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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

█ Individually and on  
behalf of all others similarly situated,

Plaintiff,

v.

HETONG GUO, JING YANG,  
JIANGYU LUO, and LENTUO  
INTERNATIONAL INC.,

Defendants.

Case No:

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

**JURY TRIAL DEMANDED**

Plaintiff █ (“Plaintiff”), by Plaintiff’s undersigned attorneys, individually and on behalf of all other persons similarly situated, alleges the following based upon personal knowledge as to Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of Defendants’ public documents, conference calls and announcements made by Defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Lentuo International Inc.

1 (“Lentuo” or the “Company”), analysts’ reports and advisories about the Company,  
2 and information readily obtainable on the Internet. Plaintiff believes that substantial  
3 evidentiary support will exist for the allegations set forth herein after a reasonable  
4 opportunity for discovery.

### 5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action brought on behalf of a class  
7 consisting of all persons and entities, other than defendants and their affiliates, who  
8 purchased or otherwise acquired the American Depositary Shares (“ADS”) of Lentuo  
9 from June 14, 2013 to March 9, 2015, inclusive (the “Class Period”), seeking to  
10 recover compensable damages caused by Defendants’ violations of federal securities  
11 laws (the “Class”).

12 2. Lentuo operates automobile franchise dealerships in the People’s  
13 Republic of China (“PRC”). It provides a “one-stop shop” experience for its  
14 customers by offering them a wide range of automobile products and services in each  
15 of its franchise dealership, or 4S (sales, spare parts, services and survey ) dealership  
16 as they are commonly known in the PRC—understood to mean it offers a full range  
17 of automobile retail services.

18 3. Throughout the Class Period, Defendants made false and/or misleading  
19 statements, as well as failed to disclose material adverse facts about the Company’s  
20 business, operations, prospects and performance. Specifically, during the Class  
21 Period, Defendants made false and/or misleading statements and/or failed to disclose  
22 that: (1) Beijing Lentuo Electromechanical Group Co., Ltd. (“Lentuo  
23 Electromechanical”)—a related party of Lentuo—anticipated and issued RMB 250  
24 million of debt in 2013 to finance the construction of 4S dealerships; (2) the  
25 consolidation of Lentuo Electromechanical into Lentuo’s financial statement is  
26 required; (3) Lentuo did not have sufficient working capital for 2015; and (4) as a  
27 result of the foregoing, the Company’s financial statements and results were  
28 materially false and misleading at all relevant times.



1 11. The claims asserted herein arise under and pursuant to Sections 10(b)  
2 and 20(a) of the Exchange Act (15 U.S.C. § 78j(b) and 78t(a)) and Rule 10b-5  
3 promulgated thereunder (17 C.F.R. § 8 240.10b-5).

4 12. This Court has jurisdiction over the subject matter of this action pursuant  
5 to § 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

6 13. Venue is proper in this District pursuant to §27 of the Exchange Act, 15  
7 U.S.C. §78aa and 28 U.S.C. §1391(b), as a substantial part of the conduct complained  
8 of herein occurred in this District.

9 14. In connection with the acts, conduct and other wrongs alleged in this  
10 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of  
11 interstate commerce, including but not limited to, the United States mail, interstate  
12 telephone communications and the facilities of the national securities exchange.

13 **PARTIES**

14 15. Plaintiff, as set forth in the attached Certification, acquired Lentuo ADS  
15 at artificially inflated prices during the Class Period and was damaged upon the  
16 revelation of the alleged corrective disclosures.

17 16. Defendant Lentuo is a Cayman Island corporation, which operates  
18 automobile franchise dealerships—commonly known as 4S dealerships—as well as  
19 showrooms, an auto repair shop and a car leasing company in the PRC. The company  
20 offers various automobile products and services, including: new passenger vehicles;  
21 auto parts, and accessories; automobile repair and maintenance services; assistance  
22 services in procuring automobile insurance and financing; and other automobile-  
23 related services; and automobile leasing services. Lentuo is headquartered in Beijing,  
24 PRC and trades on the New York Stock Exchange (“NYSE”) under the ticker symbol  
25 “LAS.”

26 17. Defendant Hetong Guo (“Guo”) is the founder of the Company and has  
27 served as the Company’s Chairman of Board of Directors at all relevant times.

28

1 18. Defendant Jing Yang (“Yang) has served as the Company’s Chief  
2 Executive Officer at all relevant times.

3 19. Defendant Jiangyu Luo (“Luo”) has served as the Company’s Chief  
4 Financial Officer at all relevant times.

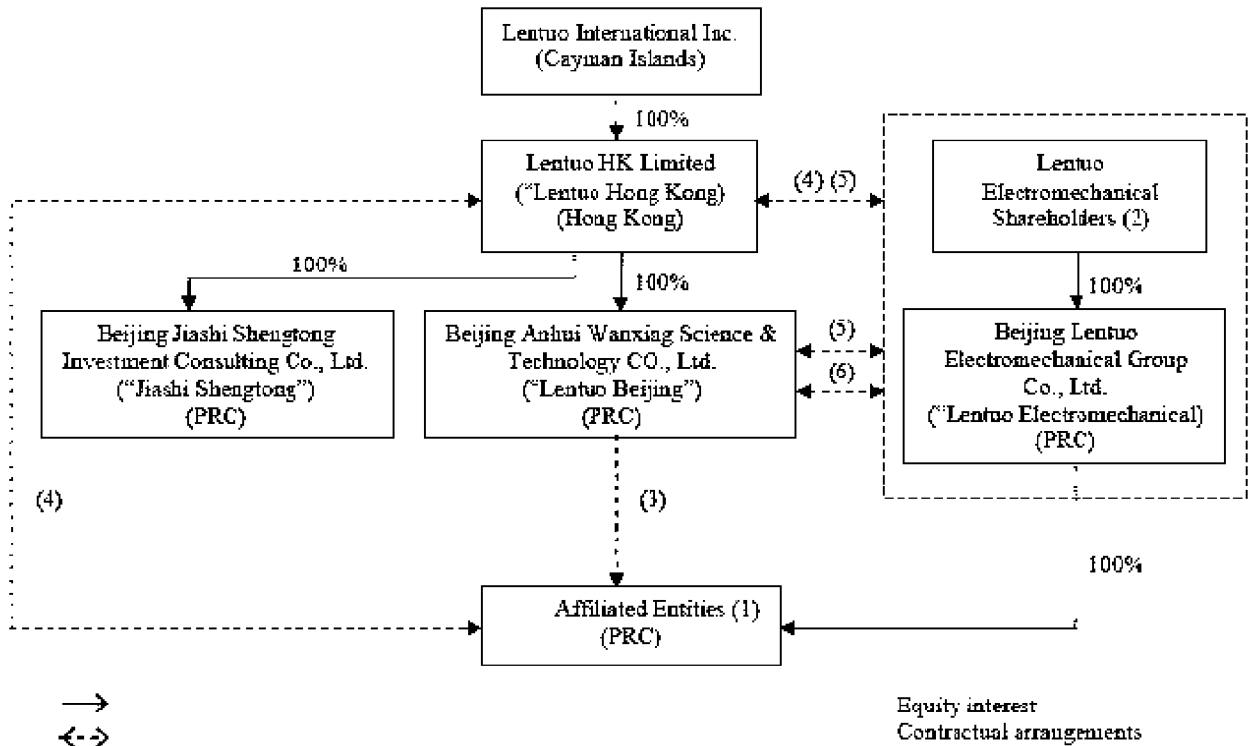
5 20. The defendants referenced above in ¶¶ 17 – 19 are sometimes referred to  
6 herein as the “Individual Defendants.”

7 21. Defendant Lentuo and the Individual Defendants are referred to herein,  
8 collectively, as the “Defendants.”

9 **SUBSTANTIVE ALLEGATIONS**

10 **Background**

11 22. Based on the Company’s 2013 20-F, its corporate structure is as follows:



23. Based on the Company’s 2013 20-F, Defendant Guo and Yang owns  
26 75% and 6%, respectively, of Lentuo Electromechanical.

27 24. On July 23, 2012, the Company announced it had received approval  
28 from FAW-Volkswagen Audi to build a new 4S Audi dealership in south Beijing.

1           25. On April 30, 2013, the Company filed a Form 20-F for the fiscal year  
2 ended December 31, 2012 with the SEC (“2012 20-F”), which stated it began  
3 construction of its second Audi dealership in Beijing in November 2012.

4           **Materially False And Misleading Statements Issued During the Class Period**

5           26. The Class Period starts on June 14 ,2013, when the Company issued a  
6 press release announcing its first quarter 2013 financial results, which provided the  
7 following financial highlights:

- 8
- 9           • Revenues decreased 7.4% to RMB700.5 million (\$112.8 million),  
10 from RMB756.8 million in the first quarter 2012.
  - 11           • Vehicles sold increased 5.5% to 3,855 vehicles, from 3,655  
12 vehicles in the first quarter 2012.
  - 13           • Vehicles serviced increased 17.7% to 46,486 vehicles, from  
14 39,487 vehicles in the first quarter 2012.
  - 15           • Net loss was RMB8.1 million (\$1.3 million), compared to net  
16 income of RMB16.8 million in the first quarter of 2012.

17           27. On September 12, 2013, the Company issued a press release announcing  
18 its second quarter 2013 financial results, which provided the following financial  
19 highlights:

- 20
- 21           • Net income increased 152.9% to RMB21.3 million (\$3.5 million),  
22 from net income of RMB8.4 million in the second quarter of  
23 2012.
  - 24           • Overall gross margin of repair and maintenance services reached  
25 12.1%, up from 9.1% in the second quarter of 2012.
  - 26           • Repair and maintenance revenue as a proportion of total revenue  
27 increased to 12.7% from 8.1% in the second quarter 2012.
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- Revenues decreased 4.1% to RMB760.3 million (\$123.9 million), from RMB792.5 million in the second quarter 2012.
- Vehicles sold decreased 7.6% to 3,973 vehicles, from 4,301 vehicles in the second quarter 2012 while gross margin for new car sales increased to 6.5% from 5.1% in the second quarter of 2012.
- Vehicles serviced increased 8.3% to 49,650 vehicles, from 45,843 vehicles in the second quarter 2012.

