally warns of numerous risks that could
28 affect the Company, it failed to disclose that these risks had already materialized at the time of

1 the IPO. The Registration Statement also failed to disclose the full extent of customer churn at
2 Pinduoduo and failed to disclose that Pinduoduo's platform actually encourages counterfeits
3 as there is a function called "Pinduoduo loading assistant" which allows a seller on
4 Pinduoduo's platform to type in a product he/she is looking to sell and then copy the authentic
5 seller's website content including pictures and trademarks.

6 70. Under the 1933 Act, Defendants were required to disclose these material facts in
7 the Registration Statement because they were known events or uncertainties that at the time of
8 the IPO had caused or were reasonably likely to cause Pinduoduo's disclosed financial
9 information to be not indicative of future operating results and likely to materially and
10 adversely affect Pinduoduo's future results and prospects. Further, Defendants were required
11 to disclose the risk factors that made the offering risky or speculative and to ensure the risk
12 factor adequately described the actual risk, and the likely material adverse effects on the
13 Company's financial results and operations.

14 71. Accordingly, Defendants' conduct with respect to the Registration Statement
15 violated the 1933 Act.

16 72. Pursuant to the Securities Act, the Underwriter Defendants are liable for the
17 false and misleading statements in the Registration Statement as follows:

18 (a) The Underwriter Defendants are investment banking houses that
19 specialize, *inter alia*, in underwriting public offerings of securities. The Underwriter
20 Defendants served as the underwriters of the IPO and shared millions of dollars in fees
21 collectively. The Underwriter Defendants determined that in return for their share of the IPO
22 proceeds, they were willing to merchandize Pinduoduo stock in the IPO.

23 (b) The Underwriter Defendants also demanded and obtained an agreement
24 from the Company that the Company would indemnify and hold the Underwriter Defendants
25 harmless from any liability under the federal securities laws. They also made certain that the
26 Company had purchased millions of dollars in directors' and officers' liability insurance.

27 (c) Representatives of the Underwriter Defendants also assisted Pinduoduo
28 and the Individual Defendants in planning the IPO, and purportedly conducted an adequate

1 and reasonable investigation into the business and operations of Pinduoduo, an undertaking
2 known as a “due diligence” investigation. The due diligence investigation was required of the
3 Underwriter Defendants in order to engage in the IPO. During the course of their “due
4 diligence,” the Underwriter Defendants had continual access to confidential corporate
5 information concerning Pinduoduo’s operations and financial prospects.

6 (d) In addition to availing themselves of virtually unbridled access to material
7 corporate documents, agents of the Underwriter Defendants met with Pinduoduo’s lawyers,
8 management, and top executives, and engaged in “drafting sessions” between at least May
9 2018 and July 2018. During these sessions, understandings were reached as to: (i) the
10 strategy to best accomplish the IPO; (ii) the terms of the IPO, including the price at which
11 Pinduoduo common stock would be sold; (iii) the language to be used in the Registration
12 Statement; (iv) what disclosures about the Company would be made in the Registration
13 Statement; and (v) what responses would be made to the SEC in connection with its review of
14 the Registration Statement. As a result of those constant contacts and communications
15 between the Underwriter Defendants’ representatives and Pinduoduo’s management and top
16 executives, the Underwriter Defendants knew of, or in the exercise of reasonable care, should
17 have known of, Pinduoduo’s existing problems as detailed herein.

18 (e) The Underwriter Defendants caused the Registration Statement to be filed
19 with the SEC and declared effective in connection with the offers and sales of securities
20 registered thereby, including those to Plaintiff and the other members of the Class.

21 III. Events Following the IPO

22 73. On July 31, 2018, news reports disclosed that the PRC’s State Administration of
23 Market Regulation had called for the Shanghai Municipal Administration of Industry and
24 Commerce to investigate the sale of counterfeit products on Pinduoduo’s platform.

25 74. The next day, on August 1, 2018 China’s State Administration for Market
26 Regulation released an announcement on its official website stating that it is investigating the
27 claims about rampant counterfeit goods being sold on Pinduoduo’s platform.

28 ///

1 75. On this news, the price of the Company's ADS stock declined from \$22.59 on
2 July 31, 2018 to \$20.31 on August 1, 2018.

