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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

██████████ INDIVIDUALLY
AND ON BEHALF OF ALL OTHERS
SIMILARLY SITUATED,

Plaintiff,

vs.

500.COM LIMITED, MAN SAN LAW,
ZHENGMING PAN, DEUTSCHE BANK
SECURITIES INC., PIPER JAFFRAY &
CO., AND OPPENHEIMER & CO. INC.,

Defendants.

CASE No.:

COMPLAINT

CLASS ACTION

JURY TRIAL DEMANDED

Plaintiff ██████████ individually and on behalf of all other persons
similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's Complaint
against Defendants, alleges the following based upon personal knowledge as to
Plaintiff and Plaintiff's own acts, and upon information and belief as to all other
matters based on the investigation conducted by and through Plaintiff's attorneys,

1 which included, among other things, a review of Securities and Exchange
2 Commission (“SEC”) filings by 500.com Limited (“500.com” or the “Company”),
3 as well as media and analyst reports about the Company. Plaintiff believes that
4 substantial evidentiary support will exist for the allegations set forth herein after a
5 reasonable opportunity for discovery.
6

7

8 **NATURE OF THE ACTION**

9 1. This is a securities class action on behalf of (a) all persons or entities
10 who purchased or otherwise acquired 500.com American Depository Shares
11 (“ADSs”) pursuant or traceable to the Company’s Registration Statement and
12 Prospectus (collectively, the “Registration Statement”) issued in connection with
13 the Company’s Initial Public Offering (the “IPO”) which commenced on or about
14 November 22, 2013; and (b) all purchasers of 500.com ADSs between November
15 22, 2013 and February 25, 2015, inclusive (the “Class Period”). Plaintiff seeks to
16 pursue remedies against Defendants under §§10(b) and 20(a) of the Securities
17 Exchange Act of 1934 (the “Exchange Act”), and Rule 10b-5 promulgated
18 thereunder as well as §§11, 12(a)(2), 15 of the Securities Act of 1933.
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22 **JURISDICTION AND VENUE**

23 2. The claims asserted herein arise under and pursuant to Sections 10(b)
24 and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78b-1 and 78t(a), and Rule
25 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §240.10b-5. Additional
26 claims arise under Sections 11, 12(a), and 15 of the Securities Act, 15 U.S.C. §§ 5
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28

1 U.S.C. §§ 77k, 77l(a)(2), and 77(o).

2 3. This Court has jurisdiction over the subject matter of this action
3 pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa), 28 U.S.C. § 1331,
4 and Section 22 of the Securities Act, 15 U.S.C. §77v.
5

6 4. Venue is proper in this Judicial District pursuant to Section 27 of the
7 Exchange Act (15 U.S.C. § 78aa), 28 U.S.C. § 1391(b), and Section 22 of the
8 Securities Act, 15 U.S.C. §77v.
9

10 5. In connection with the acts alleged in this Complaint, Defendants,
11 directly or indirectly, used the means and instrumentalities of interstate commerce,
12 including, but not limited to, the mails, interstate telephone communications and the
13 facilities of the national securities markets.
14

15
16 **PARTIES**

17 6. Plaintiff ██████████, as set forth in the accompanying certification,
18 incorporated by reference herein, purchased 500.com ADSs during the Class Period
19 and has been damaged thereby.
20

21 7. Defendant 500.com is organized under the laws of the Cayman Islands
22 and headquartered in Shenzhen, People's Republic of China ("PRC"). The
23 Company's common stock is listed on the NYSE, an efficient market, under the
24 ticker symbol "WBAI".
25

26 8. Defendant Man San Law ("Law") is, and was throughout the Class
27 Period, 500.com's Chief Executive Officer ("CEO") and Chairman of the Board of
28

1 Directors.

2 9. Defendant Zhengming Pan (“Pan”) is 500.com’s Chief Financial
3 Officer (“CFO”) since April 2011 and throughout the Class Period.
4

5 10. Defendants Law and Pan are collectively referred to herein as the
6 “Individual Defendants.”
7

8 11. Defendant Deutsche Bank Securities Inc. (“Deutsche”) operates an
9 investment bank, which has an office and conducts business in this District.
10 Deutsche was an underwriter for the IPO.

11 12. Defendant Piper Jaffray & Co. (“Piper Jaffray”) operates an
12 investment bank, which has an office and conducts business in this District. Piper
13 Jaffray was an underwriter for the IPO.
14

15 13. Defendant Oppenheimer & Co. Inc. (“Oppenheimer”) operates an
16 investment bank, which has an office and conducts business in this District.
17 Oppenheimer was an underwriter for the IPO.
18

19 14. Deutsche, Piper Jaffray, and Oppenheimer are collectively referred
20 herein as “Underwriter Defendants.”
21

22 15. 500.com, the Individual Defendants, and Underwriter Defendants are
23 referred to herein, collectively, as “Defendants.”
24

25 **CLASS ACTION ALLEGATIONS**

26 16. Plaintiff brings this action as a class action pursuant to Federal Rule of
27 Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all purchasers of
28

1 500.com's common stock during the Class Period (the "Class"). Excluded from the
2 Class are Defendants, the officers and directors of the Company, at all relevant
3 times, members of their immediate families and their legal representatives, heirs,
4 successors or assigns and any entity in which Defendants have or had a controlling
5 interest.
6

7
8 17. The members of the Class are so numerous that joinder of all members
9 is impracticable. Over 5 million ADSs were sold in the IPO which were actively
10 traded on the NYSE throughout the Class Period. While the exact number of Class
11 members is unknown to Plaintiff at this time and can only be ascertained through
12 appropriate discovery, Plaintiff believes that there are hundreds of thousands of
13 members in the proposed Class. Record owners and other members of the Class
14 may be identified from records maintained by 500.com or its transfer agent and
15 may be notified of the pendency of this action by mail, using the form of notice
16 similar to that customarily used in securities class actions.
17
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20 18. Plaintiff's claims are typical of the claims of the members of the Class
21 as all members of the Class are similarly affected by Defendants' wrongful conduct
22 in violation of federal law that is complained of herein.
23

24 19. Plaintiff will fairly and adequately protect the interests of the members
25 of the Class and has retained counsel competent and experienced in class and
26 securities litigation.
27

28 20. Common questions of law and fact exist as to all members of the Class

1 and predominate over any questions solely affecting individual members of the
2 Class. Among the questions of law and fact common to the Class are:

3
4 (a) whether the federal securities laws were violated by Defendants
5 as alleged herein;

6 (b) whether the Registration Statements and Prospectus issued by
7 Defendants to the investing public in connection with the IPO negligently omitted
8 and/or misrepresented material facts concerning 500.com and its business;

9 (c) whether statements made by Defendants misrepresented
10 material facts about the business, operations and management of 500.com;

11 (d) whether omissions made by Defendants misrepresented material
12 facts about the business, operations and management of 500.com; and

13 (e) to what extent the members of the Class have sustained
14 damages and the proper measure of damages.
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18 21. A class action is superior to all other available methods for the fair and
19 efficient adjudication of this controversy since joinder of all members is
20 impracticable. Furthermore, as the damages suffered by individual Class members
21 may be relatively small, the expense and burden of individual litigation make it
22 impossible for members of the Class to individually redress the wrongs done to
23 them. There will be no difficulty in the management of this action as a class action.
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SUBSTANTIVE ALLEGATIONS

Background

22. On October 22, 2013, 500.com filed its Registration Statement on Form F-1 with the SEC. The Registration Statement was subsequently amended on Form F-1/A and declared effective by the SEC on November 21, 2013.

23. 500.com’s final Prospectus was filed with the SEC on November 22, 2013.

24. In the IPO, 5,786,000 of the Company’s ADSs were priced at \$13 per ADS for total proceeds of \$75,218,000. On November 22, 2013, trading of the Company’s ADSs opened at \$20 per ADS.

25. 500.com is a leading online sports lottery service provider in the PRC.

26. In the PRC, the Ministry of Finance (“MOF”) is a governmental regulator of the lottery industry. The MOF supervises the operations of the China Sports Lottery Administration Center (the “CSLAC”), the government entity which is in charge of issuing and the sale of sports lottery products in the PRC.

27. Online lottery sales are illegal in the PRC without proper authorization.

28. Provinces in the PRC also oversee the sale of lottery products with provincial sports lottery administration centers.

29. According to the Registration Statement, 500.com’s revenue model is as follows: “[a]ll of our net revenues come from service fees paid to us by

1 provincial lottery administration centers for purchase orders of national and
2 provincial lottery products we direct to them...We have entered into service
3 agreements with a number of provincial lottery administration centers. Pursuant to
4 these service agreements, each provincial lottery administration center generally
5 pays us a fixed percentage of the total purchase amount received from us as a
6 service fee.”
7
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10 **Defendants’ False and Misleading Class Period Statements**

11 30. The Registration Statement states: “[i]n the nine months ended
12 September 30, 2013, we increased our sales and marketing efforts *following the*
13 *receipt of the approval for online sales services for sports lottery products* in order
14 to recover and grow our user base and activity level.” (emphasis added).
15

16 31. On March 26, 2014, the Company filed a Form 20-F with the SEC for
17 the year ending December 31, 2013 (the “2013 20-F”). The 2013 20-F reiterated
18 that 500.com “obtained the approval for online sales services for sports lottery
19 products.”
20

21 32. On April 2, 2014, the Company filed Form F-1 with the SEC, which
22 again reiterated that it “obtained the approval for online sales services for sports
23 lottery products.”
24

25 33. On May 8, 2014 the Company issued a press release, which was filed
26 as an exhibit to Form 6-K with the SEC that same day. In the press release, the
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28

1 Company reassured the investing public that “*it has obtained all relevant*
2 *approvals to legitimately operate an online sports lottery service in China.*”

3
4 (Emphasis added).

5 34. On September 10, 2014, the Company issued a press release, which
6 was filed as an exhibit to Form 6-K with the SEC that same day. In the press
7 release, the Company again reassured the investing public that: “*(i) it has obtained*
8 *all relevant and necessary licenses and approvals to legally provide online sports*
9 *lottery services in China; and (ii) it has made accurate and full disclosures on its*
10 *business operations.*” (Emphasis added).

11
12
13 35. On February 23, 2015 the Company sent an email to its investors
14 denying any suspension of 500.com’s licenses. The email states in relevant part:

15
16 The rumors that you have heard regarding the Chinese government’s
17 revocation of 500.com’s license and that Mr. Man San Law has been
18 detained by authorities *are false* and have conveniently being spread
19 during China’s seven-day new year’s holiday. Mr. Law has not been
20 detained and *the Company’s business continues to operate normally.*
21 As mandated by the government, lottery sales are suspended during
22 Chinese New Year holidays nationwide. *Sales will resume after the*
23 *Chinese New Year holiday ends on Wednesday, February 25, 2105.*

24 (emphasis added)

25 36. The statements referenced in paragraphs 30 to 35 were materially false
26 and/or misleading because they misrepresented and failed to disclose the following
27 adverse facts, which were known to Defendants or recklessly disregarded by them,
28 including that:

1 (a) the Company did not have the necessary approvals to conduct is
2 online operations;

3
4 (b) the Company faced the risk of voluntary suspension of the
5 acceptance of online purchase orders for lottery products by provincial sports
6 lottery administration centers; and

7
8 (c) the Company knew that it would not be operating as usual after
9 the end of the Chinese New Year holiday.

10 **The Truth Slowly Emerges**

11
12 37. On May 7, 2014, *Jinghua Daily* published an article in Chinese media,
13 which revealed that the China Welfare Lottery Administration Center and CSLAC
14 both said that they have never authorized any website or agency to conduct online
15 lottery sales to date and all online lottery sales are illegal.

16
17 38. On May 7, 2014, *GeoInvesting* published an article entitled “500.com
18 (WBAI) – On-Line Sports Lottery Business Facing Legal Controversy.” The
19 *GeoInvesting* article discussed the *Jinghua Daily* article and concludes that the
20 claims in the *Jinghua Daily* article contradict statements the Company made in its
21 SEC filings. The *GeoInvesting* article states in relevant part:

22
23
24 On May 7, 2014, a news article published by Jinghua Daily brings to
25 light a situation that may materially impact WBAI’s daily
26 business. We have found no related press release in the U.S.

27 The China Sports Lottery Administration Center (“the Center”) said
28 that, to date, it has not yet authorized any sports lottery websites. The

1 news article further states that, based on the *“Implementing Rules of*
2 *Regulation on Administration of Lottery”*, online lottery sales are
3 illegal without prior authorization.

4 The major business that 500.com (NYSE: WBAI) conducts is that of
5 online sports lottery sales. If the Center forbids and/does not authorize
6 the online sports lottery sales in China, WBAI’s business **may be**
7 **subject to suspension**.

8 That’s why we find it interesting that in its April 2, 2104 F-1, WBAI
9 states:

10 **In October 2012, we were notified by China Sports Lottery**
11 **Administration Center that we were one of the two entities that**
12 **had been approved by the MOF to conduct online sales of sports**
13 **lottery products in China on behalf of China Sports Lottery**
14 **Administration Center.** However, since the operation of online sports
15 lottery sales services by China Sports Lottery Administration Center
16 itself is in a pilot phase and is subject to further approval by the MOF,
17 our operation of online sales of sports lottery products **may be subject**
18 **to suspension** if China Sports Lottery Administration Center fails to
19 obtain such further approval from the MOF. We are currently awaiting
20 approval from the MOF to provide sales services for welfare lottery
21 products.

22 Apparently, the claim in the newspaper contradicts the statement in
23 WBAI’s SEC files. Now we need to wait to see how the company
24 would respond to this information from China Sports Lottery
25 Administration Center. We will also keep tracking the progress on this
26 issue.

27 (emphasis in the original)

28 39. On this news, 500.com securities fell \$5.07 per ADS or more than 15%
from its previous closing price to close at \$28.61 per ADS on May 7, 2014.

40. On January 17, 2015, Sina.com, the web portal of leading online media
company in China, reported that on January 15, 2015, the Ministry of Finance, the

1 Ministry of Civil Affairs, and the General Administration of Sports of the People's
2 Republic of China promulgated a notice, which required provincial agencies to
3 conduct self inspection with regards to unauthorized online lottery sales and
4 provide a formal written report to the Ministry of Finance, the Ministry of Civil
5 Affairs, and the General Administration of Sports of the People's Republic of
6 China by March 1, 2015.
7
8

9 41. On this news, 500.com securities fell \$0.60 per ADS or more than 3%
10 from its previous closing price to close at \$17.52 per ADS on January 20, 2015.
11

12 42. On February 23, 2015, *TheStreet.com* published an article reporting on
13 speculations that 500.com's license to operate as an online sports-lottery operator
14 was revoked and its CEO was detained. It also reported the Company's response in
15 its email to investors that same day.
16

17 43. On this news, 500.com securities fell \$2.85 per ADS or more than 18%
18 from its previous closing price to close at \$15.66 per ADS on February 20, 2015,
19 damaging investors.
20

21 44. On February 25, 2015, the Company issued a press release entitled
22 "500.com Limited Announces Suspension of Sales by Certain Provincial Sports
23 Lottery Administration Centers" the Company's receipt of a Notice on Issues
24 Related to Self-Inspection and Self-Remedy of Unauthorized Online Lottery Sales
25 issued by the MOF, Ministry of Civil Affairs and the General Administration of
26 Sports of the PRC on January 15, 2015. The press release states in relevant part:
27
28

1 SHENZHEN, China, Feb. 25, 2015 /PRNewswire/ -- 500.com Limited
2 (WBAI) ("500.com" or the "Company"), a leading online sports lottery
3 service provider in China, today announced that ***it had recently come***
4 ***to the Company's attention that certain provincial sports lottery***
5 ***administration centers to which the Company provides sport lottery***
6 ***sales services plan to temporarily suspend accepting online purchase***
7 ***orders for lottery products, in response to the Notice on Issues***
8 ***Related to Self-Inspection and Self-Remedy of Unauthorized Online***
9 ***Lottery Sales (the "Notice"), which was jointly promulgated by the***
10 ***Ministry of Finance, the Ministry of Civil Affairs and the General***
11 ***Administration of Sports of the People's Republic of China on***
12 ***January 15, 2015.***

13 The Notice requires provincial and municipal government branches,
14 including financial, civil affairs and sports bureaus, to conduct
15 inspection and take remedial measures for unauthorized online lottery
16 sales within their respective jurisdictions. The scope of inspection
17 includes, among other things, commercial contract arrangements,
18 online lottery products, lottery sales data exchange, online lottery sales
19 channels, and sales commission fees in connection with unauthorized
20 engagements of online sales agents by lottery administration centers.
21 The Notice further requires a formal report on the result of the self-
22 inspection and self-remedy be submitted by each provincial or
23 municipal government to the Ministry of Finance, the Ministry of Civil
24 Affairs and the General Administration of Sports of the People's
25 Republic of China by March 1, 2015.