28. On December 9, 2013, the Company issued a press release announcing its third quarter 2013 financial results, which provided the following financial highlights:

- Revenues increased 13.6% to RMB953.1million (\$155.7 million), from RMB838.9 million in the third quarter of 2012.
- Net income was RMB17.6 million (\$2.9 million), compared with a net loss of RMB6.4 million in the third quarter of 2012.
- Revenue from automobile repair and maintenance services as a percentage of total revenue increased to 12.3% from 11.4% in the third quarter of 2012.
- Vehicles sold increased 8.6% to 4,842 vehicles, from 4,460 vehicles in the third quarter of 2012.

29. In the same press release, the Company stated that “is currently focused on the new Audi 4S dealership under construction in Beijing.”

30. On May 15, 2014, the Company filed a Form 20-F for the fiscal year ended December 31, 2013 with the SEC (the “2013 20-F”), which provided the Company’s year end financial results and position. The 2013 20-F was signed by Defendant Guo. The 2013 20-F contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by Defendants Yang and Luo, which stated that the financial information contained in the 2013 20-F was accurate.

1           31. The statements referenced in ¶¶ 26 –30 above were materially false  
2 and/or misleading because they misrepresented and failed to disclose the following  
3 adverse facts pertaining to the Company’s business, operations, and prospects, which  
4 were known to Defendants or recklessly disregarded by them. Specifically,  
5 Defendants made false and/or misleading statements and/or failed to disclose that: (1)  
6 Beijing Lentuo Electromechanical Group Co., Ltd. (“Lentuo Electromechanical”)—a  
7 related party of Lentuo—anticipated and issued RMB 250 million of debt in 2013 to  
8 finance the construction of 4S dealerships; (2) the consolidation of Lentuo  
9 Electromechanical into Lentuo’s financial statement is required; and (3) as a result of  
10 the foregoing, the Company’s financial statements and results were materially false  
11 and misleading at all relevant times.

12           32. On June 27, 2014, the Company issued a press release announcing the  
13 Company’s first quarter 2014 financial results, which provided the following  
14 financial highlights:

- 15           • Building upon its return to profitability for the year 2013, net  
16 income was RMB9.0 million (\$1.5 million), compared to net loss  
17 of RMB8.1 million in the first quarter of 2013.
- 18           • Growth momentum continued with revenues increasing 11.7% to  
19 RMB782.3 million (\$125.8 million), from RMB700.5 million in  
20 the first quarter 2013.
- 21           • Gross margin for automobile sales increased to 5.7% in the first  
22 quarter of 2014 from 2.8% in the same period of 2013 with the  
23 introduction of new popular car models with higher gross  
24 margins.
- 25           • Gross margin of repair and maintenance services increased to  
26 41.5% from 33.9% for the same period in 2013 as the Company  
27 optimized its service offerings towards higher margin products.
- 28

1           33. In the same press release, the Company stated the following with regards  
2 to its liquidity and capital resources:

3                   **Liquidity and Capital Resources**  
4

5           As of March 31, 2014, the Company had cash and cash equivalents of  
6 RMB226.3 million (\$36.4 million), compared to RMB266.6 million as of  
7 December 31, 2013.

8           34. On September 29, 2014, the Company issued a press release announcing  
9 the Company's second quarter 2014 financial results, which provided the following  
10 financial highlights:

- 11           • Revenue growth momentum continued with revenues increasing  
12 8.5% to RMB825.1 million (\$133.0 million), from RMB760.3  
13 million in the second quarter 2013.
- 14           • Revenues from automobile sales increased 7.1% to RMB689.8  
15 million (\$111.2 million) from RMB644.0 million in the second  
16 quarter 2013.
- 17           • Revenues from repair and maintenance services increased by  
18 14.6% to RMB110.7 million (\$17.8 million) from RMB96.6  
19 million in the second quarter 2013.
- 20           • Net income was RMB13.7 million (\$2.2 million), compared to net  
21 income of RMB21.3 million in the second quarter of 2013.

22           35. In the same press release, the Company stated the following with regards  
23 to its liquidity and capital resources:

24                   **Liquidity and Capital Resources**  
25

26           As of June 30, 2014, the Company had cash and cash equivalents of  
27 RMB245.1 million (\$39.5 million), compared to RMB266.6 million as  
28 of December 31, 2013.

1  
2 36. On December 1, 2014, the Company issued a press release announcing  
3 the Company's third quarter 2014 financial results, which provided the following  
4 financial highlights:

- 5 • Net income was RMB40.8 million (\$6.6 million), up 31.8% from  
6 RMB30.9 million in the first 9 months of 2013.
- 7 • Revenues from repair and maintenance services increased 17.0%  
8 to RMB336.2 million (\$54.8 million) from RMB287.3 million in  
9 the first 3 quarters of 2013.
- 10 • As a percentage of revenues, revenues from repair and  
11 maintenance services increased to 13.9% from 11.9% in the same  
12 period of 2013.
- 13 • Gross margin for repair and maintenance services increased to  
14 42.2% from 38.9% in the same period of 2013.
- 15 • Average new vehicle unit price was RMB175, 289 (\$28,558) a  
16 5.7% increase from RMB165, 849 for same period of 2013.
- 17 • Average unit price for repair and maintenance services was RMB  
18 2,321(\$378) an 18.1% increase from RMB1, 966 for same period  
19 of 2013.

20  
21 37. In the same press release, the Company stated the following with regards  
22 to its liquidity and capital resources:

23 **Liquidity and Capital Resources**

24 As of September 30, 2014, the Company had cash and cash equivalents of  
25 RMB193.5 million (\$31.5 million), compared to RMB266.6 million as of  
26 December 31, 2013.

