Lead Plaintiffs Bellport Overseas Ltd., Goldenrain Assets Ltd. and Oujie Cao ("Lead Plaintiffs"), on behalf of themselves and all other persons similarly situated, by their undersigned attorneys, allege the following based upon personal knowledge as to themselves, and upon information and belief as to all other matters, based upon, inter alia, the investigation conducted by and through their attorneys, which included, among other things, review and analysis of (a) regulatory filings made by Jumei International Holding Limited ("Jumei" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) media reports and analyst reports about Jumei and its management; and (c) a review of other publicly available information concerning Jumei and its management.

**NATURE OF THE ACTION**

1. This is a securities class action on behalf of all purchasers of the American Depository Shares ("ADSs") of Jumei from May 16, 2014 through November 19, 2014 (the "Class Period") for issuance of materially false and misleading statements regarding the Company’s business strategies and prospects, in violation of the federal securities laws.
2. Jumei is an online retail company based in China that principally sells beauty products, along with apparel and other lifestyle products, through its internet platform. Most of its customer base is located in China.

3. Jumei generates revenues through two channels: (i) merchandise sales, and (ii) third-party “marketplace services.” For merchandise sales, Jumei acts as principal, directly marketing, selling, and fulfilling orders placed by customers on its website.

4. For third-party sales, Jumei acts as a service provider for third-party merchants whose products are offered on Jumei’s website. Those third-party merchants are charged fees by Jumei. Because Jumei does not incur certain costs associated with direct merchandise sales, third-party “marketplace” profit margins have been significantly higher.

5. At the time of its May 14, 2014 Initial Public Offering (the “IPO”), Jumei touted its anticipated expansion of its high-margin, third-party channel, while asserting that it was reducing the ratio of its operating expenses to overall sales. Thus, the Company appeared poised for substantial revenue and earnings growth.

6. At that time, and throughout the Class Period, Jumei also assured investors that adequate controls were in place to avoid the unintended sale of counterfeit items conveyed by its suppliers, a problem endemic to Chinese commerce. This assurance enhanced investor confidence in the Company’s ability to continue expansion of the lucrative third-party channel, which was more vulnerable to counterfeiting.

7. Absent from the IPO Offering Materials, effective as of May 14, 2014, and unbeknownst to investors, was the following material information:

   a. Jumei had decided to materially alter its marketing plans by exiting the third-party channel for sales of beauty products before year’s end. This exit plan was prompted by the ongoing high risk of counterfeiting.
b. While the Company hoped that sales of third-party beauty products would migrate to Jumei’s own direct sales “merchandise” channel, there was a significant likelihood that profit margins on that channel would be much lower as compared to the “marketplace” channel.

c. The Company had not yet entered into direct contracts with exclusive source vendors or private label manufacturers for a number of high demand beauty products offered through its third-party channel. In order to keep its “loyal” customers, the Company would have to replace the sourcing of these products with purchases from department stores, which lowered the potential profit margins for these sales even further.

d. As part of the exit from the third-party channel for beauty products, Jumei was contractually obliged to assist its third-party vendors to move existing inventory. To do so, Jumei would have to offer costly one-off promotional sales, further reducing profit margins.

e. Given the foregoing, there was a substantial and manifest risk that Jumei would sustain a material decline in profit margins and rate of earnings growth during the planned exit, which would adversely impact the Company’s ADS price.

8. Jumei’s IPO was very successful, opening at $22 per ADS and skyrocketing nearly 50%, to over $33 per ADS, by August, as the Company appeared poised to report long term sizable growth in orders and income. This perception was buttressed by the Company’s August 19, 2014 announcement of record results for the second quarter of 2014, including a 42% year-to-year surge in revenue, and a 64% increase in Gross Merchandise Value (“GMV”) – the prime index of the Company’s financial strength. Third-party marketplace sales accounted for over 50% of Company-wide GMV. Analysts such as Standard Charter rated the Company as “Out Perform,” adding, “We reiterate Jumei as our top e-commerce pick.”

9. The Company also issued upbeat forecasts for year end 2014 earnings in the range of $81M to $87M.
10. At the same time though, Jumei remained silent regarding its impending plans to exit the lucrative third-party marketplace channel for beauty products.

11. No less than two weeks later, at the beginning of September 2014 (if not earlier), Jumei commenced its undisclosed, rapid exit from the third-party beauty products channel. Though Lead Plaintiffs have been unable to locate a public announcement of this event, it appears that the market soon became aware of this altered business plan, as Jumei’s ADSs began a rapid descent from $33.10 on August 19, 2014, to $25.55 one month later.

12. By mid-November 2014, analysts were commenting on the adverse impact of the exit. As Bank of America/Merrill Lynch stated in a report issued November 12, 2014:

   Jumei’s share price has corrected by ~40% from its peak, due to the company’s strategic move to reduced exposure to selling third-party beauty products via its [third-party] marketplace.

13. The full adverse impact of the move became more manifest when, on November 19, 2014, Jumei released third quarter 2014 results. As a Piper Jaffrey report noted:

   Order growth of 14% y/y was disappointing compared to the 39% in the prior quarter and represents Jumei’s slowest order growth experienced.

   In addition, gross profit as a percentage of net GMV decreased to 22% from 25.9% year-over-year.

14. During a conference call with analysts, Jumei acknowledged that to facilitate the exit from third-party marketplace sales for beauty products, it had to increase the use of coupons and “one off promotional activities to help [third-party] marketplace beauty merchants to move inventory.”

15. Analysts belatedly recognized that the transition was necessitated by the pervasiveness of counterfeiting in the third-party marketplace channel. As Bank of
America/Merrill Lynch reported on November 21, 2014, the financial performance decline was due in part to:

[C]lean-up of beauty products in its [third-party] marketplace to reduce the risk of unauthorized products, faked products, or taxation issues.

16. These disclosures had an immediate adverse impact on Jumei ADSs, further indicative of the damages sustained by Class Members. