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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

KAM WAI MAU, Individually and on
behalf of all others similarly situated,

Plaintiff,

v.

LUFAX HOLDING LTD, YONG SUK
CHO, and DAVID SIU KAM CHOY,

Defendants.

No.

**CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

CLASS ACTION

JURY TRIAL DEMANDED

1 Plaintiff Kam Wai Mau (“Plaintiff”), individually and on behalf of all other
2 persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s
3 complaint against Defendants (defined below), alleges the following based upon
4 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and
5 belief as to all other matters, based upon, among other things, the investigation
6 conducted by and through his attorneys, which included, among other things, a
7 review of the Defendants’ public documents, public filings, wire and press releases
8 published by and regarding Lufax Holding Ltd (“Lufax” or the “Company”), and
9 information readily obtainable on the Internet. Plaintiff believes that substantial
10 evidentiary support will exist for the allegations set forth herein after a reasonable
11 opportunity for discovery. ¹

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16 **NATURE OF THE ACTION**

17 1. This is a class action on behalf of persons or entities who purchased
18 or otherwise acquired publicly traded Lufax securities between April 7, 2023 and
19 January 26, 2025, both dates inclusive (the “Class Period”). Plaintiff seeks to
20 recover compensable damages caused by Defendants’ violations of the federal
21 securities laws under the Securities Exchange Act of 1934 (the “Exchange Act”).

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24 **JURISDICTION AND VENUE**

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¹ Unless otherwise stated, all emphasis is added and internal citations are omitted.

1 7. Lufax describes itself as a “leading financial services enabler for small
2 business owners in China.”

3 8. The Company is incorporated in the Cayman Islands. The Company’s
4 principal executive offices are located at 18th Floor, No. 1333 Lujiazui Ring Road,
5 Pudong New District, Shanghai, People’s Republic of China. Lufax does not have
6 offices in the United States. Information about Lufax was transmitted over the
7 internet to residents of this judicial district. Further, this judicial district is a
8 convenient forum given the relative ease of flying to China from LAX airport, or
9 vice versa, as compared to other parts of the United States.
10

11 9. Lufax American Depositary Shares (“ADS”) trade on the New York
12 Stock Market (the “NYSE”) under the ticker symbol “LU.”

13 10. Defendant Yong Suk Cho (“Cho”) served as the Company’s Chief
14 Executive Officer (“CEO”) at all relevant times.
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16 11. Defendant David Siu Kam Choy (“Choy”) served as the Company’s
17 Chief Financial Officer (“CFO”) until April 2024.
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19 12. Defendants Cho and Choy are collectively referred to herein as the
20 “Individual Defendants.”
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22 13. Each of the Individual Defendants:

23 (a) directly participated in the management of the Company;
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(b) was directly involved in the day-to-day operations of the Company at the highest levels;

(c) was privy to confidential proprietary information concerning the Company and its business and operations;

(d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;

(e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;

(f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or

(g) approved or ratified these statements in violation of the federal securities laws.

14. The Company is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

15. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to Lufax under *respondeat superior* and agency principles.

1 16. Defendant Lufax and the Individual Defendants are collectively
2 referred to herein as “Defendants.”

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4 **SUBSTANTIVE ALLEGATIONS**

5 **Materially False and Misleading Statements Issued During the Class Period**

6 17. On April 7, 2023, before the market opened, the Company filed with
7 the SEC its Annual Report on Form 20-F for the year ended December 31, 2022
8 (the “2022 Annual Report”). Attached to the 2022 Annual Report were signed
9 certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) signed by
10 Defendants Cho and Choy attesting to the accuracy of financial reporting, the
11 disclosure of any material changes to the Company’s internal controls over
12 financial reporting, and the disclosure of all fraud.
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15 18. The 2022 Annual Report contained the following statement about the
16 Company’s internal controls:
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18 Our management with the participation of our chief executive officer
19 and chief financial officer has performed an evaluation of the effectiveness
20 of our disclosure controls and procedures (as defined in Rule 13a-
21 15(e) under the Exchange Act) as of the end of the period covered by this
22 report, as required by Rule 13a-15(b) under the Exchange Act.
23
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25 Based on that evaluation, our management has concluded that, as of
26 December 31, 2022, *our disclosure controls and procedures were effective*
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1 *in ensuring that the information required to be disclosed by us in the*
2 *reports that we file and furnish under the Exchange Act was recorded,*
3 *processed, summarized and reported,* within the time periods specified in
4 the SEC's rules and forms, and that the information required to be disclosed
5 by us in the reports that we file or submit under the Exchange Act is
6 accumulated and communicated to our management, including our chief
7 executive officer and chief financial officer, to allow timely decisions
8 regarding required disclosure.
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12 19. The 2022 Annual Report contained the following annual management
13 report on internal control over financial reporting:

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15 Our management is responsible for establishing and maintaining
16 adequate internal control over financial reporting as defined in Rules 13a-
17 15(f) and 15d-15(f) under the Exchange Act. As required by Rule 13a-
18 15(c) of the Exchange Act, our management conducted an evaluation of our
19 company's internal control over financial reporting as of December 31, 2022
20 based on the framework in Internal Control—Integrated Framework
21 (2013) issued by the Committee of Sponsoring Organizations of the
22 Treadway Commission. *Based on this evaluation, our management*
23 *concluded that our internal control over financial reporting was effective*
24 *as of December 31, 2022.*
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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

20. The statements in ¶¶ 18-19 were materially false at the time they were made because, in reality, Lufax had deficient internal controls at the time the 2022 Annual Report was filed with the SEC.

21. The 2022 Annual Report showed the following financial information, including Lufax’s purported net profit for 2022:

Selected Condensed Consolidating Statements of Operations Information

	For the Year Ended December 31, 2022					Consolidated
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	
	(RMB in thousands)					
Technology platform-based income	—	27,456,609	1,256,039	505,784	—	29,218,432
Net interest income	—	18,981,376	—	—	—	18,981,376
Guarantee income	—	7,372,509	—	—	—	7,372,509
Other income	—	1,180,841	56,403	760	—	1,238,004
Investment income	4,667	860,985	136,350	303,623	—	1,305,625
Share of net profit/(loss) of investments accounted for using the equity method	—	—	(218)	—	—	(218)
Inter-company revenues ⁽¹⁾⁽³⁾	34,028	(70,828)	2,656,042	156,029	(2,775,271)	—
Income/(loss) from subsidiaries ⁽²⁾	10,683,088	163,230	—	—	(10,846,318)	—
Loss of the consolidated affiliated entities	—	—	(351,180)	—	351,180	—
Total income	10,721,783	55,944,722	3,753,436	966,196	(13,270,409)	58,115,728
Operating expenses	(113,983)	(23,207,619)	(3,419,557)	(148,192)	—	(26,889,351)
Credit impairment losses	6,525	(16,183,163)	(44,963)	(328,864)	—	(16,550,465)
Asset impairment losses	—	(7,101)	—	(420,007)	—	(427,108)
Finance costs	(1,753,486)	546,691	(73,922)	41,725	—	(1,238,992)
Other gains/(losses) – net	(161,917)	36,186	(34,050)	163,240	—	3,459
Inter-company expenses ⁽¹⁾⁽³⁾	447	(2,132,463)	(66,242)	(540,809)	2,739,067	—
Total expenses	(2,022,414)	(40,947,469)	(3,638,734)	(1,232,907)	2,739,067	(45,102,457)
Profit before income tax	8,699,369	14,997,253	114,702	(266,711)	(10,531,342)	13,013,271
Less: Income tax expenses	—	(4,160,102)	48,839	(126,969)	—	(4,238,232)
Net profit for the year	8,699,369	10,837,151	163,541	(393,680)	(10,531,342)	8,775,039
Net profit/(loss) attributable to: Owners of Lufax Holding Ltd	8,699,369	10,683,088	163,541	(393,798)	(10,452,831)	8,699,369
Non-controlling interests	—	154,063	—	118	(78,511)	75,670
	8,699,369	10,837,151	163,541	(393,680)	(10,531,342)	8,775,039

22. The statement in ¶ 21 was materially false and misleading when made because Lufax materially overstated its net profit for 2022.

23. On April 23, 2024, and the Company filed with the SEC its Annual Report on Form 20-F for the year ended December 31, 2023 (the “2023 Annual Report”). Attached to the 2023 Annual Report were signed certifications pursuant SOX signed by Defendants Cho and Choy attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal controls over financial reporting, and the disclosure of all fraud.