1 38. The statements referenced in ¶¶ 30, 32 – 37 above were materially false  
2 and/or misleading because they misrepresented and failed to disclose the following  
3 adverse facts pertaining to the Company’s business, operations, and prospects, which  
4 were known to Defendants or recklessly disregarded by them. Specifically,  
5 Defendants made false and/or misleading statements and/or failed to disclose that: (1)  
6 Lentuo did not have sufficient working capital for 2015; and (2) as a result of the  
7 foregoing, the Company’s financial statements and results were materially false and  
8 misleading at all relevant times.

9 **The Truth Slowly Emerges**

10 39. On May 28 2014, *Seeking Alpha* published the May 28th GeoInvesting  
11 Report, which revealed that Lentuo Electromechanical issued RMB 250 million (\$41  
12 million) of debt in 2013 through two trusts. It states in parts:

13 *Our research uncovered evidence that Lentuo Electromechanical, a*  
14 *related party entity that owns LAS's variable interest operating entities*  
15 *("VIEs") in China, issued RMB 250 million (\$41 million) of debt in*  
16 *2013 through two trusts made up of Chinese investors. We confirmed*  
17 *our findings through phone conversations with the management*  
18 *companies of the two trusts. LAS appears to have neither disclosed the*  
*debt nor its collateral in its 2013 20F filed on May 15, 2014.*

19 \* \* \* \* \*

20 LAS requires capital to grow its 4S car dealership footprint in China.  
21 Based on recent Chinese news, LAS's related company, Lentuo  
22 Electromechanical, raised RMB 250 million in debt to help finance this  
23 expansion initiative. *The first RMB 150 million was raised in China*  
24 *through a trust fund managed by Gansu Trust in December 2013,*  
25 *according to information obtained from the Chinese website Trusttrust.*  
26 *com, as follows:*

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产品名称	甘肃信托-联储集团贷款项目集合资金信托计划 已售罄	
Product Name:	Collective Fund Trust Plan for loan to Lentuo Group (Sold Out)	
发行机构:	甘肃信托	发行地:
Issuer:	Gansu Trust	Issuing place:
预期收益率:	10.5%-11.5%	收益类型: 固定型
Predicted Return:	10.5%-11.5%	Type: fixed return
投资期限	24个月(半年付息)	期限类型:
Term of Investment:	24 months (semi-annual interest payment)	Type of Term:
投资方式:		资金流向: 主动企业贷款
Type of Investment		Outflow of Money: loan to enterprise
发行时间	2013-12	产品状态: 已售罄
Issuance Time:	Dec. 2013	Status: Sold Out
资金运用情况:	用于向北京联储机电集团有限公司发放信托贷款, 含北京奥迪4S店建设。	
Usage of Fund:	Trust loan to Beijing Lentuo Electromechanical Group Co., Ltd., including Beijing Audi 4S Store construction	

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信用增级情况：  
1. 还款来源：  
北京联拓机电集团有限公司旗下所有4S店（包括新建设4S店）经营收入。  
2. 抵押担保：  
北京联拓机电集团有限公司将众和投资有限公司拥有的位于北京市顺义区木林镇商业服务业土地及房产为本信托计划提供抵押担保（总建筑面积4939.30平方米的房屋所有权及相应的170900.00平方米商业出让国有土地使用权）。抵押物评估总价值为3.8028亿元，抵押率39%  
3. 担保人：  
北京联拓机电集团有限公司实际控制人郭和通及其妻子提供个人无限连带责任保证。

Credit Upgrade:  
1. Source of money payback:  
Revenue generated from all 4S stores (including 4S stores under construction) of Beijing Lentuo Electromechanical Group Co., Ltd.  
1. Mortgage:  
Land use right (commercial & service industry usage) and property at Mulintown, Shuyi District, Beijing, owned by Zhonghe Investment Co., Ltd. (total construction area, 4939.30 m2 ownership and 170,900 m2 commercial land use right). Totally value of the mortgaged assets is 380.38 million. Mortgage rate is 39%.  
1. Guarantor:  
Beneficial owner of Beijing Lentuo Electromechanical Group Co., Ltd., Guo Hetong and his wife provide unlimited joint and several liability.

其他相关信息：  
【预期年化收益率】  
100万~299万 10.5%；  
300万及以上 11.5%；

Other relevant info:  
Predicted Return:  
1 million to 2.99 million RMB 10.5%  
3 million RMB above 11.5%

The RMB 150 million trust description contains the following statement:

"Trust loan to Beijing Lentuo Electromechanical Group Co., Ltd., including Beijing Audi 4S Store construction".

Page F-58 of the 20-F states:

"...

D) Capital commitment

As of December 31, 2013, the Group has contracted but unpaid cost of RMB 25,000 (US\$4.130) for the construction of a new Audi store which is in progress.

..."

Page 26 of the 20-F states:

"We are also constructing a new Audi dealership in Beijing."

