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13 SUPERIOR COURT OF THE STATE OF CALIFORNIA
14 COUNTY OF SAN MATEO

CI V585840

15 RUSTEM NURLYBAYEV, individually and
16 on behalf of all others similarly situated,

17 Plaintiff,

18 vs.

19 ALIBABA GROUP HOLDING LIMITED,
20 JACK YUN MA, JOSEPH C. TSAI,
21 MASAYOSHI SON, JONATHAN ZHAOXI
22 LU, MAGGIE WEI WU, TIMOTHY A.
23 STEINERT, CREDIT SUISSE SECURITIES
24 (USA) LLC, DEUTSCHE BANK
25 SECURITIES INC. LLC, GOLDMAN SACHS
26 (ASIA) LLC, J.P. MORGAN SECURITIES
27 LLC, MORGAN STANLEY & CO.
28 INTERNATIONAL, CITIGROUP GLOBAL
MARKETS INC., BOCI ASIA LIMITED LLC,
CHINA INTERNATIONAL CAPITAL
CORPORATION HONG KONG
SECURITIES LIMITED, CLSA LIMITED,
DBS BANK LTD, HSBC SECURITIES (USA)
INC., MIZUHO SECURITIES USA INC.,
PACIFIC CREST SECURITIES LLC, STIFEL,
NICOLAUS & COMPANY,
INCORPORATED, WELLS FARGO
SECURITIES, LLC, BNP PARIBAS

ENDORSED FILED
SAN MATEO COUNTY
OCT 15 2015
Clerk of the Superior Court
By M. MARLOWE
DEPUTY CLERK

) Case No. _____
)
) CLASS ACTION
)
) COMPLAINT FOR VIOLATIONS OF
) THE SECURITIES ACT OF 1933
)

) DEMAND FOR JURY TRIAL

BY FAX

27 [Caption Continued On Following Page]
28

1 SECURITIES CORP., EVERCORE GROUP)
2 LLC, RAYMOND JAMES & ASSOCIATES,)
3 INC., SUNTRUST ROBINSON)
4 HUMPHREY, INC., BHF-BANK)
5 AKTIENGESELLSCHAFT LLC, CIMB)
6 SECURITIES LIMITED, CHINA)
7 MERCHANTS SECURITIES (HK) CO.,)
8 LIMITED, ING FINANCIAL MARKETS)
9 LLC, NEEDHAM & COMPANY LLC,)
10 NOMURA SECURITIES INTERNATIONAL,)
11 INC., RAINE SECURITIES LLC, RBS)
12 SECURITIES INC. LLC, SG AMERICAS)
13 SECURITIES LLC, C.L. KING &)
14 ASSOCIATES, INC., LEBENTHAL & CO.,)
15 MISCHLER FINANCIAL GROUP, INC.,)
16 SAMUEL A. RAMIREZ & COMPANY, INC.,)
17 TOPEKA CAPITAL MARKETS INC., THE)
18 WILLIAMS CAPITAL GROUP, L.P., and)
19 DOES 1-25, inclusive,)
20)
21)
22)
23)
24)
25)
26)
27)
28)

Defendants.

1 **INTRODUCTION**

2 1. Plaintiff Rustem Nurlybayev, individually and on behalf of all others
3 similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against
4 defendants, allege the following based upon personal knowledge as to Plaintiff and
5 Plaintiff’s own acts, and upon information and belief as to all other matters based on
6 the investigation conducted by and through Plaintiff’s attorneys, which included,
7 among other things, a review of U.S. Securities and Exchange Commission (“SEC”)
8 filings by Alibaba Group Holding Limited (“Alibaba” or the “Company”), as well as
9 media and analyst reports about the Company and Company press releases. Plaintiff
10 believes that substantial additional evidentiary support will exist for the allegations set
11 forth herein.

12 **SUMMARY**

13 2. Plaintiff brings this securities class action on behalf of all persons who
14 purchased or otherwise acquired Alibaba American Depository Shares (“ADS”)
15 pursuant or traceable to the registration statement and prospectus (collectively, the
16 “Registration Statement”) issued in connection with Alibaba’s September 2014 initial
17 public stock offering (the “IPO” or “Offering”).

18 3. The action asserts strict liability claims under §§ 11, 12 and 15 of the
19 Securities Act of 1933 (“1933 Act” or “Securities Act”) against Alibaba, certain Alibaba
20 officers and directors, and the underwriters of the IPO.

21 4. Alibaba is a Chinese e-commerce company that provides consumer-to-
22 consumer, business-to-consumer and business-to-business sales services via web
23 portals. The Company also provides electronic payment services, a shopping search
24 engine and data-centric cloud computing services. The group began in 1999 when Jack
25 Ma founded the website Alibaba.com, a business-to-business portal to connect Chinese
26 manufacturers with overseas buyers. In 2012, two of Alibaba’s portals handled
27 1.1 trillion yuan (\$170 billion) in sales. The company primarily operates in the People’s
28 Republic of China (PRC), and on the date of its IPO, Alibaba's market value was \$231

1 billion. However, the market cap was \$145 billion at the end of September 2015.

2 5. In September 2014, Alibaba launched its IPO and issued approximately
3 368 million ADS at a price of \$68 per share, all pursuant to the Registration
4 Statement.

5 6. The Registration Statement contained material omissions as well as
6 untrue statements of material fact. The Registration Statement failed to disclose that
7 Alibaba executives had met with China's State Administration of Industry and
8 Commerce ("SAIC") in July 2014, just two months before the IPO in the United States,
9 and that regulators had then notified Alibaba of a variety of illegal business practices
10 that threatened the core of Alibaba's business, including:

- 11 • the payment of bribes to Alibaba workers by merchants and others
12 seeking help to further their sales, Internet search rankings, and
13 procurement of prime advertising space on Alibaba's website and portal;
- 14 • a highly material amount of sales of counterfeit goods, including fake
15 cigarettes, alcohol and branded handbags, by vendors on Alibaba's third-
16 party marketplace platform;
- 17 • the fact that regulators had accused Alibaba of alleged anticompetitive
18 behavior such as forbidding merchants to participate in rival sites'
19 promotions;
- 20 • the sale of restricted weapons and other prohibited items on Alibaba's
21 third-party marketplace platform; and
- 22 • that Alibaba ignored the practice by some vendors of faking transactions
23 to make their sales volumes appear higher.

24 7. Defendants were required to disclose these material facts in the
25 Registration Statement for three separate reasons. First, SEC Regulation S-K, 17
26 C.F.R. § 229.303 ("Item 303"), required disclosure of any known events or
27 uncertainties that at the time of the IPO had caused or were reasonably likely to cause
28 Alibaba's disclosed financial information not to be indicative of future operating
results. Alibaba's then occurring but undisclosed illegal practices and the severe
regulatory scrutiny drawn thereby were likely to (and in fact did) materially and
adversely affect Alibaba's future results and prospects.

8. Second, SEC Regulation S-K, 17 C.F.R. § 229.503 ("Item 503"), required,

1 in the “Risk Factor” section of the IPO Registration Statement, a discussion of the most
2 significant factors that made the offering risky or speculative and that each risk factor
3 adequately describe the risk. Alibaba’s discussions of risk factors did not adequately
4 describe the risks posed by Alibaba’s **already occurring violations and illegal**
5 **practices** and the intense regulatory scrutiny drawn thereby, nor the likely and
6 consequent material adverse effects on the Company’s future results and prospects.

7 9. Third, defendants’ failure to disclose the fact that Alibaba was **already**
8 **the subject of administrative law enforcement proceedings** that created
9 imminent and material risks to its business operations, and which likely would have a
10 material effect on its revenue, income and share price, as well as the expected adverse
11 consequences therefrom, rendered false and misleading the Registration Statement’s
12 many references to known risks that “**if** occurring “**might**” or “**could**” adversely
13 affect the Company. These “risks” had already materialized at the time of the IPO.

14 10. On or about September 19, 2014, Alibaba shares began trading publicly.
15 The IPO was the largest IPO ever, and raised more than \$25 billion in gross proceeds
16 for Alibaba.

17 11. In the ensuing weeks and months, Alibaba ADS shares increased in price
18 to \$120 per share.

19 12. Following the IPO, analysts were very bullish on Alibaba. For example,
20 on September 22, 2014, analysts with MKM Partners issued a report entitled “Alibaba
21 Group Holding Ltd. Powerhouse in Best Secular Growth Market for eCommerce,” and
22 initiated coverage at a target price nearly 50% above the IPO:

23 Following the **record-setting IPO** on Friday, we are initiating
24 coverage of BABA with a Buy rating and a 12 -month target price of \$125
25 .. China’s eCommerce economy is **booming** . . . BABA’s market position
is **dominant**.... This is a **highly profitable** business model.

26 13. On October 8, 2014, analysts with Macquarie Research issued a report
27 entitled “Alibaba Group holdings — Doors wide open,” which stated:

28 Following years of anticipation with much fanfare in recent
memory, Alibaba was finally listed on NYSE at a valuation of US\$168bn

1 (closed at US\$232bn on Day 1 of trading). ***There has never been a***
2 ***bigger company in the private sector around the world on the***
3 ***day of their IPO.***

4 14. On October 29, 2014, analysts with Credit Suisse initiated coverage of
5 Alibaba, issuing a report entitled “Alibaba Group — The giant marches on,” which
6 stated:

7 Still ample upside potential despite the ***44% post IPO rally.*** We
8 initiate coverage on Alibaba Group with an OUTPERFORM rating and a
9 target price of US\$114. We forecast a ~37% revenue CAGR over the next
10 three years .. This revenue growth, combined with the ***incomparable***
11 ***scalability (it is the largest e-commerce ecosystem in the***
12 ***world)*** and operating leverage should help the company deliver
13 sustainable earnings in the coming years.

14 15. Eventually, however, the truth concerning Alibaba’s activities surfaced.
15 For example, on January 28, 2015, before the opening of trading, various members of
16 the financial media reported that SAIC, China’s main corporate regulator, had released
17 a white paper accusing Alibaba of engaging in the unlawful conduct reported directly
18 to Alibaba executives in July 2014.

19 16. On January 28, 2015, *The Wall Street Journal*, whose reporters had
20 reviewed the SAIC white paper, ran an article which stated:

21 **The Chinese government accused e-commerce giant Alibaba of**
22 **failing to crack down on the sale of fake goods, bribery and**
23 **other illegal activity on its sites in a rare public dispute with**
24 **one of the country’s most prominent companies.**

25 * * *

26 ***The accusations from the Chinese government could lend***
27 ***further force to those complaints and damage Alibaba’s***
28 ***reputation among investors and brands overseas, while the***
29 ***highly public spat could hurt the company’s relationship with***
30 ***the government, experts warn.***

31 The government’s accusations are in a white paper made public on
32 Wednesday by China’s State Administration for Industry and Commerce,
33 ***but based on conversations between the agency and Alibaba***
34 ***officials in July.*** That was two months before Alibaba’s US IPO, which
35 valued the Chinese company at more than \$230 billion ***In the paper,***
36 ***the agency said it held off on disclosing details of the talk so***
37 ***as not to affect the IPO.***

38 * * *

39 ***The report said the problems had grown to become***

1 ***Alibaba’s “greatest credibility crisis” since the company was***
2 ***established. Citing a Chinese phrase that refers to letting a***
3 ***small problem fester, the paper said, “for a long time,***
4 ***[Alibaba] didn’t pay sufficient attention to the issue and***
5 ***didn’t adopt effective measures, causing a neglected***
6 ***carbuncle to become the bane of its life.”***

7 17. In response to this news, the price of Alibaba’s ADS dropped 4%, or
8 \$4.49 per ADS, closing at \$98.45 per ADS on January 28, 2015, on unusually high
9 trading volume of approximately 42 million shares.

10 18. On January 29, 2015, before the market opened, Alibaba issued a
11 press release announcing mixed financial results for the fourth quarter 2014 (“4Q
12 2014”), and addressing the SAIC white paper.

13 19. Market analysts reacted negatively. For example, on January 28, 2015,
14 analysts with Deutsche Bank issued a report stating

15 **SAIC claims abuses of Alibaba platform**

16 China’s State Administration for Industry & Commerce (SAIC)
17 recently issued a report claiming malpractice on several fronts, including
18 1) insufficient control of merchants on Taobao, some of which do not
19 hold proper licenses, 2) a lack of controls around ***counterfeit***
20 ***products, illegal products, and products that infringe upon***
21 ***trademarks***, 3) insufficient attention to misleading sales promotions
22 (specifically the Double 11 & 12 events) and ***even instances of***
23 ***bribery***, 4) flaws in the platform’s merchant credit rating and comment
24 mechanism, leading to ***fake transactions*** and the deletion of negative
25 comments, 5) Taobao ***staff assisting illegal and unauthorized***
26 ***stores to avoid govt inspection***, 6) the lack of a proper merchant
27 blacklisting mechanism, and 7) a lack of transparency into merchant
28 data, leading to difficulties in investigating illegal activities

Delay in report publishing

 The report was prepared based on a meeting between govt
 business regulators and Alibaba in July 2014. ***The SAIC claims it had***
 delayed the release of the report to avoid affecting Ali’s IPO.
 This news may cause near term weakness in the stock and is a situation
 we will monitor closely. ***We find the timing*** of these actions somewhat
 interesting.

 20. On January 29, 2015, analysts with BMO Capital Markets issued a report
 stating:

 The company delivered a mixed performance with overall
 revenues and take rate lighter than expected. Mobile GMV, mobile

1 revenues, Taobao GMV, and active buyers were all better than expected,
2 operating expenses were lower than expected, and adjusted EBITDA was
3 higher than expected. **We believe the selloff of the shares**
4 **following the earnings release was driven primarily** driven
5 [sic] by the lower-than expected revenues and **by a white paper**
6 **posted by the State Administration for Industry and**
7 **Commerce alleging that Alibaba has not done enough to**
8 **combat the sale of counterfeit products by some of its sellers.**

9 21. In response to these disclosures, the price of Alibaba ADSs dropped
10 another \$8.64 per share to close at \$89.81 per share on January 29, 2015, a one-day
11 decline of approximately 9%, again on extremely high volume of more than 76.3
12 million shares trading.

13 22. On January 30, 2015, analysts with Rosenblatt Securities Inc. issued a
14 report stating.

15 **We believe the battle between Alibaba and SAIC might**
16 **escalate, which will put near term pressure on the company.**

17 * * *

18 **SAIC basically said in their white paper** that based on a
19 sample of products collected on the Taobao platform (as well as other
20 eCommerce platforms) conducted between August and October 2014,
21 **approximately 63% were not authentic.**

22 23. On February 2, 2015, analysts with Trefis issued a report stating as
23 follows:

24 [An] area that disconcerted market participants is the negative
25 news pertaining to recent criticism of Alibaba from the Chinese regulator
26 'State Administration for Industry and Commerce' (SAIC) Authorities are
27 critical of the company for not doing enough to limit sale of counterfeit
28 products on its marketplaces. While the report has now been taken down
from the regulator's website, **we believe this development will**
impact growth on Alibaba's Taobao marketplace in the near-term, as
we expect the company to now move quickly in removing counterfeit
products on its sites, and this could lead to closure of a large number of
seller accounts. In addition, **since Alibaba provided little**
information about its July 2014 meeting with SAIC in its IPO
documents, it could also cause legal issues for the company.

29 24. On these and other reports of counterfeiting and fake orders, the price of
30 Alibaba ADS shares dropped nearly 6% on high volume to trade at prices as low as
31 \$80.03 on March 3, 2015.

1 25. These concerns continued to be a source of concern for the stock market.
2 For example, on March 10, 2015, an article by TheStreet.com entitled “Alibaba Can’t
3 Seem to Shake Its Counterfeit Products Problem” stated:

4 **Alibaba has been tumbling ... and it doesn’t appear that a**
5 **turnaround is in the immediate future**

6 The downward spiral can be attributed to a number of different
7 causes, but one major problem is the Hangzhou, China-based
8 e-commerce company’s struggles with 10 counterfeit and regulatory
9 issues. . .

10 Alibaba’s misfortunes were amplified in January when the Chinese
11 government accused the company of allowing fake goods to be sold on its
12 site and failing to sufficiently regulate illegal activity. China’s State
13 Administration for Industry and Commerce then published a white paper
14 detailing the accusation, but soon retracted it after Alibaba claimed it was
15 false. Alibaba chairman Jack Ma met with the head of China’s commerce
16 regulator to smooth things over.

17 ***But that wasn’t the end of it.*** Earlier this month The Wall
18 Street Journal reported on a common illegal practice in China called
19 “brushing,” in which sellers use fake customers to inflate sales numbers,
20 improperly improving their online status. According to the Journal,
21 Alibaba uses “sophisticated tools” to counter-brush, but the practice is
22 hard to detect, ***calling into question the large volume of***
23 ***transactions reportedly taking place on the e-commerce site.***

24 Alibaba’s Vice President Yu Weimin even admitted to the high
25 percentage of brushing on the site. In November, he told China’s state-
26 run Xinhua News Agency that in 2013, 1.2 million sellers or ***about 17%***
27 ***of all merchants on Taobao, Alibaba’s main shopping site,***
28 ***had faked 500 million transactions*** (worth 10 billion Yuan, or
about \$1.6 billion USD). This, he explained, was a “conservative
estimate.”

Following the controversy over fake goods, Alibaba yesterday
decided to dismiss Wang Yulei, the head of Tmall.com (the business-to-
consumer version of Taobao), from his role and reassign him elsewhere.

26. On May 15, 2015, Kering S A., parent company of Gucci, Yves St. Laurent
and other luxury brands, filed a federal lawsuit in the Southern District of New York
naming Alibaba as a defendant and alleging in great detail as follows:

**The Alibaba Defendants facilitate and encourage the sale of
an enormous number of Counterfeit Products through their
self-described “ecosystem,” which provides manufacturers,
sellers, and buyers of counterfeit goods with a marketplace for
such goods, and provides online marketing, credit card
processing, financing, and shipping services that effectuate the**

1 **sale of the Counterfeit Products.**

2 27. On these developments, the price of Alibaba ADS shares dropped nearly
3 3% from a high of \$88.96 on May 15, 2015 to as low as \$86.61 on the next trading day,
4 May 18, 2015.

5 28. On August 31, 2015, analysts with Deutsche Bank issued a report entitled
6 “Insights into platform clean-up,” which echoed the same concerns as follows:

7 We have spent the past several days undertaking “grassroots -
8 level” discussions with a host of merchants and customers on the Alibaba
9 domestic retail platforms. ***Our main take-aways relate to ... the
10 heightened cleansing of the platform, which we trace to the
11 beginning of 2015. We however reduce GMV as a result of
12 progress in this area***

13 **Cleaning up user, merchant experience; some sacrifice of GMV
14 in order**

15 We cut GMV assumptions in the wake of extensive channel checks
16 with platform customers and merchants, which indicate measurable
17 progress against brushing, counterfeiting and other untoward practices
18 These measures ... limit ... our GMV outlook

19 29. On these developments, the price of Alibaba declined significantly from a
20 high of \$71.59 per share on August 27, 2015 to a low of \$64.05 per share on September
21 1, 2015, a decline of over 10% on extremely high volume.

22 30. By September 24, 2015, Alibaba shares traded below \$60 per share, a
23 decline of over 50% from the \$120 per share high. Shareholders who bought the
24 Company’s stock pursuant to the Registration Statement have suffered billions of
25 dollars in losses.

26 **JURISDICTION AND VENUE**

27 31. This Court has original subject matter jurisdiction under the California
28 Constitution, Article VI, § 10. Removal is barred by § 22 of the 1933 Act.

 32. This Court has personal jurisdiction under California Code of Civil
Procedure § 410.10 because defendants and their agents affirmatively solicited the
subject securities and Registration Statement to investors in California, including, *e.g.*,
during roadshows conducted in California, and those contacts with California have a
substantial connection to the claims alleged herein.

1 33. This Court is a proper venue under California Code of Civil Procedure
2 § 395.

3 **PARTIES**

4 34. Plaintiff Rustem Nurlybayev purchased Alibaba ADS shares pursuant or
5 traceable to the IPO and was damaged thereby.

6 35. Defendant Alibaba is headquartered in China and incorporated in the
7 Cayman Islands. Its ADS shares are traded on the NYSE under the ticker symbol
8 “BABA.” Alibaba’s U.S. offices are located at 400 South El Camino Real, Suite 400, San
9 Mateo, California.

10 36. Defendant Jack Yun Ma (“Ma”) is the founder of Alibaba and Executive
11 Chairman of Alibaba’s Board of Directors. Ma owned 8.8% of Alibaba’s outstanding
12 shares prior to the IPO. Ma sold approximately 12,750,000 Alibaba ADS shares in the
13 IPO and received gross proceeds of approximately \$867,000,000. Ma signed the
14 Registration Statement.

15 37. Defendant Joseph C. Tsai (“Tsai”) is Alibaba’s Executive Vice Chairman.
16 Tsai owned 3.6% of Alibaba’s outstanding shares prior to the IPO. Tsai sold
17 approximately 4,250,000 Alibaba ADS shares in the IPO and received gross proceeds
18 of approximately \$289,000,000. Tsai signed the Registration Statement.

19 38. Defendant Masayoshi Son (“Son”), at the time of the IPO, was a Director
20 of Alibaba. Son signed the Registration Statement.

21 39. Defendant Jonathan Zhaoxi Lu (“Lu”), at the time of the IPO, was
22 Alibaba’s Chief Executive Officer. Lu signed the Registration Statement.

23 40. Defendant Maggie Wei Wu (“Wu”), at the time of the IPO, was Alibaba’s
24 Chief Financial Officer. Wu signed the Registration Statement.

25 41. Defendant Timothy A. Steinert (“Steinert”), at the time of the IPO, was
26 Alibaba’s General Counsel and Corporate Secretary. Steinert signed the Registration
27 Statement.

28 42. The defendants named in ¶¶ 36-41 are referred to herein as the

1 “Individual Defendants.” The Individual Defendants each signed the Registration
2 Statement, solicited the investing public to purchase securities issued pursuant
3 thereto, hired and assisted the underwriters, planned and contributed to the IPO and
4 Registration Statement, and attended road shows and other promotions to meet with
5 and present favorable information to potential Alibaba investors, all motivated by their
6 own and the Company’s financial interests.

7 43. Defendant Credit Suisse Securities (USA) LLC (“Credit Suisse”) is a
8 financial services company that acted as an underwriter for Alibaba’s IPO, helping to
9 draft and disseminate the Registration Statement and solicit investors to purchase
10 Alibaba securities issued pursuant thereto. Credit Suisse has offices in San Francisco
11 and Menlo Park, California.

12 44. Defendant Deutsche Bank Securities Inc. LLC (“Deutsche Bank”) is a
13 financial services company that acted as an underwriter for Alibaba’s IPO, helping
14 to draft and disseminate the Registration Statement and solicit investors to purchase
15 Alibaba securities, issued pursuant thereto. Deutsche Bank has offices in San Francisco
16 and Menlo Park, California.

17 45. Defendant Goldman Sachs (Asia) LLC (“Goldman Sachs”) is a financial
18 services company that acted as an underwriter for Alibaba’s IPO, helping to draft and
19 disseminate the Registration Statement and solicit investors to purchase Alibaba
20 securities issued pursuant thereto. Goldman Sachs has offices in San Francisco and
21 Menlo Park, California.

22 46. Defendant J.P. Morgan Securities LLC (“J.P. Morgan”) is a financial
23 services company that acted as an underwriter for Alibaba’s IPO, helping to draft and
24 disseminate the Registration Statement and solicit investors to purchase Alibaba
25 securities issued pursuant thereto. J.P. Morgan has offices in San Francisco and Palo
26 Alto, California.

27 47. Defendant Morgan Stanley & Co. International (“Morgan Stanley”) is a
28 financial services company that acted as an underwriter for Alibaba’s IPO, helping to

1 draft and disseminate the Registration Statement and solicit investors to purchase
2 Alibaba securities issued pursuant thereto. Morgan Stanley has offices in San
3 Francisco and Menlo Park, California.

4 48. Defendant Citigroup Global Markets Inc. (“Citigroup”) is a financial
5 services company that acted as an underwriter for Alibaba’s IPO, helping to draft and
6 disseminate the Registration Statement and solicit investors to purchase Alibaba
7 securities issued pursuant thereto. Citigroup has offices in San Francisco, California.

8 49. Defendant BOCI Asia Limited LLC is a financial services company that
9 acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
10 Registration Statement and solicit investors to purchase Alibaba securities issued
11 pursuant thereto.

12 50. Defendant China International Capital Corporation Hong Kong
13 Securities Limited (“CICC”) is a financial services company that acted as an
14 underwriter for Alibaba’s IPO, helping to draft and disseminate the Registration
15 Statement and solicit investors to purchase Alibaba securities issued pursuant thereto.

16 51. Defendant CLSA Limited (“CLSA”) is a financial services company that
17 acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
18 Registration Statement and solicit investors to purchase Alibaba securities issued
19 pursuant thereto. CLSA has offices or representatives in San Francisco, California.

20 52. Defendant DBS Bank Ltd. is a financial services company that acted as an
21 underwriter for Alibaba’s IPO, helping to draft and disseminate the Registration
22 Statement and solicit investors to purchase Alibaba securities issued pursuant thereto.

23 53. Defendant HSBC Securities (USA) Inc. is a financial services company
24 that acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
25 Registration Statement and solicit investors to purchase Alibaba securities issued
26 pursuant thereto.

27 54. Defendant Mizuho Securities USA Inc. (“Mizuho”) is a financial services
28 company that acted as an underwriter for Alibaba’s IPO, helping to draft and

1 disseminate the Registration Statement and solicit investors to purchase Alibaba
2 securities issued pursuant thereto. Mizuho maintains offices in San Francisco,
3 California.

4 55. Defendant Pacific Crest Securities LLC, the technology specialist division
5 of KeyBanc Capital Markets Inc., is a financial services company that acted as an
6 underwriter for Alibaba's IPO, helping to draft and disseminate the Registration
7 Statement and solicit investors to purchase Alibaba securities issued pursuant thereto.
8 Pacific Crest Securities LLC has offices in San Francisco, California.

9 56. Defendant Stifel, Nicolaus & Company, Incorporated ("Stifel") is a
10 financial services company that acted as an underwriter for Alibaba's IPO, helping to
11 draft and disseminate the Registration Statement and solicit investors to purchase
12 Alibaba securities issued pursuant thereto. Stifel is headquartered in St. Louis,
13 Missouri and maintains offices in San Francisco, California.

14 57. Defendant Wells Fargo Securities, LLC is a financial services company
15 that acted as an underwriter for Alibaba's IPO, helping to draft and disseminate the
16 Registration Statement and solicit investors to purchase Alibaba securities issued
17 pursuant thereto. Wells Fargo Securities, LLC is headquartered in San Francisco,
18 California.

19 58. Defendant BNP Paribas Securities Corp. is a financial services company
20 that acted as an underwriter for Alibaba's IPO, helping to draft and disseminate the
21 Registration Statement and solicit investors to purchase Alibaba securities issued
22 pursuant thereto. BNP Paribas Securities Corp. has offices in San Francisco, California.

23 59. Defendant Evercore Group LLC is a financial services company that acted
24 as an underwriter for Alibaba's IPO, helping to draft and disseminate the Registration
25 Statement and solicit investors to purchase Alibaba securities issued pursuant thereto.
26 Evercore Group LLC maintains offices in the United States, including San Francisco
27 and Menlo Park, California.

28 60. Defendant Raymond James & Associates, Inc. is a financial services

1 company that acted as an underwriter for Alibaba's IPO, helping to draft and
2 disseminate the Registration Statement and solicit investors to purchase Alibaba
3 securities issued pursuant thereto.

4 61. Defendant SunTrust Robinson Humphrey, Inc. is a financial services
5 company that acted as an underwriter for Alibaba's IPO, helping to draft and
6 disseminate the Registration Statement and solicit investors to purchase Alibaba
7 securities issued pursuant thereto. SunTrust maintains offices in San Francisco,
8 California.

9 62. Defendant BHF-BANK Aktiengesellschaft LLC ("BHF-BANK") is a
10 financial services company that acted as an underwriter for Alibaba's IPO, helping to
11 draft and disseminate the Registration Statement and solicit investors to purchase
12 Alibaba securities issued pursuant thereto. BHF-BANK has offices in Long Beach,
13 California.

14 63. Defendant CIMB Securities Limited is a financial services company that
15 acted as an underwriter for Alibaba's IPO, helping to draft and disseminate the
16 Registration Statement and solicit investors to purchase Alibaba securities issued
17 pursuant thereto.

18 64. Defendant China Merchants Securities (HK) Co., Limited is a financial
19 services company that acted as an underwriter for Alibaba's IPO, helping to draft and
20 disseminate the Registration Statement and solicit investors to purchase Alibaba
21 securities issued pursuant thereto.

22 65. Defendant ING Financial Markets LLC is a financial services company
23 that acted as an underwriter for Alibaba's IPO, helping to draft and disseminate the
24 Registration Statement and solicit investors to purchase Alibaba securities issued
25 pursuant thereto. ING Financial Markets LLC has offices in Los Angeles, California.

26 66. Defendant Needham & Company LLC is a financial services company
27 that acted as an underwriter for Alibaba's IPO, helping to draft and disseminate the
28 Registration Statement and solicit investors to purchase Alibaba securities issued

1 pursuant thereto. Needham & Company LLC has offices in San Francisco and Menlo
2 Park, California.

3 67. Defendant Nomura Securities International, Inc. (“Nomura Securities”) is a financial services company that acted as an underwriter for Alibaba’s IPO, helping
4 to draft and disseminate the Registration Statement and solicit investors to purchase
5 Alibaba securities issued pursuant thereto. Nomura Securities has offices in San
6 Francisco, California.

8 68. Defendant Raine Securities LLC is a financial services company that acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
9 Registration Statement and solicit investors to purchase Alibaba securities issued
10 pursuant thereto.

12 69. Defendant RBS Securities Inc. LLC (“RBS Securities”) is a financial services company that acted as an underwriter for Alibaba’s IPO, helping to draft and
13 disseminate the Registration Statement and solicit investors to purchase Alibaba
14 securities issued pursuant thereto. RBS Securities has offices in San Francisco,
15 California.

17 70. Defendant SG Americas Securities LLC is a financial services company that acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
18 Registration Statement and solicit investors to purchase Alibaba securities issued
19 pursuant thereto. SG Americas Securities LLC has offices in Santa Monica, California.

21 71. Defendant C.L. King & Associates, Inc. is a financial services company that acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
22 Registration Statement and solicit investors to purchase Alibaba securities issued
23 pursuant thereto.

25 72. Defendant Lebenthal & Co. is a financial services company that acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the Registration
26 Statement and solicit investors to purchase Alibaba securities issued pursuant thereto.
27 Lebenthal & Co. has offices in Los Angeles, California.
28

1 73. Defendant Mischler Financial Group, Inc. is a financial services company
2 that acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
3 Registration Statement and solicit investors to purchase Alibaba securities issued
4 pursuant thereto. Mischler Financial Group, Inc. has offices in Newport Beach,
5 California.

6 74. Defendant Samuel A. Ramirez & Company, Inc. is a financial services
7 company that acted as an underwriter for Alibaba’s IPO, helping to draft and
8 disseminate the Registration Statement and solicit investors to purchase Alibaba
9 securities issued pursuant thereto. Samuel A. Ramirez & Company, Inc. has offices in
10 Los Angeles, California.

11 75. Defendant Topeka Capital Markets Inc. is a financial services company
12 that acted as an underwriter for Alibaba’s IPO, helping to draft and disseminate the
13 Registration Statement and solicit investors to purchase Alibaba securities issued
14 pursuant thereto. Topeka Capital Markets Inc. has offices in San Francisco, California.

15 76. Defendant The Williams Capital Group, L.P. is a financial services
16 company that acted as an underwriter for Alibaba’s IPO, helping to draft and
17 disseminate the Registration Statement and solicit investors to purchase Alibaba
18 securities issued pursuant thereto.

19 77. The defendants named above in ¶¶ 43-76 are referred to herein as the
20 “Underwriter Defendants.” Pursuant to the Securities Act, the Underwriter
21 Defendants are liable for the false and misleading statements in the Registration
22 Statement as follows:

23 a) The Underwriter Defendants are investment banking houses that
24 specialize, *inter alia*, in underwriting public offerings of securities. They served as the
25 underwriters of the IPO and shared tens of millions of dollars in fees collectively. The
26 Underwriter Defendants arranged a multi-city roadshow prior to the IPO during which
27 they, and representatives from Alibaba, met with potential investors and presented
28

1 highly favorable information about the Company, its operations and its financial
2 prospects.

3 b) The Underwriter Defendants also demanded and obtained an agreement
4 from Alibaba that Alibaba would indemnify and hold the Underwriter Defendants
5 harmless from any liability under the federal securities laws. They also made certain
6 that Alibaba had purchased millions of dollars in directors' and officers' liability
7 insurance.

8 c) Representatives of the Underwriter Defendants also assisted Alibaba and
9 the Individual Defendants in planning the IPO, and purportedly conducted an
10 adequate and reasonable investigation into the business and operations of Alibaba, an
11 undertaking known as a "due diligence" investigation. The due diligence investigation
12 was required of the Underwriter Defendants in order to engage in the IPO. During the
13 course of their "due diligence," the Underwriter Defendants had continual access to
14 confidential corporate information concerning Alibaba's operations and financial
15 prospects.

16 d) In addition to availing themselves of virtually unlimited access to internal
17 corporate documents, agents of the Underwriter Defendants met with Alibaba's
18 lawyers, management and top executives, and engaged in "drafting sessions" between
19 at least May and September 2014. During these sessions, understandings were reached
20 as to: (i) the strategy to best accomplish the IPO; (ii) the terms of the IPO, including
21 the price at which Alibaba shares would be sold, (iii) the language to be used in the
22 Registration Statement, (iv) what disclosures about Alibaba would be made in the
23 Registration Statement, and (v) what responses would be made to the SEC in
24 connection with its review of the Registration Statement. As a result of those constant
25 contacts and communications between the Underwriter Defendants' representatives
26 and Alibaba's management and top executives, the Underwriter Defendants knew of,
27 or in the exercise of reasonable care should have known of, Alibaba's existing problems
28 as detailed herein.

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

5 78. The true names and capacities of defendants sued herein under
6 California Code of Civil Procedure § 474 as Does 1 through 25, inclusive, are presently
7 not known to Plaintiff, who therefore sues these defendants by such fictitious names.
8 Plaintiff will seek to amend this Complaint and include these Doe defendants' true
9 names and capacities when they are ascertained. Each of the fictitiously named
10 defendants is responsible in some manner for the conduct alleged herein and for the
11 injuries suffered by the Class (as defined herein).

12 **DEFENDANTS' FALSE AND MISLEADING REGISTRATION**
13 **STATEMENT AND PROSPECTUSES**

14 79. On May 6, 2014, Alibaba filed a confidential draft Registration Statement
15 with the SEC on Form F-1, which would be used for the IPO following several
16 amendments in response to SEC comments, including comments from the SEC
17 emphasizing the importance of adequately disclosing material trends and risk factors,
18 as required by Items 303 and 503.

19 80. On September 15, 2014, Alibaba filed the seventh and final amendment
20 to the Registration Statement, which registered 368,122,000 Alibaba ADS shares for
21 public sale. The SEC declared the Registration Statement effective on September 18,
22 2014. On or about September 19, 2014, Alibaba priced the IPO at \$68 per ADS and
23 filed the final Prospectus for the IPO on September 22, 2014, which forms part of the
24 Registration Statement.

25 81. Analyst coverage over the following weeks and months was highly
26 bullish. For example, on September 22, 2014, analysts with MKM Partners issued a
27 report entitled "Alibaba Group Holding Ltd. Powerhouse in Best Secular Growth
28 Market for eCommerce," which initiated coverage at a target price nearly 50% above

1 the offering price as follows:

2 **Following the *record-setting IPO* on Friday, we are initiating**
3 **coverage of BABA with a Buy rating and a 12 -month target**
4 **price of \$125 ... China's Commerce economy is *booming*....**
5 **BABA's market position is *dominant*.... This is a *highly***
6 ***profitable business model*.**

7 82. On October 8, 2014, analysts with Macquarie Research issued a report
8 entitled "Alibaba Group Holdings — Doors wide open," which stated:

9 Following years of anticipation with much fanfare in recent
10 memory, Alibaba was finally listed on NYSE at a valuation of US\$ 168bn
11 (closed at US \$232bn on Day 1 of trading). ***There has never been a***
12 ***bigger company in the private sector around the world on the***
13 ***day of their IPO.***

14 83. On October 29, 2014, analysts with Credit Suisse initiated coverage of
15 Alibaba, issuing a report entitled "Alibaba Group — The giant marches on," which
16 stated:

17 **Still ample upside potential despite the *44% post -IPO rally*.**
18 **We initiate coverage on Alibaba Group with an OUTPERFORM**
19 **rating and a target price of US\$ 114. We forecast a ~37%**
20 **revenue CAGR over the next three years This revenue**
21 **growth, combined with the *incomparable scalability (it is the***
22 ***largest e-commerce ecosystem in the world)* and operating**
23 **leverage should help the company deliver sustainable earnings**
24 **in the coming years.**

25 84. The Registration Statement contained untrue statements of material fact
26 and omitted to state material facts both required by governing regulations and
27 necessary to make the statements made not misleading. In particular, the Registration
28 Statement failed to disclose that just two months prior, on July 16, 2014, senior
executives from Alibaba had met with senior Chinese government regulators and
officials, who explained that Alibaba's e-commerce businesses were in serious violation
of the laws and regulations of the PRC. Alibaba's undisclosed illegal practices included,
for example:

- the payment of bribes to Alibaba workers by merchants and others seeking help to further their sales, Internet search rankings, and procurement of prime advertising space on Alibaba's website and portal;
- A highly material amount of sales of counterfeit goods, including fake

1 cigarettes, alcohol and branded handbags, by vendors on Alibaba's third -
2 party marketplace platform;

- 3 • the fact that regulators had accused Alibaba of alleged anticompetitive
4 behavior such as forbidding merchants to participate in rival sites'
5 promotions;
- 6 • the sale of restricted weapons and other prohibited items on Alibaba's
7 third-party marketplace platform; and
- 8 • that Alibaba ignored the practice by some vendors of faking transactions
9 to make their sales volumes appear higher.

10 85. The Registration Statement also failed to disclose that Chinese regulators
11 and officials had threatened Alibaba with thousands of financial penalties — each with
12 a target of 1.0% of daily sales on its e-commerce platforms, and that the SAIC had
13 already commenced the “Red Shield Web Sword” special program to clean up rampant
14 abuses on e-commerce platforms, including counterfeiting and consumer fraud, with
15 Alibaba as one of its main targets.

16 86. The Registration Statement also purported to warn of numerous risks
17 that “*if*” occurring “*might*” or “*could*” adversely affect the Company while failing to
18 disclose that these very “risks” had already materialized at the time of the IPO. For
19 example, the Registration Statement stated the following:

- 20 • “the regulatory and legal system in China is complex and developing, and
21 future regulations may impose additional requirements on our business.”
- 22 • “[m]aintaining the trusted status of our ecosystem is critical to our
23 success, and any failure to do so could severely damage our reputation
24 and brand, which would have a material adverse effect on our business,
25 financial condition and results of operations.”
- 26 • “ability to maintain our position as a trusted platform for online and
27 mobile commerce is based in large part upon the quality and breadth of
28 products and services offered by sellers through our marketplaces, [and]
the strength of our consumer protection measures.”

29 87. Each of these statements were materially false and misleading and failed
30 to disclose:

31 a) Alibaba's ***already occurring but undisclosed illegal practices***
32 and the severe regulatory scrutiny drawn thereby was already likely to (and in fact did)

1 materially and adversely affect Alibaba's future results and prospects as well as the
2 purportedly "trusted" status of its ecosystem, and

3 b) Alibaba was then ***already the subject of administrative law***
4 ***enforcement action*** for, *inter alia*, facilitating the rampant sale of counterfeit goods
5 and restricted or illegal weapons, accepting bribes from merchants in exchange for
6 improved search rankings and advertising results, consciously disregarding fake
7 transactions and thereby allowing the false inflation reported sales volume, and
8 obviously anticompetitive behavior such as forbidding merchants of participating in
9 rival platform promotions, all of which created imminent and material risks to its
10 business operations, and which likely would have a material effect on its revenue,
11 income and share price, as well as the expected adverse consequences therefrom.

12 88. The Registration Statement also made the following materially false and
13 misleading statements regarding the sale of fake or infringed goods on its online
14 marketplace and employee acceptance of bribes from merchants:

15 We have received in the past, and we anticipate we will receive in
16 the future, communications alleging that items offered or sold through
17 our online marketplaces by third parties or that we make available
18 through other services, such as our online music platform, infringe
19 third-party copyrights, trademarks and patents or other intellectual
20 property rights. Although we have adopted measures to verify the
21 authenticity of products sold on our marketplaces and minimize potential
22 infringement of third-party intellectual property rights through our
23 intellectual property infringement complaint and take-down procedures,
24 these measures may not always be successful. We have been and may
25 continue to be subject to allegations of civil or criminal liability based on
26 allegedly unlawful activities carried out by third parties through our
27 online marketplaces. We also have been and may continue to be subject
28 to allegations that we were participants in or facilitators of such allegedly
unlawful activities.

* * *

Moreover, illegal, fraudulent or collusive activities by our
employees could also subject us to liability or negative publicity. For
instance, we learned that in early 2011 and 2012 in two separate
incidents, certain of our employees had accepted payments from sellers
in order to receive preferential treatment on Alibaba.com and
Juhuasuan. Although we dismissed the employees responsible for the
incidents and have taken action to further strengthen our internal

1 controls and policies with regard to the review and approval of seller
2 accounts, sales activities and other relevant matters, we cannot assure
3 you that such controls and policies will prevent fraud or illegal activity by
4 our employees or that similar incidents will not occur in the future. Any
5 such illegal, fraudulent or collusive activity could severely damage our
6 brand and reputation as an operator of trusted marketplaces, which
7 could drive users and buyers away from our marketplaces, and materially
8 and adversely affect GMV transacted on our marketplaces, our revenues
9 and our net income.

10 89. Each of the above statements were materially false and misleading
11 because defendants failed to disclose the following facts:

12 a) the SAIC and China's provincial and local Administrations of Industry
13 and Commerce ("AICs") had recently accused Alibaba of currently violating applicable
14 laws and regulations in the conduct of its e-commerce platforms at the July SAIC
15 meeting and Alibaba faced imminent and severe monetary and other regulatory
16 penalties as a result if such violations were not remedied, and

17 b) Alibaba employees were continuing to engage in illegal activities, such as
18 accepting bribes from market sellers for higher search placement or better reviews on
19 its e-commerce platforms, and the SAIC had recently threatened to fine Alibaba 1% of
20 daily sales volume or more if it did not sufficiently strengthen its internal controls and
21 policies to prevent such illegal activity.

22 90. The Registration Statement also stated the following with respect to laws
23 and regulations governing the Company's business practices:

24 China has enacted laws and regulations governing Internet access
25 and the distribution of products, services, news, information, audio -
26 video programs and other content through the Internet. The PRC
27 government has prohibited the distribution of information through the
28 Internet that it deems to be in violation of PRC laws and regulations. If
any of the information disseminated through our marketplaces and
websites were deemed by the PRC government to violate any content
restrictions, we would not be able to continue to display such content and
could become subject to penalties, including confiscation of income,
fines, suspension of business and revocation of required licenses, which
could materially and adversely affect our business, financial condition
and results of operations.

* * *

1 **For example, under applicable consumer protection laws in**
2 **China, e-commerce platform operators may be held liable for**
3 **consumer claims relating to damage if they are unable to**
4 **provide consumers with the true name, address and contact**
5 **details of sellers or service providers. In addition, if we do not**
6 **take appropriate remedial action against sellers or service**
7 **providers for actions they engage in that we know, or should**
8 **have known, would infringe upon the rights and interests of**
9 **consumers, we may be held jointly liable with the seller or**
10 **service provider for such infringement. Moreover applicable**
11 **consumer protection laws in China hold that trading platforms**
12 **will be held liable for failing to meet any undertakings such**
13 **platforms make to consumers with regard to products listed**
14 **on their websites. Furthermore, we are required to report to**
15 **SAIC or its local branches any violation of applicable laws,**
16 **regulations or SAIC rules by sellers or service providers, such**
17 **as sales of goods without proper license or authorization, and**
18 **to take appropriate remedial measures, including ceasing to**
19 **provide services to such sellers or service providers. If claims**
20 **are brought against us under any of these laws, we could be**
21 **subject to damages and reputational damage as well as action**
22 **by regulators, which could have a material adverse effect on**
23 **our business, financial condition and results of operations.**

14 91. Each of these statements were materially false and misleading and failed
15 to disclose that the SAIC and AICs' findings and administrative guidance delivered at
16 the July SAIC meeting that Alibaba was in violation of PRC consumer laws and
17 regulations and had been systematically engaging in unfair trade practices on its
18 e-commerce platforms. The SAIC also criticized Alibaba for providing assistance to
19 vendors in violating consumer laws, and, moreover, the SAIC had told Alibaba to
20 immediately institute remedial measures or else face severe monetary penalties.

21 92. The Registration Statement also stated with respect to the sale of
22 counterfeit products and engagement in fictitious transactions

23 ***Measures against counterfeit products.*** To protect
24 consumers, brand owners and legitimate sellers and to maintain the
25 integrity of our marketplaces, we have put in place a broad range of
26 measures to prevent counterfeit and pirated goods from being offered
27 and sold on our marketplaces. These measures include:

- 26 • identifying, issuing warnings and taking down counterfeit products from
27 our marketplaces,
- 28 • providing an online complaint platform for brand owners to report
 infringements, conducting random checks by using third parties to

1 purchase suspected counterfeit products; and

- 2 • enhancing our communication with various relevant government
3 authorities to eradicate sources of counterfeit goods.

4 We have also established cooperative relationships with over
5 1,000 major brand owners and several industry associations in
6 connection with intellectual property rights protection to enhance the
7 effectiveness of our take-down procedures and other anti-counterfeiting
8 measures.

9 ***Measures against fictitious transactions.*** We have
10 implemented measures to prevent, detect and reduce the occurrence of
11 fictitious transactions on Taobao Marketplace and Tmall including:

- 12 • requiring the use of sellers' real identities to set up accounts with us,
13 • analyzing transaction patterns to identify anomalies,
14 • dynamic password protection and real-time monitoring of user login
15 behavior, [and]
16 • maintaining a "blacklist" of sellers and buyers who have been involved in
17 fictitious transactions in the past.

18 93. Each of the above statements were materially misleading and failed to
19 disclose the following true facts, including that:

20 a) the SAIC and AICs had already warned Alibaba that the measures taken
21 to prevent counterfeit products were ineffective;

22 b) the SAIC had found that Alibaba had in many cases obstructed
23 enforcement investigations and informed vendors to the SAIC and AICs enforcement
24 actions permitting illegal vendors to avoid sanctions;

25 c) a material portion of Alibaba's consolidated revenues and earnings were
26 derived from the sale of false or non-genuine merchandise;

27 d) that Alibaba's financial performance was reasonably likely to be
28 materially impacted in order to comply with applicable regulations; and

e) the SAIC had already informed Alibaba during the July SAIC meeting
that its measures to prevent fictitious transactions were not effective and that as a
result its e-commerce platforms were in violation of PRC laws and regulations.

94. The Registration Statement also falsely stated that the Company had a
zero tolerance policy regarding counterfeit products and phony sales on its sales

1 platforms:

2 **We maintain a “no tolerance” policy with regard to counterfeit**
3 **and fictitious activities on our marketplaces. However,**
4 **because many sellers doing business on our marketplaces**
5 **depend on us for their livelihood, we have generally eschewed**
6 **a “shoot-first, ask questions later” approach to handling**
7 **complaints. When we receive complaints or allegations**
8 **regarding infringement or counterfeit goods, we follow well-**
9 **developed procedures to verify the nature of the complaint and**
10 **the relevant facts before de-listing the items. Generally, we**
11 **give sellers who have been accused of posting or selling**
12 **counterfeit products up to three days to refute the allegations**
13 **and provide evidence of the authenticity of the product.**

14 **If allegations of posting or selling counterfeit products have**
15 **not been refuted or fictitious activities have been confirmed,**
16 **we penalize the parties involved through a number of means**
17 **including**

- 18 • immediately delisting the products;
- 19 • arranging for the seller to reimburse the buyer;
- 20 • assessing penalty points against the seller or limiting its ability to add
21 listings for a certain period;
- 22 • adopting a “name and shame” policy;
- 23 • imposing restrictions from participation in promotional activities on our
24 marketplaces; and
- 25 • closing down storefronts and, for Tmall sellers, confiscating the
26 consumer protection security deposits paid. The seller is banned
27 permanently from establishing another storefront on our marketplaces.

28 **In appropriate circumstances we also notify the relevant law**
29 **enforcement and other authorities to take legal action against**
30 **the offending party, including in extreme cases criminal**
31 **proceedings.**

32 95. Each of these statements were materially false and misleading because
33 Alibaba did not employ a “no tolerance” policy with regard to counterfeit and fictitious
34 activities on its marketplaces. As reported, Alibaba in fact did tolerate the sale of
35 inauthentic goods on its web platforms and either permitted or turned a blind eye to
36 fictitious transactions on its e-commerce platforms. Even after Alibaba was sued by
37 brand owners, Alibaba often continued to allow counterfeit sales on its ecommerce
38 platforms. Indeed, Taobao had optimized its search engines to specifically search and

1 identify counterfeit vendors, *e.g.*, via the euphemism “Replica.” The foregoing
2 statements were also misleading for failing to disclose to investors that the SAIC had
3 already launched the “Red Shield Web Sword” initiative, which targeted Alibaba, and,
4 moreover, had notified Alibaba, at the July SAIC meeting, that its rampant facilitation
5 of counterfeit sales on its e-commerce platforms would result in severe financial
6 penalties unless promptly remedied.

7 96. The Registration Statement made the following false and misleading
8 statements regarding regulatory framework governing the Company’s business while
9 failing to disclose that the Company was in active violation of the applicable
10 regulations.

11 **Regulation of Advertising Services**

12 **The principal regulations governing advertising businesses in
13 China are:**

- 14 • The Advertising Law of the PRC (1994);
- 15 • The Advertising Administrative Regulations (1987);
- 16 • The Implementing Rules for the Advertising Administrative Regulations
17 (2004); and
- 18 • The Administration Rules of Foreign-invested Advertising Enterprises
19 (2008).

20 * * *

21 Applicable PRC advertising laws, rules and regulations contain
22 certain prohibitions on the content of advertisements in China (including
23 prohibitions on misleading content, superlative wording, socially
24 destabilizing content or content involving obscenities, superstition,
25 violence, discrimination or infringement of the public interest).
26 Advertisements for anesthetic, psychotropic, toxic or radioactive drugs
27 are prohibited, and the dissemination of advertisements of certain other
28 products, such as tobacco, patented products, pharmaceuticals, medical
instruments, agrochemicals, foodstuff, alcohol and cosmetics, are also
subject to specific restrictions and, requirements.

... Violation of these laws, rules and regulations may result in
penalties including fines, confiscation of advertising income, orders to
cease dissemination of the advertisements and orders to publish an
advertisement correcting the misleading information.

* * *

1 **Regulation of Online and Mobile Commerce**

2 China's online and mobile commerce industry is at an early stage
3 of development and there are few PRC laws, regulations or rules
4 specifically regulating this industry. The SAIC adopted the Interim
5 Measures for the Administration of Online Commodities Trading and
6 Relevant Services on May 31, 2010 and replaced those measures with the
7 Administrative Measures for Online Trading on January 26, 2014, which
8 became effective on March 15, 2014. The SAIC also issued the Opinions
9 on Strengthening the Administration of Online Group Buying Operations
10 on March 12, 2012 to subject group buying website operators to the
11 foregoing measures, especially those relating to marketplace platform
12 service providers. These newly issued measures impose more stringent
13 requirements and obligations on the online trading or service operators
14 as well as the marketplace platform providers. For example, the
15 marketplace platform providers are obligated to examine the legal status
16 of each third-party merchant selling products or services on the platform
17 and display on a prominent location on the web page of such merchant
18 the information stated in the merchant's business license or a link to
19 such business license, and a group buying website operator must only
20 allow a third-party merchant with a proper business license to sell
21 products or services on its platform. Where the marketplace platform
22 providers also act as online distributors, these marketplace platform
23 providers must make a clear distinction between their online direct sales
24 and sales of third-party merchant products on the marketplace platform.

15 97. Each of the above statements were materially false and misleading as
16 they failed to disclose the following true facts:

17 a) that the SAIC had recently commenced the "Red Shield Web Sword"
18 special program to more strictly enforce consumer protection, false advertising, and
19 intellectual property laws and regulations more strictly;

20 b) the SAIC and AICs had already delivered administrative guidance and
21 informed Alibaba senior management at the July SAIC meeting that the advertising on
22 its websites was in violation of PRC laws and regulation and that if Alibaba did not
23 remedy the violations immediately, it would be subject to significant financial
24 penalties; and

25 c) the SAIC already found that Alibaba had facilitated illegal vendors
26 operating on Alibaba's e-commerce platforms without necessary business licenses or
27 under false names using another business' license, and that as a result Alibaba faced
28 severe monetary penalties if it failed to remedy the violations.

1 98. Defendants were required to disclose all the foregoing misrepresented
2 and omitted information in the Registration Statement for three independent reasons.
3 First, Item 303 required disclosure of any known events or uncertainties that at the
4 time of the IPO had caused or were reasonably likely to cause Alibaba's disclosed
5 financial information not to be indicative of future operating results. Alibaba's then
6 occurring but undisclosed illegal practices and the severe regulatory scrutiny drawn
7 thereby were likely to (and in fact did) materially and adversely affect Alibaba's future
8 results and prospects.

9 99. Second, Item 503 required, in the "Risk Factor" section of the IPO
10 Registration Statement, a discussion of the most significant factors that make the
11 offering risky or speculative and that each risk factor adequately describes the risk.
12 Alibaba's discussions of risk factors did not adequately describe the risk posed by
13 Alibaba's already occurring illegal practices and the severe regulatory scrutiny drawn
14 thereby, nor the likely and consequent material adverse effects on the Company's
15 future results and prospects.

16 100. Third, defendants' failure to disclose that Alibaba was then the subject of
17 administrative law enforcement proceedings that created imminent and material risks
18 to its business operations, and thus which likely would leave a material effect on its
19 revenue, income and share price, as well as the expected adverse consequences
20 therefrom, rendered false and misleading the Registration Statement's many
21 references to known risks that "*if*" occurring "*might*" or "*could*" adversely affect the
22 Company. These "risks" had already materialized at the time of the IPO.

23 101. With this host of misrepresentations and omissions, the IPO was
24 extremely lucrative for defendants, who raised more than \$ 25 billion in gross
25 proceeds. And in the weeks and months following, the price of Alibaba ADS shares shot
26 up to trade at \$120 per share.

27 102. But when the truth materialized, Alibaba shares plummeted. For
28 example, on January 28, 2015, before the opening of trading, various members of the

1 financial media reported that SAIC, China's main corporate regulator, had released a
2 white paper accusing Alibaba of engaging in the very illegal conduct disclosed to
3 Alibaba executives in July 2014.

4 103. On January 28, 2015, The Wall Street Journal, whose reporters had
5 reviewed the SAIC white paper, reported as follows:

6 **The Chinese government accused e-commerce giant Alibaba of**
7 **failing to crack down on the sale of fake goods, bribery and**
8 **other illegal activity on its sites in a rare public dispute with**
9 **one of the country's most prominent companies.**

10 **Alibaba has long grappled with allegations that Taobao, its**
11 **biggest e-commerce platform, is rife with counterfeit goods.**
12 **The accusations from the Chinese government could lend**
13 **further force to those complaints and damage Alibaba's**
14 **reputation among investors and brands overseas, while the**
15 **highly public spat could hurt the company's 18 relationship**
16 **with the government, experts warn.**

17 The government's accusations are in a white paper made public on
18 Wednesday by China's State Administration for Industry and
19 Commerce, **but based on conversations between the agency and**
20 **Alibaba officials in July.** That was two months before Alibaba's US
21 IPO, which valued the Chinese company at more than \$230 billion. **In**
22 **the paper, the agency said it held off on disclosing details of**
23 **the talk so as not to affect the IPO.**

24 * * *

25 The report said the problems had grown to become Alibaba's
26 "greatest credibility crisis" since the company was established. Citing a
27 Chinese phrase that refers to letting a small problem fester, the paper
28 said, "for a long time, [Alibaba] didn't pay sufficient attention to the issue
and didn't adopt effective measures, causing a neglected carbuncle to
become the bane of its life."