24. The 2023 Annual Report contained the following statement about the Company’s internal controls:

1 Our management with the participation of our chief executive officer
2 and chief financial officer has performed an evaluation of the effectiveness
3 of our disclosure controls and procedures (as defined in Rule 13a-
4 15(e) under the Exchange Act) as of the end of the period covered by this
5 report, as required by Rule 13a-15(b) under the Exchange Act.
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8 Based on that evaluation, our management has concluded that, as of
9 December 31, 2023, *our disclosure controls and procedures were effective*
10 *in ensuring that the information required to be disclosed by us in the*
11 *reports that we file and furnish under the Exchange Act was recorded,*
12 *processed, summarized and reported, within the time periods specified in the*
13 *SEC’s rules and forms, and that the information required to be disclosed by*
14 *us in the reports that we file or submit under the Exchange Act is*
15 *accumulated and communicated to our management, including our chief*
16 *executive officer and chief financial officer, to allow timely decisions*
17 *regarding required disclosure.*
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21 25. The 2023 Annual Report contained the following annual management
22 report on internal control over financial reporting:
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24 Our management is responsible for establishing and maintaining
25 adequate internal control over financial reporting as defined in Rules 13a-
26 15(f) and 15d-15(f) under the Exchange Act. As required by Rule 13a-
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1 15(c) of the Exchange Act, our management conducted an evaluation of our
2 company's internal control over financial reporting as of December 31, 2023
3 based on the framework in Internal Control—Integrated Framework
4 (2013) issued by the Committee of Sponsoring Organizations of the
5 Treadway Commission. ***Based on this evaluation, our management***
6 ***concluded that our internal control over financial reporting was effective***
7 ***as of December 31, 2023.***

10 Because of its inherent limitations, internal control over financial
11 reporting may not prevent or detect misstatements. Also, projections of any
12 evaluation of effectiveness of our internal control over financial reporting to
13 future periods are subject to the risks that controls may become inadequate
14 because of changes in conditions, or that the degree of compliance with the
15 policies or procedures may deteriorate.

18 26. The statements in ¶¶ 24-25 were materially false at the time they were
19 made because, in reality, Lufax had deficient internal controls at the time the 2023
20 Annual Report was filed with the SEC.

23 27. The 2023 Annual Report showed the following financial information,
24 including Lufax's purported net profit for 2023:
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Selected Condensed Consolidating Statements of Operations Information

	For the Year Ended December 31, 2023					
	Lufax Holding Ltd	Subsidiaries That Are Not Primary Beneficiaries of Consolidated Affiliated Entities	Primary Beneficiaries of Consolidated Affiliated Entities	Consolidated Affiliated Entities and Consolidated Affiliated Entities' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Technology platform-based income	—	14,712,670	491,117	122,039	—	15,325,826
Net interest income	—	12,348,357	—	—	—	12,348,357
Guarantee income	—	4,392,376	—	—	—	4,392,376
Other income	—	1,142,033	—	1,737	—	1,143,770
Investment income	8,105	1,056,014	36,155	(49,821)	—	1,050,453
Share of net profit/(loss) of investments accounted for using the equity method	—	—	(5,416)	—	—	(5,416)
Inter-company revenues from transactions ⁽¹⁾⁽³⁾	—	(26,829)	2,099,755	90,513	(2,163,439)	—
Income/(loss) from subsidiaries and the consolidated affiliated entities ⁽²⁾	2,042,751	560,773	117,913	—	(2,721,437)	—
Total income	2,050,856	34,185,394	2,739,524	164,468	(4,884,876)	34,255,366
Operating expenses	(155,610)	(17,485,891)	(2,008,507)	(28,005)	—	(19,678,013)
Credit impairment losses	(7)	(12,758,713)	26,351	35,061	—	(12,697,308)
Asset impairment losses	—	—	(31,246)	—	—	(31,246)
Finance costs	(996,833)	584,708	(5,558)	3,660	—	(414,023)
Other gains/(losses) – net	(5,638)	342,380	(129,724)	3,318	—	210,336
Inter-company expenses from transactions ⁽¹⁾⁽³⁾	(5,903)	(1,822,148)	(61,255)	(311,248)	2,200,554	—
Total expenses	(1,163,991)	(31,139,664)	(2,209,939)	(297,214)	2,200,554	(32,610,254)
Profit/(loss) before income tax	886,865	3,045,730	529,585	(132,746)	(2,684,322)	1,645,112
Less: Income tax expenses	—	(649,448)	28,981	9,841	—	(610,626)
Net profit/(loss) for the year	886,865	2,396,282	558,566	(122,905)	(2,684,322)	1,034,486
Net profit/(loss) attributable to: Owners of Lufax Holding Ltd	886,865	2,042,751	558,566	(122,905)	(2,478,412)	886,865
Non-controlling interests	—	353,531	—	—	(205,910)	147,621
	886,865	2,396,282	558,566	(122,905)	(2,684,322)	1,034,486