3 76. Over the next two weeks, as additional news stories were published regarding
4 Pinduoduo's counterfeit goods problem, the price of the Company's ADS stock declined
5 further, to \$17.70 on August 15, 2018.

6 77. On August 2, 2018, the China Daily ran an article entitled "Pinduoduo Faces
7 Regulators Over Counterfeit Goods". The article noted in part that:

8 "Central and Shanghai market regulators have launched investigations into
9 complaints, led by Shenzhen-based television manufacturer Skyworth Group,
10 that counterfeits are sold on Pinduoduo Inc.'s online discount platform.

11 ***The State Administration for Market Regulation released an
12 announcement on its official website on Wednesday, which said
13 that they are paying significant attention to the many reports of
14 infringement and counterfeit products sold on Pinduoduo's
15 e-commerce site.***

16 Whether it is the online platform itself or the business owners selling such
17 products on the platform, any party that has violated the law will face legal
18 punishment, the authorities said.

19 ***The Shanghai Municipal Administration for Industry & Commerce
20 said on Wednesday it had grilled Pinduoduo's manager the
21 previous day.***

22 The central government's regulator said it has asked the company to launch an
23 internal review and enact any necessary corrections immediately. The problems
24 reported by media, consumers and trademark owners should be rectified, it said.

25 Pinduoduo said in an announcement released later on Wednesday that it will
26 cooperate with market regulators, further cracking down on infringement and
27 counterfeit products sold on the platform.

28 "Pinduoduo has never produced a single counterfeit product and has been
making all efforts to crack down on such goods. ***We have done a lot, but our
actions remain far below people's expectations. Apart from
retrospection and self-examination, we will work harder to improve
our ability to fight against counterfeits,***" the company said in a
statement.

***Skyworth was the first company to urge Pinduoduo to stop
displaying and allowing sales of counterfeit products, but is by no
means alone in its allegations.*** Information provided by the China

1 E-Commerce Research Center shows that Pinduoduo received the most
2 complaints among all such websites in China in 2016.

3 ***But, Pinduoduo said on Wednesday that it removed more than 10.7***
4 ***million problematic products last year and blocked 40 million links***
5 ***related to infringing products.*** The company has a blacklist to
permanently block companies found selling fake products on the platform, it
said.

6 78. On August 4, 2018, the China Daily published an article entitled "Pinduoduo
7 Told to Fix Fake Goods Issue". The article stated in part:

8 "China's market regulator said on Friday that online discounter Pinduoduo
9 should strengthen platform management and regulate business activities of
third-party vendors to maintain fair competition.

10 Regulators met with the e-commerce site's officials amid reports of
11 counterfeiting.

12 The State Administration for Market Regulation said on its website that it
13 required Pinduoduo to bolster the management and review of commodities and
14 online traders, actively cooperate with regulators' investigations and obey the
law to maintain healthy, rapid and sustainable development.

15 The company will thoroughly rectify and reform its conduct, cooperate with
16 regulators and not shirk its responsibilities, Huang Zheng, Pinduoduo CEO, was
quoted as saying in the statement.

17 The authority said this week it was paying close attention to media reports of
18 infringement and counterfeit goods sold on Pinduoduo. It required the Shanghai
Administration for Industry and Commerce as well as other regulators to launch
19 targeted investigations.

20 Pinduoduo said it is committed to fighting fake products and has already taken
21 down more than 10 million products over counterfeiting concerns as well as
blocked over 40 million links to goods suspected of piracy.

22 When it debuted on the Nasdaq Stock Market on July 26, its shares rocketed by
23 more than 40 percent on the first trading day.

24 Founded in 2015, Pinduoduo is now the third-largest e-commerce platform in
China, behind Alibaba Group and JD, and it has more than 300 million users.

25 ***Pinduoduo's share price slumped below its initial public offering***
26 ***price this week following reports of counterfeit commodities and***
27 ***the authority's investigation. The company lost \$5 billion in market***
28 ***capitalization in the following five trading days.***

1 “Pinduoduo should ramp up efforts to inspect third-party vendors’
2 qualifications, raise the entry threshold and screen out fake goods by virtue of
3 artificial intelligence, big data algorithms and consumers’ evaluations,” said
4 Wang Huie, a senior analyst at Beijing-based internet consultancy Analysis.

5 Dong Yizhi, a researcher at China’s E-Commerce Research Center, said fighting
6 counterfeiting is a long process, but online platforms should spend the
7 considerable money and technological methods necessary to fight intellectual
8 property infringement and the sale of copycat products.