104. On this news, the price of Alibaba ADS's dropped 4%, or \$4.49 per ADS,
closing at \$ 98.45 per ADS on January 28, 2015, on unusually high volume of
approximately 42 million shares trading.

105. Then, on January 29, 2015, Alibaba issued a press release announcing
mixed financial results for Q4 2014, and addressing the SAIC white paper.

106. Market analysts reacted negatively. For example, on January 28, 2015,
analysts with Deutsche Bank issued a report stating:

SAIC claims abuses of Alibaba platform

China's State Administration for Industry & Commerce (SAIC) recently issued a report claiming malpractice on several fronts, including 1) insufficient control of merchants on Taobao, some of which do not hold proper licenses, 2) a lack of controls around **counterfeit products, illegal products, and products that infringe upon trademarks**, 3) insufficient attention to **misleading sales promotions** (specifically the Double 11 & 12 events) and **even instances of bribery**, 4) flaws in the platform's merchant credit rating and comment mechanism, leading to **fake transactions** and the deletion of negative comments, 5) Taobao **staff assisting illegal and unauthorized stores to avoid govt inspection**, 6) the lack of a proper merchant black-listing mechanism, and 7) a lack of transparency into merchant data, leading to difficulties in investigating illegal activities.

Delay in report publishing

The report was prepared based on a meeting between govt business regulators and Alibaba in July 2014. **The SAIC claims it had delayed the release of the report to avoid affecting Ali's IPO.** This news may cause near term weakness in the stock and is a situation we will monitor closely. **We find the timing of these actions somewhat interesting.**

107. On January 29, 2015, analysts with BMO Capital Markets issued a report stating:

The company delivered a mixed performance with overall revenues and take rate lighter than expected. Mobile GMV, mobile revenues, Taobao GMV, and active buyers were all better than expected,, [sic] operating expenses were lower than expected, and adjusted EBITDA was higher than expected. We believe the selloff of the shares following the earnings release was primarily driven [sic] by the lower-than expected revenues and by a white paper posted by the State Administration for Industry and Commerce alleging that Alibaba has not done enough to combat the sale of counterfeit products by some of its sellers.

* * *

We are lowering our price target on BABA to \$110 (from \$125), reflecting a lower target multiple, owing primarily to the increased uncertainty around the regulatory outlook for the company, coupled with the slower-than-expected revenue growth.

108. On these developments, the price of Alibaba ADS shares dropped another \$8.64 per share to close at \$89.81 per share on January 29, 2015, a one-day decline of approximately 9%, again on extremely high volume of more than 76.3 million shares

1 trading.

2 109. On January 30, 2015, analysts with Rosenblatt Securities Inc. issued a
3 report stating:

4 **We believe the battle between Alibaba and SAIC might**
5 **escalate, which will put near term pressure on the company.**
6 ***SAIC basically said in their white paper that based on a***
7 ***sample of products collected on the Taobao platform (as well***
8 ***as other eCommerce platforms) conducted between August***
9 ***and October 2014, approximately 63% were not authentic.***

10 110. On January 30, 2015, analysts with Evercore ISI issued a report lowering
11 its target as follows:

12 **[T]he uncertainty on how the SAIC complaint gets resolved**
13 **and the timing is something we must recognize in shares. As**
14 **such, on roughly similar estimates, we are trimming our target**
15 **to \$115 from \$130.**

16 111. On February 2, 2015, analysts with Trefis issued a report stating as
17 follows:

18 [An] area that disconcerted market participants is the negative
19 news pertaining to recent criticism of Alibaba from the Chinese regulator
20 'State Administration for Industry and Commerce' (SAIC). Authorities
21 are critical of the company for not doing enough to limit sale of
22 counterfeit products on its marketplaces. While the report has now been
23 taken down from the regulator's website, ***we believe this***
24 ***development will impact growth*** on Alibaba's Taobao marketplace
25 in the near-term, as we expect the company to now move quickly in
26 removing counterfeit products on its sites, and this could lead to closure
27 of a large number of seller accounts. In addition, ***since Alibaba***
28 ***provided little information about its July 2014 meeting with***
SAIC in its IPO documents, it could also cause legal issues for
the company.

112. On March 2, 2015, The Wall Street Journal published an expose entitled
"Inside Alibaba, the Sharp-Elbowed World of Chinese E-Commerce, Merchants use
false orders, shell storefronts to gain prominence on Alibaba's marketplaces," which
stated:

When Mr. Cui, an entrepreneur in the southeastern Chinese city of
Hangzhou, wanted to draw more attention to the hair clips and costume
jewelry he sold on the shopping sites of e-commerce giant Alibaba Group
Holding Ltd, he says he turned to fake orders.

1 Faking orders, or “brushing,” as it is called in China, involves
2 paying people to pretend to be customers. It lets vendors pad their sales
3 figures and, in theory, boost their standing on online marketplaces,
4 which often give more prominence to high-volume sellers with good
5 track records.

6 Typically, vendors pay brushers the cost of the products they are
7 ordering, plus a fee. The brushers place the orders and make payments
8 using that money. The vendors then ship boxes that are empty or full of
9 worthless trinkets, while the brushers write glowing reviews.

10 The practice is considered a form of false advertising, which is
11 prohibited in the U.S. and China. Chinese sellers found doing so face
12 fines and restrictions on their business. But Mr. Cui, who asked to be
13 identified only by his last name, said he relied on false orders because he
14 felt there was no other way for his products to be seen.

15 Brushing puts Alibaba at risk of further regulatory scrutiny
16 following its \$25 billion initial public offering in September, and calls
17 into question the volume of transactions actually conducted on its
18 platforms, a metric analysts cite in saying it is the world’s largest e-
19 commerce platform.

20 113. On these and other reports of counterfeiting and fake orders, the price of
21 Alibaba ADS shares dropped nearly 6% on high volume to trade at prices as low as
22 \$80.03 on March 3, 2015.

23 114. These concerns reverberated throughout the market. For example, on
24 March 10, 2015, an article by TheStreet.com entitled “Alibaba Can’t Seem to Shake Its
25 Counterfeit Products Problem” documented and echoed market concerns as follows:

26 **Alibaba has been tumbling ... and it doesn’t appear that a
27 turnaround is in the immediate future.**

28 The downward spiral can be attributed to a number of different
causes, but one mayor problem is the Hangzhou, China-based
e-commerce company’s struggles with counterfeit and regulatory issues.

Alibaba’s misfortunes were amplified in January when the Chinese
government accused the company of allowing fake goods to be sold on its
site and failing to sufficiently regulate illegal activity China’s State
Administration for Industry and Commerce then published a white paper
detailing the accusation, but soon retracted it after Alibaba claimed it was
false. Alibaba chairman Jack Ma met with the head of China’s commerce
regulator to smooth things over.

But that wasn’t the end of it. Earlier this month The Wall
Street Journal reported on a common illegal practice in China called
“brushing,” in which sellers use fake customers to inflate sales numbers,
improperly improving their online status. According to the Journal,
Alibaba uses “sophisticated tools” to counter-brush, but the practice is

1 hard to detect, ***calling into question the large volume of***
2 ***transactions reportedly taking place on the e-commerce site.***

3 Alibaba's Vice President Yu Weimin even admitted to the high
4 percentage of brushing on the site. In November, he told China's state-
5 run Xinhua News Agency that in 2013, 12 million sellers or about ***17% of***
6 ***all merchants on Taobao, Alibaba's main shopping site, had***
7 ***faked 500 million transactions*** (worth 10 billion Yuan, or about
8 \$1.6 billion USD). This, he explained, was a "conservative estimate."

9 Following the controversy over fake goods, Alibaba yesterday
10 decided to dismiss Wang Yulei, the head of Tmall.com (the business-to-
11 consumer version of Taobao), from his role and reassign him elsewhere.

12 115. On May 15, 2015, Kering S.A., parent company of Gucci, Yves St Laurent
13 and other luxury brands, filed a federal lawsuit in the Southern District of New York
14 naming Alibaba as a defendant and alleging in great detail as follows:

15 ***The Alibaba Defendants facilitate and encourage the sale of***
16 ***an enormous number of Counterfeit Products through their***
17 ***self-described "ecosystem," which provides manufacturers,***
18 ***sellers, and buyers of counterfeit goods with a marketplace for***
19 ***such goods, and provides online marketing, credit card***
20 ***processing, financing, and shipping services that effectuate the***
21 ***sale of the Counterfeit Products.***

22 116. On these developments, the price for Alibaba ADS shares dropped nearly
23 3% from a high of \$88.96 on May 15, 2015 to as low as \$86.61 on the very next trading
24 day, May 18, 2015.

25 117. On August 15, 2015, analysts with Trefis issued a report reiterating
26 lasting market risk and concern related to the SAIC white paper, criticizing Alibaba as
27 follows:

28 Alibaba recently received criticism from the Chinese regulator
'State Administration for Industry and Commerce' (SAIC) for ***not doing***
enough to curtail sale of counterfeit products on its
marketplaces. Though this report was taken down from the regulator's
website, ***we believe this development could impact growth on***
Alibaba's Taobao marketplace in the near-term, as we expect the
company to now move quickly in removing counterfeit products on its
sites, and this could lead to closure of a large number of seller accounts.