26 ***The Company was informed by certain provincial sports lottery***
27 ***administration centers that as part of their respective self-inspection***
28 ***processes, such provincial sports lottery administration centers plan***
29 ***to temporarily suspend accepting online purchase orders for lottery***
30 ***products starting from February 25, 2015. Four high frequency***
31 ***lottery products for which the Company currently provides online***
32 ***services are affected as a result and the Company will not be able to***
33 ***accept online purchase orders for such suspended lottery products.***
34 Aggregate revenue generated from the four suspended lottery products
35 accounted for approximately 10.6% and 9.6% of the Company's total
36 revenue in 2013 and 2014, respectively. The Company is closely
37 monitoring the development of the matter and will disclose relevant
38 information in a timely manner once available.

39 The Company notes that, as stated in the preamble of the Notice, the
40 promulgation of the Notice is an important step by the competent
41 government authorities to sanction unauthorized online lottery sales
42 and to ensure healthy development of the lottery market in China.
43 Although there is uncertainty involved in the implementation of the
44 Notice, the Company believes such measures would have long-term
45 beneficial effects on the lottery market in China. In addition, the
46 Company wishes to reiterate that the Company has obtained the
47 approval from the Ministry of Finance to provide online sports lottery
48 services on behalf of China Sports Lottery Administration Center.

49 (Emphasis added).

1 provide online sports lottery services in China, including those filed with the SEC
2 on Form 6-K, they are excluded from the protection of the statutory Safe Harbor.
3
4 *See* 15 U.S.C. §78u-5(b)(2)(A).

5 48. Defendants are also liable for any false or misleading FLS pleaded
6 because, at the time each FLS was made, the speaker knew the FLS was false or
7 misleading and the FLS was authorized and/or approved by an executive officer of
8 500.com who knew that the FLS was false. None of the historic or present tense
9 statements made by Defendants were assumptions underlying or relating to any
10 plan, projection or statement of future economic performance, as they were not
11 stated to be such assumptions underlying or relating to any projection or statement
12 of future economic performance when made, nor were any of the projections or
13 forecasts made by Defendants expressly related to or stated to be dependent on
14 those historic or present tense statements when made.
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19 **APPLICATION OF PRESUMPTION OF RELIANCE:**
20 **FRAUD ON THE MARKET**

21 49. Plaintiff will rely upon the presumption of reliance established by the
22 fraud on the market doctrine in that, among other things:

23
24 (a) Defendants made public misrepresentations or failed to disclose
25 material facts during the Class Period;

26
27 (a) The omissions and misrepresentations were material;

28 (b) The Company's securities traded in an efficient market;

1 (c) The misrepresentations alleged would tend to induce a
2 reasonable investor to misjudge the value of the Company's securities; and
3

4 (d) Plaintiff and other members of the Class purchased 500.com
5 securities between the time Defendants misrepresented or failed to disclose material
6 facts and the time the true facts were disclosed, without knowledge of the
7 misrepresented or omitted facts.
8

9 50. At all relevant times, the market for 500.com securities was efficient
10 for the following reasons, among others:
11

12 (a) As a regulated issuer, 500.com filed periodic public reports
13 with the SEC; and
14

15 (b) 500.com regularly communicated with public investors via
16 established market communication mechanisms, including through regular
17 disseminations of press releases on the major news wire services and through other
18 wide-ranging public disclosures, such as communications with the financial press,
19 securities analysts, and other similar reporting services.
20

21 **APPLICABILITY OF PRESUMPTION OF RELIANCE:**
22 **AFFILIATED UTE**

23 51. Neither plaintiffs nor the Class (defined herein) need prove reliance –
24 either individually or as a class – because under the circumstances of this case,
25 which involve omissions of material fact as described above, positive proof of
26 reliance is not a prerequisite to recovery, pursuant to the ruling of the United States
27
28

1 Supreme Court in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128, 92
2 S. Ct. 1456, 31 L. Ed. 2d 741 (1972). All that is necessary is that the facts withheld
3
4 be material in the sense that a reasonable investor might have considered the
5 omitted information important in deciding whether to buy or sell the subject
6 security.