\* \* \* \* \*

An additional RMB 100 million was raised by Lentuo Electromechanical through a second trust fund managed by a company perhaps aptly called "Inthedinghong Investment Co., Ltd." A due

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diligence report for this trust fund is available online at Baidu Wenku. The basic information of the trust fund obtained from Baidu Wenku is as follows:

信托类型 有限合伙对接单一信托项目 (FOT)

Type of Trust Fund of Trust, Limited Partnership

信托规模 10000万元

Size of Trust RMB 100 million

起购金额 100万元

Initial Subscription amount RMB 1 million

预计年收益率 100-300万: 10.5%; (税后) 300万以上: 11%(税后); 500万以上: 12% (税后)

Predicted Annual Return 1-3 million RMB: 10.5% (after tax); >3 million RMB: 11%(after tax); >5 million RMB 12% (after tax)

信托期限 24个月

Term of Trust 24 months

资金用途 联拓集团用于北京亚运村汽车4S店和长春汽车4S店筹建和运营

Usage of Fund Construction and Operation of 4S shops at Beijing Yayuncun and Changchun of Lentuo Group

收益分配方式 按半年分配收益

Return Distribution Semi-annual

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风险控制

1. 内蒙工职业学院土地及房产抵押物总价值超2亿元，抵押率不超50%。

2. 联拓信团实际控制人，郭和通为本信托计划提供无限连带责任还款担保。

1) 截止到2012年11月，联拓集团总资产约为8.53亿元，郭和通作为联拓集团第一大股东持有集团82%股权，约持7亿元资产。

2) 其持有联拓集团旗下上市公司联拓国际 14,965,646 股股票。

截止到美国当地时间2013年1月22日，该股票收盘价为1.56美元/股，郭和通持有股票市值约 2334.64万美元。

3. 截止到2011年年底，借款人联拓集团年销售收入超过37亿元，且根据预测，未来两年公司经营收入可实现收入超过90亿元，故第一还款来源可靠、充足。联拓集团：创立于1994年，是中国大型专业化的汽车销售及维修服务领先企业。2010年12月10日，联拓集团旗下联拓国际公司(纽交所代码:LAS)宣布在美国纽约证券交易所挂牌上市，这也是中国首家在纽交所上市的汽车销售服务企业。目前拥有11个正在运营的标准4S店，其中北京8家，天津、广东、浙江各一家。

Risk Control

1. Land and property of Inner Mongolia Gongzhi College, total value RMB 200 million. Mortgage rate is less than 50%

2. Guo Hetong, beneficial owner of Lentuo Group, provide unlimited joint and several liability.

1) As of Nov. 2012, total assets of Lentuo Group are RMB 853 million, as the biggest shareholder, Guo Hetong, owns 82% of Lentuo Group, around RMB 700 million.

2) He owns 14,965,646 shares of Lentuo International, as of Jan. 22, 2013, its closing price is USD 1.56 per share. Total value of shares owned by Guo Hetong is USD 23.3464 million.

As of the end of 2011, Lentuo Group's annual revenue is more than RMB 3.7 billion. In the coming two years, the company can achieve more than 9 billion revenue. Therefore, the first source of pay back is reliable and sufficient. Lentuo Group: established in 1994, is a large professional automobile sales and service company. On Dec. 10, 2010, Lentuo International of Lentuo Group (NYSE: LAS) went public on the NYSE, and is the first public automobile sales and service company. Currently, it owns 11 operating standard 4S stores, 8 of them are in Beijing; Tianjin, Guangzhou and Zhejiang each have one store.

募集账号

户名：北京金博润投资中心(有限合伙)

托管银行：平安银行股份有限公司北京朝外支行

账号：1101 4479 0350 01

募集账号下面(打款备注：XXX(认购人)认购金博润XXX万元)

注明：填写户名时“(有限合伙)”不要漏掉

Account Info:

Name: Beijing Jinborun Investment Center (Limited Partnership)

Bank Info: Beijing Chaowai Branch, Ping'an Bank, Co., Ltd.

Please note: (Note: XXX(subscriber) subscribe Jinborun XXX 10 thousand)

Note: please do not omit "Limited Partnership" in Name

\* \* \* \* \*

**The Two Trust Loans Do Not Appear to Be Disclosed in LAS's Financial Statements**

*An analysis of the audited balance sheet footnotes disclosed in the 2013 20F indicates that LAS never consolidated the trust loans. According to footnote 18 on page F42, shortterm and longterm loans at December 31, 2013 consisted of the following:*

(click to enlarge)

	December 31,		
	2012	2013	
	RMB	RMB	US\$
Short-term	365,274	726,689	119,049
Long-term, current portion	—	6,000	991
	365,274	726,689	120,040
Long-term, non-current portion	—	33,000	5,431
	365,274	759,689	125,491

"The Group's shortterm loans were RMBdenominated loans obtained from banks and other financial institutions with interest rates ranging from 4.83% to 10.25% per annum and 5.60% to 10.20% per annum for the years ended December 31, 2012 and 2013, respectively. The weighted average interest rate on shortterm loans outstanding as of December 31, 2012 and 2013 was 7.91% and 7.53% per annum, respectively. The shortterm loans are repayable between January 2014 and November 2014. The unused lines of credit for shortterm financing amounted to RMB 356,421 and RMB 668,680 (US\$110,458) as of December 31, 2012 and December 31, 2013, respectively."

(Emphasis added).