118. On August 27, 2015, analysts with Nomura reported that Chinese
regulators would begin a crackdown on grey-market "daigou" imports and exports,
which would negatively impact large scale merchants on Alibaba's Taobao online

1 marketplace. The report stated in part:

2 According to Sohu News ... starting from September 1, China's
3 customs will strengthen its control of private "daigou" business by
4 increasing the number of staff used to check international postal
5 packages and the luggage of citizens returning into the country from
6 abroad. Checks with Taobao merchants seem to suggest that the
7 inspection process for parcels has been tightened in recent months, and
8 that some parcels have been detained by customs.

9 * * *

10 We think grey-market imports will be at less than 5% of Alibaba's
11 ... total GMV in 2015 China customs' stricter inspection may potentially
12 raise the cost for "daigou" merchants and lower their competitiveness
13 against the cross-border B2C players. We believe the crackdown will
14 impact on Taobao's GMV ...

15 119. On August 31, 2015, analysts with Deutsche Bank issued a report titled
16 "Insights into platform clean-up," which echoed the same concerns as follows:

17 We have spent the past several days undertaking "grassroots-
18 level" discussions with a host of merchants and customers on the Alibaba
19 domestic retail platforms. ***Our main take-aways relate to ... the
20 heightened cleansing of the platform, which we trace to the
21 beginning of 2015. We however reduce GMV as a result of
22 progress in this area . . .***

23 **Cleaning up user, merchant experience; some sacrifice of GMV
24 in order**

25 We cut GMV assumptions to the wake of extensive channel checks
26 with platform customers and merchants, which indicate measurable
27 progress against brushing, counterfeiting and other untoward practices.
28 These measures ... limit ... our GMV outlook.

120. On these developments, the price of Alibaba declined dramatically from a
high of \$71.59 per share on August 27, 2015 to as low as \$64.05 per share on
September 1, 2015, an over 10% decline on high volume.

121. As of September 24, 2015, Alibaba shares traded below \$60 per share, a
decline of over 50% from the approximate \$120 per share high, indeed well over 10%
below the \$68 per share IPO price. Alibaba's misleading Registration Statement has
already caused billions of dollars in investor losses.

CLASS ACTION ALLEGATIONS

122. Plaintiff brings this action as a class action on behalf of all those who

1 purchased Alibaba ADS shares pursuant or traceable to the Registration Statement
2 issued in connection with the IPO (the "Class"). Excluded from the Class are
3 defendants and their families, the officers and directors and affiliates of defendants,
4 members of their immediate families and their legal representatives, heirs, successors
5 or assigns, and any entity in which defendants have or had a controlling interest.

6 123. The members of the Class are so numerous that joinder of all members is
7 impracticable. While the exact number of Class members is unknown to Plaintiff at this
8 time and can only be ascertained through appropriate discovery, Plaintiff believes that
9 there are hundreds of members in the proposed Class. Record owners and other
10 members of the Class may be identified from records maintained by Alibaba or its
11 transfer agent and may be notified of the pendency of this action by mail, using the
12 form of notice similar to that customarily used to securities class actions.

13 124. Plaintiff's claims are typical of the claims of the members of the Class, as
14 all members of the Class are similarly affected by defendants' wrongful conduct in
15 violation of federal law that is complained of herein.

16 125. Plaintiff will fairly and adequately protect the interests of the members of
17 the Class and has retained counsel competent and experienced in class and securities
18 litigation.

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

- 22 a) whether defendants violated the Securities Act;
- 23 b) whether the Registration Statement was negligently prepared and
24 contained inaccurate statements of material fact and omitted material information
25 required to be stated therein; and
- 26 c) to what extent the members of the Class have sustained damages and the
27 proper measure of damages.
- 28

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

7 **FIRST CAUSE OF ACTION**
8 **For Violation of § 11 of the Securities Act**
9 **Against All Defendants**

10 128. Plaintiff incorporates each and every preceding paragraph by reference.

11 129. This Cause of Action is brought pursuant to § 11 of the Securities Act, 15
12 U. S. C. § 77k, on behalf of the Class, against all defendants.

13 130. The Registration Statement contained untrue statements of material
14 facts, omitted to state other facts necessary to make the statements made not
15 misleading, and omitted to state material facts required to be stated therein.

16 131. Defendants are strictly liable to Plaintiff and the Class for the
17 misstatements and omissions.

18 132. None of the defendants named herein made a reasonable investigation or
19 possessed reasonable grounds for the belief that the statements contained in the
20 Registration Statement were true and without omissions of any material facts and were
21 not misleading.

22 133. By reason of the conduct herein alleged, each defendant violated, and/or
23 controlled a person who violated, § 11 of the Securities Act.

24 134. Plaintiff acquired Alibaba ADS shares pursuant to the Registration
25 Statement.

26 135. Plaintiff and the Class have sustained damages. The value of Alibaba ADS
27 shares has declined substantially subsequent to and due to defendants' violations.

28 136. At the time of their purchases of Alibaba ADS shares, Plaintiff and other
members of the Class were without knowledge of the facts concerning the wrongful

1 conduct alleged herein and could not have reasonably discovered those facts prior to
2 the disclosures herein. Less than one year has elapsed from the time that Plaintiff
3 discovered or reasonably could have discovered the facts upon which this Complaint is
4 based to the time that Plaintiff commenced this action. Less than three years has
5 elapsed between the time that the securities upon which this Cause of Action is
6 brought were offered to the public and the time Plaintiff commenced this action.

7 **SECOND CAUSE OF ACTION**
8 **For Violation of § 12(a)(2) of the Securities Act**
9 **Against All Defendants**

10 137. Plaintiff incorporates each and every preceding paragraph by reference.

11 138. This Cause of Action is brought pursuant to § 12(a)(2) of the Securities
12 Act, 15 U. S. C. 77I(a)(2), against all defendants.

13 139. By means of the defective Prospectuses, defendants promoted and sold
14 Alibaba ADS shares to Plaintiff and other members of the Class.

15 140. The prospectus for the IPO contained untrue statements of material fact,
16 and concealed and failed to disclose material facts, as detailed above. Defendants owed
17 Plaintiff and the other members of the Class who purchased Alibaba ADS shares
18 pursuant to the prospectus the duty to make a reasonable and diligent investigation of
19 the statements contained in the prospectus to ensure that such statements were true
20 and that there was no omission to state a material fact required to be stated in order to
21 make the statements contained therein not misleading. Defendants, in the exercise of
22 reasonable care, should have known of the misstatements and omissions contained in
23 the prospectus as set forth above.

24 141. Plaintiff did not know, nor in the exercise of reasonable diligence could
25 have known, of the untruths and omissions contained in the prospectus at the time
26 Plaintiff acquired Alibaba ADS shares.

27 142. By reason of the conduct alleged herein, defendants violated § 12(a)(2) of
28 the Securities Act. As a direct and proximate result of such violations, Plaintiff and the
other members of the Class who purchased Alibaba ADS shares pursuant to the

1 prospectus sustained substantial damages in connection with their purchases of the
2 shares. Accordingly, Plaintiff and the other members of the Class who hold Alibaba
3 ADS shares issued pursuant to the prospectus have the right to rescind and recover the
4 consideration paid for their shares, and hereby tender their shares to defendants sued
5 herein. Class members who have sold their shares seek damages to the extent
6 permitted by law.

7
8 **THIRD CAUSE OF ACTION**
9 **For Violation of § 15 of the Securities Act**
10 **Against All Defendants**

11 143. Plaintiff incorporates each and every preceding paragraph by reference.

12 144. This Cause of Action is brought pursuant to § 15 of the Securities Act, 15
13 U.S. C. § 77*a*, against all defendants.

14 145. The Individual Defendants were controlling persons of Alibaba by virtue
15 of their positions as directors and/or senior officers of Alibaba. The Individual
16 Defendants each had a series of direct and/or indirect business and/or personal
17 relationships with other directors and/or officers and/or major shareholders of
18 Alibaba. The Company controlled the Individual Defendants and all of Alibaba's
19 employees.

20 146. Alibaba and the Individual Defendants were each culpable participants in
21 the violations of §§ 11 and 12(a)(2) of the Securities Act alleged in the First and Second
22 Causes of Action above, based on their having signed or authorized the signing of the
23 Registration Statement and having otherwise participated in the process which allowed
24 the IPO to be successfully completed.

25 **PRAYER FOR RELIEF**

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

27 A. Under California Code of Civil Procedure § 382, certifying this class
28 action, appointing Plaintiff as Class representative, and appointing Plaintiff's counsel
Class Counsel;

1 B. Awarding damages in favor of Plaintiff and the Class against all
2 defendants, jointly and severally, in an amount to be proven at trial, including interest
3 thereon;

4 C. Awarding Plaintiff and the Class their reasonable costs and expenses
5 incurred in this action, including counsel fees and expert fees;

6 D. Awarding rescission or a rescissory measure of damages; and

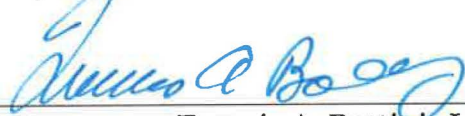
7 E. Such equitable/injunctive or other relief as deemed appropriate by the
8 Court.

9 **JURY DEMAND**

10 Plaintiff demands a trial by jury.

11 Dated: October 15, 2015

Respectfully submitted,
Bottini & Bottini, inc.
Francis A. Bottini, Jr.
Albert Y. Chang
Yury A. Kolesnikov

14 

15 _____
Francis A. Bottini, Jr.

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