7 8 **LOSS CAUSATION/ECONOMIC LOSS**

9 52. The market for 500.com securities was open, well-developed and
10 efficient at all relevant times. As a result of these materially false and misleading
11 statements and omissions as set forth above, 500.com securities traded at artificially
12 inflated prices during the Class Period Plaintiff and other members of the Class
13 purchased or otherwise acquired 500.com securities relying upon the integrity of
14 the market price of 500.com securities and market information relating to 500.com,
15 and have been damaged thereby.

16
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18 53. During the Class Period, as detailed herein, Defendants made false and
19 misleading statements and engaged in a scheme to deceive the market and a course
20 of conduct that artificially inflated the price of 500.com securities and operated as a
21 fraud or deceit on Class Period purchasers of 500.com securities by misrepresenting
22 the value of the Company's business and prospects by overstating its earnings and
23 concealing the significant defects in its internal controls. As Defendants'
24 misrepresentations and fraudulent conduct became apparent to the market, the price
25 of 500.com securities fell precipitously, as the prior artificial inflation came out of
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28

1 the price. As a result of their purchases of 500.com securities during the Class
2 Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*,
3 damages, under the federal securities laws.
4

5 54. At all relevant times, the material misrepresentations and omissions
6 particularized in this Complaint directly or proximately caused, or were a
7 substantial contributing cause of, the damages sustained by Plaintiff and other
8 members of the Class. As described herein, during the Class Period, Defendants
9 made or caused to be made a series of materially false or misleading statements
10 about 500.com's business and operations. These material misstatements and
11 omissions had the cause and effect of creating, in the market, an unrealistically
12 positive assessment of 500.com and its business and operations, thus causing the
13 Company's securities to be overvalued and artificially inflated at all relevant times.
14 Defendants' materially false and misleading statements during the Class Period
15 resulted in Plaintiff and other members of the Class purchasing 500.com securities
16 at artificially inflated prices, thus causing the damages complained of herein. When
17 the true facts about the Company were revealed to the market, the inflation in the
18 price of 500.com securities was removed and the price of 500.com securities
19 declined dramatically, causing losses to Plaintiff and the other members of the
20 Class.
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FIRST CLAIM
Violation of Section 10(b) of
The Exchange Act and Rule 10b-5
Promulgated Thereunder Against All Defendants

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

56. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

57. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their purchases of 500.com securities during the Class Period.

58. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for 500.com securities. Plaintiff and the Class would not have purchased 500.com securities at

1 the prices they paid, or at all, if they had been aware that the market prices had been
2 artificially and falsely inflated by Defendants' misleading statements.

3
4 **SECOND CLAIM**
5 **Violation of Section 20(a) of The Exchange Act**
6 **Against the Individual Defendants**

7
8 59. Plaintiff repeats and realleges each and every allegation contained
9 above as if fully set forth herein.

10 60. The Individual Defendants acted as controlling persons of 500.com
11 within the meaning of §20(a) of the Exchange Act. By reason of their positions
12 with the Company, and their ownership of 500.com securities, the Individual
13 Defendants had the power and authority to cause 500.com to engage in the
14 wrongful conduct complained of herein. 500.com controlled the Individual
15 Defendants and all of the Company's employees. By reason of such conduct,
16 Defendants are liable pursuant to §20(a) of the Exchange Act.

17
18 **THIRD CLAIM**
19 **Violation of Section 11 of The Securities Act**
20 **Against the All Defendants**

21 61. Plaintiff repeats and realleges each and every allegation contained
22 above.

23 62. The Registration Statement for the IPO was inaccurate and misleading,
24 contained untrue statements of material facts, omitted to state other facts necessary
25 to make the statements made not misleading, and omitted to state material facts
26 required to be stated therein.
27
28

1 63. 500.com is the registrant for the IPO. The Individual Defendants are
2 responsible for the contents of the Registration Statement based upon their status as
3 directors of the Company or because they signed or authorized the signing of the
4 Registration Statement on their behalf pursuant to Sections 11(a)(1)-(3) of the
5 Securities Act. The Underwriter Defendants are responsible for the contents of the
6 Registration Statement pursuant to Section 11(a)(5) of the Securities Act.
7

9 64. As issuer of the shares, 500.com is strictly liable to Plaintiff and the
10 Class for the misstatements and omissions.
11

12 65. 500.com is strictly liable for the contents of the Registration
13 Statement. The Individual Defendants failed to make a reasonable investigation or
14 possess reasonable grounds for the belief that the statements contained in the
15 Registration Statement were true and without omissions of any material facts and
16 were not misleading.
17