40. On May 29, 2014, the Company issued the May 29<sup>th</sup> Company Response, which states in parts:

Lentuo International Responds to the GeoInvesting Report and Unusual Market Activity

BEIJING, May 29, 2014 /PRNewswire/ Lentuo International Inc. (NYSE: LAS (<http://studio5.financialcontent.com/prnews?Page=Quote&Ticker=LAS>) ("Lentuo" or "the Company"), a leading nonstateowned automobile

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retailer headquartered in Beijing, today responded to the allegations raised in a report issued by GeoInvesting (the "Report") on May 28, 2014. The Company firmly believes that the Report contains numerous misstatements and misleading speculations.

The Report falsely stated that: (i) Lentuo Electromechanical ("LE"), a PRC entity controlled by the Company's chairman Hetong Guo ("Mr. Guo"), incurred RMB250 million in debt with two trust funds; (ii) Mr. Guo's shareholding in the Company and the revenue of the Company were pledged as collateral to secure the debt; and (iii) the Company failed to include LE's RMB250 million debt in the Company's consolidated financial statements for the year ended December 31, 2013.

All of these statements are false and potentially misleading. As the Company's annual report clearly disclosed, while LE is controlled by Mr. Guo, LE is not part of the Company. Any loan incurred by LE that does not impose any obligations or liabilities on the Company or its assets is not required to be disclosed. *Mr. Guo has confirmed that LE incurred one loan with one trust fund in the amount of RMB150 million in January 2014, and this loan does not impose any obligations or liabilities on the Company and its assets.* Neither Mr. Guo's equity interest in the Company nor the revenue of the Company is pledged as collateral to secure this loan. Based on the above, the Company is not required to disclose this loan or include it in the consolidated financial statements for the year ended December 31, 2013. The Company believes that it has made full and accurate disclosure in its annual report on Form 20F for the fiscal year ended December 31, 2013 in accordance with the rules and regulations under the U.S. securities law.

(Emphasis added).

41. On June 5, 2014, *Seeking Alpha* the June 5<sup>th</sup> GeoInvesting Rebuttal, which states in parts:

**Our full rebuttal:**

- We understand that LE is not part of LAS but it is in fact controlled by Mr. Guo.

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- LAS confirmed the RMB 150 trust loan but did not mention the other RMB 100 loan. It's not clear whether LAS is denying the existence of that loan.
- ***LE raised the RMB 150 million partly to finance its new Audi Dealership in Beijing (as disclosed in the trust documents), which should have been disclosed in LAS's 20F since LAS has disclosed that it is building an Audi dealership in Beijing.***
- ***We believe consolidation of Lentuo Electromechanical into LAS's financial statements is required. Of particular relevance is that LAS's 2013 20F states:***

***"Furthermore, as our reorganization was conducted between entities under the common control of Mr. Hetong Guo, the historical financial results, assets and liabilities of the affiliated entities and Lentuo Electromechanical have been reflected in our consolidated financial statements as if the current organizational structure had always existed."***

***It is highly likely that the trust loans incurred by LE should be accounted for or at least disclosed in LAS's financial statements.***

- The RMB 150 million trust loan document clearly states the sources of collateral:
  - " ...
  - a. Source of funds pledged to repay the loan:  
Revenue generated from all 4S stores (including 4S stores under construction) of Beijing Lentuo Electromechanical Group Co., Ltd.
  - b. Guarantor:  
Beneficial owner of Beijing Lentuo Electromechanical Group Co., Ltd., Guo Hetong and his wife  
provide unlimited joint and several liabilities.
  - " ..."
- The trust file states the revenues generated from all 4S stores (including 4S stores under construction) are pledged as the source

1 of funds to repay the loan. If pledging the revenues of the 4S  
2 stores is not collateral as stated by LAS in its rebuttal, then what  
3 is?

- 4 • Play on words; the company is clever in its assertion that Mr.  
5 Guo's equity interest in the company is not pledged as collateral to  
6 secure the RMB150M loan. However, Mr. Guo is collateral to the  
7 loan putting all his assets at risk. As stated in the trust loan file,  
8 Mr. Guo and his wife provide unlimited joint and several liability  
9 guarantees for the trust loan. In the event of default, Chinese  
10 investors in the RMB 150 million trust loan could sue Mr. Guo  
11 and claim Mr. Guo's LAS shares and other assets in court. LAS  
12 has not disclosed this risk factor in its SEC filings.

13 The other RMB 100 million trust loan carries similar provisions as the  
14 RMB 150 million trust loan and is being used to build 4S dealerships.  
15 We therefore do not understand why LAS denies the existence of  
16 collateral and the company's potential exposure to Mr. Guo's obligations  
17 if he is unable to repay the loans.

- 18 • Does LE have other 4S stores outside of the ones owned by LAS  
19 that can be pledged as collateral?

20 We believe that NYSE and LAS's auditor should review the facts and  
21 circumstances related to the trust loans extended to LE and guaranteed  
22 by Mr. Guo to determine whether LAS and its shareholders are exposed  
23 to potential liabilities if Mr. Guo fails to meet his obligations. In our  
24 opinion, LAS's financial statements should be restated to reflect the  
25 loans.

26 (Emphasis added).

27 42. On this news, Lentuo's ADS fell \$0.34 per share or over 9% from its  
28 previous closing price to close at \$3.15 per share on June 5, 2014, damaging  
investors.

43. On March 10, 2015, Beijing Business Today reported that "due to the  
capital turnover problem, new cars sales at LAS' 4S stores have all stopped, and only

1 the after-sale [services] are still in operation. Now, the Group is actively seeking  
2 solutions [for the current problems], and related government agencies have stepped  
3 in.”