28. The statement in ¶ 27 was materially false and misleading when made because Lufax materially overstated its net profit for 2023.

29. The statements contained in ¶¶ 18, 19, 21, 24-25, 27 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Lufax lacked adequate internal controls; (2) Certain of Lufax's financial results were materially misstated; and (3) as a result, Defendants' statements about Lufax's business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

THE TRUTH BEGINS TO EMERGE

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2 30. On January 27, 2025, before the market opened, Lufax filed with the
3 SEC a current report on Form 6-K. Attached to the current report as an exhibit was
4 an announcement that stated that Lufax was proposing to remove its auditor. The
5 release revealed that Lufax fired PricewaterhouseCoopers (“PwC”) because PwC
6 had significant concerns about Lufax’s financial disclosures and, in particular, the
7 2022 and 2023 Annual Reports. PwC’s concerns were such that its audit opinions
8 for the 2022 and 2023 Annual Reports were no longer to be relied upon. The
9 current report stated the following, in pertinent part:
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13 On January 21, 2025, the Audit Committee received a letter of the same date
14 from PwC (the “[PwC Letter]”). In the letter, PwC stated that it was orally
15 notified of its removal as the Company’s auditor on January 16, 2025. In the
16 same letter, PwC also stated, among other matters, that (1) on October 25,
17 2024, it received information in the course of an oral conversation (the
18 “[Subject Conversation]”) with a then-current senior executive (the
19 “[Executive]”) of the Company that raised concerns, in the view of PwC,
20 about certain possible related party transactions of the Company (the
21 “[Subject Transactions]”); (2) on November 25, 2024, PwC orally reported
22 the Subject Conversation to the Audit Committee; (3) *on December 11,*
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1 *2024, PwC issued a written letter to the Audit Committee requesting an*
2 *expert and independent investigation into the matter;* and

3 (4) whilst PwC noted that the Audit Committee engaged forensic
4 accountants and independent investigation counsel to investigate the Subject
5 Transactions and other related matters (the “[Independent Investigation]”),
6 and that the Executive, in the interview with the team conducting the
7 Independent Investigation, denied the contents of the Subject Conversation
8 as reported by PwC to the Audit Committee, PwC raised questions about the
9 investigation, the independence of the Audit Committee, and the Company’s
10 remedial actions.

11 On January 21, 2025, the Audit Committee also received a letter of the same
12 date from PwC ZT (the “[PwC ZT Letter]”), the Company’s U.S. PCAOB-
13 registered auditor. In the letter, PwC ZT states that, due to the seriousness of
14 the Subject Conversation as understood by PwC ZT, *the Audit Committee’s*
15 *decision not to share its Independent Investigation conclusions with PwC*
16 *ZT, and certain independence concerns, it cannot consent to the*
17 *incorporation of its prior audit or review opinions in any current or future*
18 *Company filings and further states that neither the Company nor any*
19 *successor auditor can rely on any work that PwC ZT performed for the*
20 *Company with regard to 2024, and, as PwC ZT was no longer able to rely*
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1 *on representations provided by the Company* and its management in
2 connection with the Company’s fiscal year 2022 and 2023 audits, *its 2022*
3 *and 2023 audit opinions on the Company’s annual financial statements*
4 *should no longer be relied upon.*

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6 31. The current report acknowledged that there may be a “possible delay”
7
8 in the reporting of the 2024 annual reports.