18 66. By reasons of the conduct herein alleged, each Defendant named in
19 this Count violated Section 11 of the Securities Act.
20

21 67. Plaintiff and the Class have sustained damages. The value of 500.com
22 ADSs has declined substantially subsequent to and due to Defendants' violations.
23

24 68. At the times Plaintiff purchased 500.com ADSs, Plaintiff and other
25 members of the Class were without knowledge of the facts concerning the wrongful
26 conduct alleged herein and could not have reasonably discovered those facts prior
27 to the IPO. Less than one year has elapsed from the time that Plaintiff discovered or
28

1 reasonably could have discovered the facts upon which this Complaint is based to
2 the time that Plaintiff filed this Complaint. Less than three years elapsed between
3 the time that the securities upon which this Count is brought were offered to the
4 public and the time Plaintiff filed this Complaint.
5

6
7 **FOURTH CLAIM**
8 **Violation of Section 12(a)(2) of The Securities Act**
9 **Against the Underwriter Defendants**

10 69. Plaintiff repeats and realleges each and every allegation contained
11 above. This cause of action is brought pursuant to Section 12(a)(2) of the Securities
12 Act, 15 U.S.C. §§ 77l(a)(2), against the Underwriter Defendants on behalf of
13 Plaintiff and other members of the Class who purchased or acquired registered
14 500.com ADSs pursuant to the prospectus and offering documents and any other
15 oral or written communications used to solicit the IPO, including free writing
16 prospectuses and road shows, and were damaged by the acts alleged herein.
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19 70. The Defendants named in this Count sold, offered for sale, and
20 solicited the sale of the common stock by the use of means or instruments of
21 transport or communication in interstate commerce or of the mails, by means of the
22 Prospectus or oral or other written communications, including the offering
23 documents, The Prospectus and offering documents contained untrue statements of
24 material fact and omitted other facts necessary to make the statements not
25 misleading, and failed to disclose material facts, as alleged herein.
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1 71. The Underwriter Defendants committed to and purchased 500.com's
2 ADSs from 500.com and sold the ADSs to Plaintiff and members of the class by the
3 use of means or instruments of transport or communication in interstate commerce
4 or of the mails, by means of the Prospectus or oral or other written
5 communications, including the offering documents.
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8 72. The Defendants named in this Count actively solicited the sale of the
9 common stock to serve their own financial interests through, among other things,
10 the preparation and dissemination of the Prospectus, participating in road shows,
11 and the planning and orchestrating of all activities necessary to promote the sale of
12 the common stock.
13

14 73. The Prospectus and offering documents contained untrue statements of
15 material fact and omitted other facts necessary to make the statements not
16 misleading, and failed to disclose material facts, as alleged herein.
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18 74. The Defendants named in this Count knew or in the exercise of
19 reasonable care should have known that the Prospectus and offering documents
20 contained statements of material fact that were misleading as alleged herein or that
21 material facts necessary to make the statements not misleading should have been
22 disclosed, as alleged herein. None of the Defendants made a reasonable
23 investigation or had reasonable grounds to believe that the statements in the
24 Prospectus were accurate and complete in all material respects.
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1 79. This claim is asserted against the Individual Defendants, each of whom
2 was a control person of 500.com during the relevant time period.

3
4 80. For the reasons set forth above in the Third Claim, above, 500.com is
5 liable to the Plaintiff and the members of the Class who purchased 500.com ADSs
6 in the IPO based on the untrue statements and omissions of material fact contained
7 in the Registration Statement and Prospectus, pursuant to Section 11 of the
8 Securities Act, and were damaged thereby.

9
10 81. The Individual Defendants were control persons of 500.com by virtue
11 of, among other things, their positions as senior officers of the Company, and they
12 were in positions to control and did control, the false and misleading statements and
13 omissions contained in the Registration Statement and Prospectus.

14
15 82. None of the Individual Defendants made reasonable investigation or
16 possessed reasonable grounds for the belief that the statements contained in the
17 Registration Statement and Prospectus were accurate and complete in all material
18 respects. Had they exercised reasonable care, they could have known of the
19 material misstatements and omissions alleged herein.

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21 83. This claim was brought within one year after the discovery of the
22 untrue statements and omissions in the Registration Statement and Prospectus and
23 within three years after 500.com ADSs was sold to the Class in connection with the
24 IPO.

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JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: February 27, 2015