4 44. On this news, Lentuo’s ADS fell \$0.30 per share or over 50% over the  
5 next two days from its previous closing price on March 9, 2015 to close at \$0.29 per  
6 share on March 11, 2015, further damaging investors.

7 45. As a result of Defendants’ wrongful acts and omissions, and the  
8 precipitous decline in the market value of the Company’s ADS Plaintiff and other  
9 Class members have suffered significant losses and damages.

10 **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

11 46. Plaintiff brings this action as a class action pursuant to Federal Rule of  
12 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who  
13 purchased or otherwise acquired Lentuo ADS during the Class Period (the “Class”);  
14 and were damaged upon the revelation of the alleged corrective disclosures. Excluded  
15 from the Class are Defendants herein, the officers and directors of the Company, at  
16 all relevant times, members of their immediate families and their legal  
17 representatives, heirs, successors or assigns and any entity in which Defendants have  
18 or had a controlling interest.

19 47. The members of the Class are so numerous that joinder of all members is  
20 impracticable. Throughout the Class Period, Lentuo ADS was actively traded on the  
21 NYSE. While the exact number of Class members is unknown to Plaintiff at this time  
22 and can be ascertained only through appropriate discovery, Plaintiff believes that  
23 there are hundreds or thousands of members in the proposed Class. Record owners  
24 and other members of the Class may be identified from records maintained by  
25 Lentuo or its transfer agent and may be notified of the pendency of this action by  
26 mail, using the form of notice similar to that customarily used in securities class  
27 actions.

1 48. Plaintiff's claims are typical of the claims of the members of the Class as  
2 all members of the Class are similarly affected by Defendants' wrongful conduct in  
3 violation of federal law that is complained of herein.

4 49. Plaintiff will fairly and adequately protect the interests of the members  
5 of the Class and has retained counsel competent and experienced in class and  
6 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those  
7 of the Class.

8 50. Common questions of law and fact exist as to all members of the Class  
9 and predominate over any questions solely affecting individual members of the Class.

10 Among the questions of law and fact common to the Class are:

- 11 • whether the federal securities laws were violated by Defendants' acts as  
12 alleged herein;
- 13 • whether statements made by Defendants to the investing public during  
14 the Class Period misrepresented material facts about the business,  
15 operations and management of Lentuo;
- 16 • whether the Individual Defendants caused Lentuo to issue false and  
17 misleading financial statements during the Class Period;
- 18 • whether Defendants acted knowingly or recklessly in issuing false and  
19 misleading financial statements;
- 20 • whether the prices of Lentuo ADS during the Class Period were  
21 artificially inflated because of the Defendants' conduct complained of  
22 herein; and
- 23 • whether the members of the Class have sustained damages and, if so,  
24 what is the proper measure of damages.

25 51. A class action is superior to all other available methods for the fair and  
26 efficient adjudication of this controversy since joinder of all members is  
27 impracticable. Furthermore, as the damages suffered by individual Class members  
28 may be relatively small, the expense and burden of individual litigation make it

1 impossible for members of the Class to individually redress the wrongs done to them.  
2 There will be no difficulty in the management of this action as a class action.

3 52. Plaintiff will rely, in part, upon the presumption of reliance established  
4 by the fraud-on-the-market doctrine in that:

- 5 • Defendants made public misrepresentations or failed to disclose material  
6 facts during the Class Period;
- 7 • the omissions and misrepresentations were material;
- 8 • Lentuo ADS are traded in an efficient market;
- 9 • the Company's shares were liquid and traded with moderate to heavy  
10 volume during the Class Period;
- 11 • the Company traded on the NYSE and was covered by multiple analysts;
- 12 • the misrepresentations and omissions alleged would tend to induce a  
13 reasonable investor to misjudge the value of the Company's ADS; and
- 14 • Plaintiff and members of the Class purchased, acquired and/or sold  
15 Lentuo ADS between the time the Defendants failed to disclose or  
16 misrepresented material facts and the time the true facts were disclosed,  
17 without knowledge of the omitted or misrepresented facts.

18 53. Based upon the foregoing, Plaintiff and the members of the Class are  
19 entitled to a presumption of reliance upon the integrity of the market.

20 54. Alternatively, Plaintiff and the members of the Class are entitled to the  
21 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*  
22 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants  
23 omitted material information in their Class Period statements in violation of a duty to  
24 disclose such information, as detailed above.

25 **COUNT I**

26 **Violations of Section 10(b) of The Exchange Act and Rule 10b-5**  
27 **Against All Defendants**

28

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

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

6           57. During the Class Period, Defendants engaged in a plan, scheme,  
7 conspiracy and course of conduct, pursuant to which they knowingly or recklessly  
8 engaged in acts, transactions, practices and courses of business which operated as a  
9 fraud and deceit upon Plaintiff and the other members of the Class; made various  
10 untrue statements of material facts and omitted to state material facts necessary in  
11 order to make the statements made, in light of the circumstances under which they  
12 were made, not misleading; and employed devices, schemes and artifices to defraud  
13 in connection with the purchase and sale of ADS. Such scheme was intended to, and,  
14 throughout the Class Period, did: (i) deceive the investing public, including Plaintiff  
15 and other Class members, as alleged herein; (ii) artificially inflate and maintain the  
16 market price of Lentuo securities; and (iii) cause Plaintiff and other members of the  
17 Class to purchase or otherwise acquire Lentuo ADS at artificially inflated prices. In  
18 furtherance of this unlawful scheme, plan and course of conduct, Defendants, and  
19 each of them, took the actions set forth herein.