9 32. Because of this disclosure, the investing public was put on notice that
10 the financial disclosures contained in the 2022 and 2023 Annual Reports could no
11 longer be relied upon.
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13 33. On this news, Lufax ADSs fell \$0.40 per ADS, or 13.8%, to close at
14 \$2.49 per ADS on January 27, 2025. The following day, Lufax ADSs fell a further
15 \$0.17 per ADS, or 6.82%, to close at \$2.32 per ADS on January 28, 2025. Finally,
16 on January 29, 2025, Lufax ADSs fell a further \$0.06 per ADS, or 2.58%, to close
17 at \$2.26 per ADS.
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20 34. Subsequent to the Class Period, on February 17, 2026, Lufax finally
21 filed with the SEC its Annual Report on Form 20-F for the year ended December
22 31, 2024 (the “2024 Annual Report”).
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24 35. The 2024 Annual Report disclosed, in pertinent part, the following,
25 confirming that the financial results in the 2022 and 2023 Annual Reports could
26 not be relied on:
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1 As previously disclosed [. . .], our audit committee engaged a leading
2 international law firm and forensic accounting experts from an international
3 consulting firm that is not our auditor (the “Investigation Team”), to conduct
4 an independent investigation into certain transactions (“Subject
5 Transactions”). To ascertain whether there were additional transactions of a
6 similar nature as the Subject Transactions, the Investigation Team, under the
7 instruction of the Audit Committee, conducted a supplemental investigation
8 (the “Supplemental Investigation”). ***Our independent auditors also***
9 ***conducted a re-audit of our financial results for the years ended***
10 ***December 31, 2022 and 2023.*** For more details, see “Item 4.A. History and
11 Development of the Company—Recent Developments” and “Item 16F.”
12 ***In connection with the matters that were subject to the Independent***
13 ***Investigation and the Supplemental Investigation, our independent***
14 ***auditors found that certain line items were inaccurately recorded in the***
15 ***consolidated financial statements that we had previously issued.*** For
16 example, the total amount of overstated total income for the year ended
17 December 31, 2022 as previously reported on our Form 20-F filed with the
18 SEC on April 7, 2023 was RMB493.8 million, and the total amount of
19 understated total income for the year ended December 31, 2023 as
20 previously filed with the SEC on April 23, 2024 was RMB33.3 million,
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1 representing approximately 0.8% and 0.1% of the total income previously
 2 reported by us for such years, respectively, and the adjustment to total
 3 expenses was approximately RMB473.5 million and RMB90.0 million for
 4 the years ended December 31, 2022 and 2023, respectively, resulting in a
 5 decrease in net profit of RMB917.0 million and RMB81.4 million for the
 6 years ended December 31, 2022 and 2023.

9 36. The 2024 Annual Report provided the following restated net profit
 10 figures for 2022 and 2023, showing material net profit declines from the originally
 11 reported 2022 and 2023 figures:
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13 Condensed Statements of Comprehensive Income

	For the year ended December 31,		
	2022	2023	2024
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000
Investment income	38,695	8,105	2,320
Income/(loss) from subsidiaries and VIEs	9,761,055	1,965,510	(2,903,090)
Total income	9,799,750	1,973,615	(2,900,770)
General and administrative expenses	(113,983)	(155,610)	(147,294)
Credit impairment gains/(losses)	6,972	440	(743)
Finance costs	(1,753,486)	(1,003,183)	(647,878)
Other losses - net	(161,917)	(5,638)	(172,472)
Total expenses	(2,022,414)	(1,163,991)	(968,387)
Income/(loss) before income tax expenses	7,777,336	809,624	(3,869,157)
Less: Income tax expenses	—	—	(1,463)
Net profit/(loss) for the year	7,777,336	809,624	(3,870,620)
Net profit/(loss) attributable to:			
Owners of the Company	7,777,336	809,624	(3,870,620)
Other comprehensive loss, net of tax:			
-Exchange differences on translation of foreign operations	(1,581,252)	(465,590)	(119,656)
Total comprehensive income/(loss) for the year	6,196,084	344,034	(3,990,276)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	6,196,084	344,034	(3,990,276)

24 37. As a result of Defendants' wrongful acts and omissions, and the
 25 precipitous decline in the market value of the Company's ADSs, Plaintiff and other
 26 Class members have suffered significant losses and damages.
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PLAINTIFF’S CLASS ACTION ALLEGATIONS

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38. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired the Company’s securities publicly traded on NYSE during the Class Period, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, members of the Individual Defendants’ immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

39. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company’s securities were actively traded on NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

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

41. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class

1 and securities litigation. Plaintiff has no interests antagonistic to or in conflict with
2 those of the Class.