9 79. As these facts demonstrate, Pinduoduo’s share price slumped below its initial
10 public offering price in the week following reports of counterfeit commodities and the Chinese
11 authority’s investigation. ***The company lost \$5 billion in market capitalization in***
12 ***five trading days alone.***

13 80. Moreover, Pinduoduo hosted a conference call with analysts on August 30, 2018
14 to discuss its Q2 2018 financial results. During that call, in response to a question from an
15 analyst, Pinduoduo admitted that the impact from the counterfeit goods problem was affecting
16 its financial results:

17 **Q:** First question is regarding the recent PR incident on infringing or counterfeit
18 products that management just mentioned. So can management share with us some
19 thoughts on whether you view these impact as temporary one or rather long-lasting
20 risk, as though we are taking a lot of efforts here, is this hard to solve all this kind of
21 problem at one-time? That’s my first question.

22 **A:** [Colin Huang of Pinduoduo]: Okay. So the first question, the combat against the
23 counterfeit goods. . . **The recent development and media attention had a little**
24 **– honestly, had a little effect on the business itself,** but it does help us reflect
25 and revisit many of our policies. We deeply understand that regardless the existing
26 problems the industry has. It doesn’t give us any excuse for not facing the problem
27 directly and fighting against the problem wholeheartedly.”

28 **FIRST CAUSE OF ACTION**

For Violation of § 11 of the 1933 Act Against All Defendants

81. Plaintiff incorporates each and every preceding paragraph by reference.

1 defendants had scienter or fraudulent intent, which are not elements of a § 12(a)(2) claim.

2 94. By means of the defective Prospectus, defendants promoted and sold the ADS
3 stock to Plaintiff and other members of the Class.

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

11 96. Plaintiff did not know, nor in the exercise of reasonable diligence could have
12 known, of the untruths and omissions contained in the Prospectus at the time Plaintiff
13 acquired the stock.

14 97. By reason of the conduct alleged herein, defendants violated § 12(a)(2) of the
15 1933 Act. As a direct and proximate result of such violations, Plaintiff and the other members
16 of the Class who purchased the stock sustained damages in connection with their purchases.
17 Accordingly, Plaintiff and the other members of the Class who hold the stock issued pursuant
18 to the Prospectus have the right to rescind and recover the consideration paid for their shares,
19 and hereby tender their stock to the defendants sued herein. To the extent Class members
20 have sold their stock, they seek damages to the extent permitted by law.

21 **THIRD CAUSE OF ACTION**

22 **For Violation of § 15 of the 1933 Act Against the Individual Defendants**

23 98. Plaintiff incorporates each and every preceding paragraph by reference.

24 99. This Cause of Action is brought pursuant to §15 of the 1933 Act against the
25 Individual Defendants.

26 100. The Individual Defendants each were control persons of Pinduoduo by virtue of
27 their voting power over the Company and/or senior positions with the Company. The
28 Individual Defendants each had a series of direct and/or indirect business and/or personal

1 relationships with other directors and/or officers and/or major shareholders of Pinduoduo.

2 101. Defendants each were culpable participants in the violations of §§ 11 and 12(a)(2)
3 of the 1933 Act alleged in the Causes of Action above, based on their having signed or
4 authorized the signing of the Registration Statement and having otherwise participated in the
5 process which allowed the IPO to be successfully completed.

6 **PRAYER FOR RELIEF**

7 WHEREFORE, Plaintiff prays for relief and judgment, as follows.

8 A. Declaring this action to be a proper class action and certifying Plaintiff as a
9 Class representative under § 382 of the California Code of Civil Procedure;

10 B. Awarding Plaintiff and the members of the Class damages and interest;

11 C. Awarding rescission or a rescissory measure of damages;

12 D. Awarding Plaintiff's reasonable costs, including attorneys' fees; and

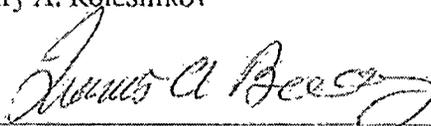
13 E. Awarding such equitable/injunctive or other relief as the Court may deem
14 just and proper.

15 **JURY DEMAND**

16 Plaintiff hereby demands a trial by jury.

17 DATED: October 10, 2018

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