20           58. Pursuant to the above plan, scheme, conspiracy and course of conduct,  
21 each of the Defendants participated directly or indirectly in the preparation and/or  
22 issuance of the quarterly and annual reports, SEC filings, press releases and other  
23 statements and documents described above, including statements made to securities  
24 analysts and the media that were designed to influence the market for Lentuo ADS.  
25 Such reports, filings, releases and statements were materially false and misleading in  
26 that they failed to disclose material adverse information and misrepresented the truth  
27 about Lentuo's finances and business prospects.

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1           59. By virtue of their positions at Lentuo, Defendants had actual knowledge  
2 of the materially false and misleading statements and material omissions alleged  
3 herein and intended thereby to deceive Plaintiff and the other members of the Class,  
4 or, in the alternative, Defendants acted with reckless disregard for the truth in that  
5 they failed or refused to ascertain and disclose such facts as would reveal the  
6 materially false and misleading nature of the statements made, although such facts  
7 were readily available to Defendants. Said acts and omissions of Defendants were  
8 committed willfully or with reckless disregard for the truth. In addition, each  
9 defendant knew or recklessly disregarded that material facts were being  
10 misrepresented or omitted as described above.

11           60. Defendants were personally motivated to make false statements and omit  
12 material information necessary to make the statements not misleading in order to  
13 personally benefit from the sale of Lentuo ADS from their personal portfolios.

14           61. Information showing that Defendants acted knowingly or with reckless  
15 disregard for the truth is peculiarly within Defendants' knowledge and control. As the  
16 senior managers and/or directors of Lentuo, the Individual Defendants had  
17 knowledge of the details of Lentuo's internal affairs.

18           62. The Individual Defendants are liable both directly and indirectly for the  
19 wrongs complained of herein. Because of their positions of control and authority, the  
20 Individual Defendants were able to and did, directly or indirectly, control the content  
21 of the statements of Lentuo. As officers and/or directors of a publicly-held company,  
22 the Individual Defendants had a duty to disseminate timely, accurate, and truthful  
23 information with respect to Lentuo's businesses, operations, future financial  
24 condition and future prospects. As a result of the dissemination of the aforementioned  
25 false and misleading reports, releases and public statements, the market price of  
26 Lentuo ADS was artificially inflated throughout the Class Period. In ignorance of the  
27 adverse facts concerning Lentuo's business and financial condition which were  
28 concealed by Defendants, Plaintiff and the other members of the Class purchased or

1 otherwise acquired Lentuo ADS at artificially inflated prices and relied upon the price  
2 of the ADS, the integrity of the market for the ADS and/or upon statements  
3 disseminated by Defendants, and were damaged thereby.

4 63. During the Class Period, Lentuo ADS were traded on an active and  
5 efficient market. Plaintiff and the other members of the Class, relying on the  
6 materially false and misleading statements described herein, which the Defendants  
7 made, issued or caused to be disseminated, or relying upon the integrity of the  
8 market, purchased or otherwise acquired shares of Lentuo ADS at prices artificially  
9 inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the  
10 Class known the truth, they would not have purchased or otherwise acquired said  
11 ADS, or would not have purchased or otherwise acquired them at the inflated prices  
12 that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the  
13 Class, the true value of Lentuo ADS was substantially lower than the prices paid by  
14 Plaintiff and the other members of the Class. The market price of Lentuo ADS  
15 declined sharply upon public disclosure of the facts alleged herein to the injury of  
16 Plaintiff and Class members.

17 64. By reason of the conduct alleged herein, Defendants knowingly or  
18 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and  
19 Rule 10b-5 promulgated thereunder.

20 65. As a direct and proximate result of Defendants' wrongful conduct,  
21 Plaintiff and the other members of the Class suffered damages in connection with  
22 their respective purchases, acquisitions and sales of the Company's ADS during the  
23 Class Period, upon the disclosure that the Company had been disseminating  
24 misrepresented financial statements to the investing public.

25 **COUNT II**

26 **Violations of Section 20(a) of The Exchange Act**  
27 **Against The Individual Defendants**

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

3           67. During the Class Period, the Individual Defendants participated in the  
4 operation and management of Lentuo, and conducted and participated, directly and  
5 indirectly, in the conduct of Lentuo's business affairs. Because of their senior  
6 positions, they knew the adverse non-public information about Lentuo's current  
7 financial position and future business prospects.

8           68. As officers and/or directors of a publicly owned company, the Individual  
9 Defendants had a duty to disseminate accurate and truthful information with respect  
10 to Lentuo's business practices, and to correct promptly any public statements issued  
11 by Lentuo which had become materially false or misleading.

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

22           70. Each of the Individual Defendants, therefore, acted as a controlling  
23 person of Lentuo. By reason of their senior management positions and/or being  
24 directors of Lentuo, each of the Individual Defendants had the power to direct the  
25 actions of, and exercised the same to cause, Lentuo to engage in the unlawful acts and  
26 conduct complained of herein. Each of the Individual Defendants exercised control  
27 over the general operations of Lentuo and possessed the power to control the specific  
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