3 42. Common questions of law and fact exist as to all members of the Class
4 and predominate over any questions solely affecting individual members of the
5 Class. Among the questions of law and fact common to the Class are:
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- 7 • whether the Exchange Act was violated by Defendants' acts as alleged
8 herein;
- 9 • whether statements made by Defendants to the investing public during
10 the Class Period misrepresented material facts about the business and
11 financial condition of the Company;
- 12 • whether Defendants' public statements to the investing public during
13 the Class Period omitted material facts necessary to make the statements
14 made, in light of the circumstances under which they were made, not
15 misleading;
- 16 • whether the Defendants caused the Company to issue false and
17 misleading filings during the Class Period;
- 18 • whether Defendants acted knowingly or recklessly in issuing false
19 filings;
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1 • whether the prices of the Company securities during the Class Period
2 were artificially inflated because of the Defendants' conduct complained of
3 herein; and

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5 • whether the members of the Class have sustained damages and, if so,
6 what is the proper measure of damages.
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8 43. A class action is superior to all other available methods for the fair
9 and efficient adjudication of this controversy since joinder of all members is
10 impracticable. Furthermore, as the damages suffered by individual Class members
11 may be relatively small, the expense and burden of individual litigation make it
12 impossible for members of the Class to individually redress the wrongs done to
13 them. There will be no difficulty in the management of this action as a class action.
14

15
16 44. Plaintiff will rely, in part, upon the presumption of reliance
17 established by the fraud-on-the-market doctrine in that:
18

- 19 • the Company's shares met the requirements for listing, and were listed
20 and actively traded on NYSE, an efficient market;
- 21
- 22 • as a public issuer, the Company filed periodic public reports;
- 23
- 24 • the Company regularly communicated with public investors via
25 established market communication mechanisms, including through the
26 regular dissemination of press releases via major newswire services and
27

1 through other wide-ranging public disclosures, such as communications with
2 the financial press and other similar reporting services;

3 • the Company's securities were liquid and traded with moderate to
4 heavy volume during the Class Period; and

5
6 • the Company was followed by a number of securities analysts
7 employed by major brokerage firms who wrote reports that were widely
8 distributed and publicly available.
9

10 45. Based on the foregoing, the market for the Company's securities
11 promptly digested current information regarding the Company from all publicly
12 available sources and reflected such information in the prices of the shares, and
13 Plaintiff and the members of the Class are entitled to a presumption of reliance
14 upon the integrity of the market.
15

16 46. Alternatively, Plaintiff and the members of the Class are entitled to
17 the presumption of reliance established by the Supreme Court in *Affiliated Ute*
18 *Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants
19 omitted material information in their Class Period statements in violation of a duty
20 to disclose such information as detailed above.
21
22
23

24 **COUNT I**

25 **For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder**

26 **Against All Defendants**
27
28

1 47. Plaintiff repeats and realleges each and every allegation contained
2 above as if fully set forth herein.

3 48. This Count is asserted against Defendants is based upon Section 10(b)
4 of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder
5 by the SEC.
6

7 49. During the Class Period, Defendants, individually and in concert,
8 directly or indirectly, disseminated or approved the false statements specified
9 above, which they knew or deliberately disregarded were misleading in that they
10 contained misrepresentations and failed to disclose material facts necessary in
11 order to make the statements made, in light of the circumstances under which they
12 were made, not misleading.
13
14

15 50. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that
16 they:
17

- 18 • employed devices, schemes and artifices to defraud;
- 19 • made untrue statements of material facts or omitted to state material
20 facts necessary in order to make the statements made, in light of the
21 circumstances under which they were made, not misleading; or
22 • engaged in acts, practices and a course of business that operated as a
23 fraud or deceit upon plaintiff and others similarly situated in connection with
24 their purchases of the Company's securities during the Class Period.
25
26
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1 51. Defendants acted with scienter in that they knew that the public
2 documents and statements issued or disseminated in the name of the Company
3 were materially false and misleading; knew that such statements or documents
4 would be issued or disseminated to the investing public; and knowingly and
5 substantially participated, or acquiesced in the issuance or dissemination of such
6 statements or documents as primary violations of the securities laws. These
7 defendants by virtue of their receipt of information reflecting the true facts of the
8 Company, their control over, and/or receipt and/or modification of the Company's
9 allegedly materially misleading statements, and/or their associations with the
10 Company which made them privy to confidential proprietary information
11 concerning the Company, participated in the fraudulent scheme alleged herein.
12

13 52. Individual Defendants, who are the senior officers of the Company,
14 had actual knowledge of the material omissions and/or the falsity of the material
15 statements set forth above, and intended to deceive Plaintiff and the other members
16 of the Class, or, in the alternative, acted with reckless disregard for the truth when
17 they failed to ascertain and disclose the true facts in the statements made by them
18 or any other of the Company's personnel to members of the investing public,
19 including Plaintiff and the Class.
20

21 53. As a result of the foregoing, the market price of the Company's
22 securities was artificially inflated during the Class Period. In ignorance of the
23
24
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28

1 falsity of Defendants' statements, Plaintiff and the other members of the Class
2 relied on the statements described above and/or the integrity of the market price of
3 the Company's securities during the Class Period in purchasing the Company's
4 securities at prices that were artificially inflated as a result of Defendants' false and
5 misleading statements.
6

7
8 54. Had Plaintiff and the other members of the Class been aware that the
9 market price of the Company's securities had been artificially and falsely inflated
10 by Defendants' misleading statements and by the material adverse information
11 which Defendants did not disclose, they would not have purchased the Company's
12 securities at the artificially inflated prices that they did, or at all.
13

14
15 55. As a result of the wrongful conduct alleged herein, Plaintiff and other
16 members of the Class have suffered damages in an amount to be established at trial.
17

18 56. By reason of the foregoing, Defendants have violated Section 10(b)
19 of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the
20 plaintiff and the other members of the Class for substantial damages which they
21 suffered in connection with their purchase of the Company's securities during the
22 Class Period.
23

24 **COUNT II**

25 **Violations of Section 20(a) of the Exchange Act**

26 **Against the Individual Defendants**

1 57. Plaintiff repeats and realleges each and every allegation contained in
2 the foregoing paragraphs as if fully set forth herein.

3 58. During the Class Period, the Individual Defendants participated in the
4 operation and management of the Company, and conducted and participated,
5 directly and indirectly, in the conduct of the Company's business affairs. Because
6 of their senior positions, they knew the adverse non-public information about the
7 Company's false financial statements.
8

9 59. As officers of a publicly owned company, the Individual Defendants
10 had a duty to disseminate accurate and truthful information with respect to the
11 Company's financial condition and results of operations, and to correct promptly
12 any public statements issued by the Company which had become materially false
13 or misleading.
14

15 60. Because of their positions of control and authority as senior officers,
16 the Individual Defendants were able to, and did, control the contents of the various
17 reports, press releases and public filings which the Company disseminated in the
18 marketplace during the Class Period concerning the Company's results of
19 operations. Throughout the Class Period, the Individual Defendants exercised their
20 power and authority to cause the Company to engage in the wrongful acts
21 complained of herein. The Individual Defendants therefore, were "controlling
22 persons" of the Company within the meaning of Section 20(a) of the Exchange
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1 Act. In this capacity, they participated in the unlawful conduct alleged which
2 artificially inflated the market price of the Company's securities.

3
4 61. By reason of the above conduct, the Individual Defendants are liable
5 pursuant to Section 20(a) of the Exchange Act for the violations committed by the
6 Company.

7
8 **PRAYER FOR RELIEF**

9 **WHEREFORE**, Plaintiff, on behalf of himself and the Class, prays for
10 judgment and relief as follows:

11 (a) declaring this action to be a proper class action, designating Plaintiff
12 as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of
13 the Federal Rules of Civil Procedure and designating Plaintiff's counsel as Lead
14 Counsel;
15

16
17 (b) awarding damages in favor of Plaintiff and the other Class members
18 against all Defendants, jointly and severally, together with interest thereon;
19

20 (c) awarding Plaintiff and the Class reasonable costs and expenses
21 incurred in this action, including counsel fees and expert fees; and
22

23 (d) awarding Plaintiff and other members of the Class such other and
24 further relief as the Court may deem just and proper.

25 **JURY TRIAL DEMANDED**

26 Plaintiff hereby demands a trial by jury.
27
28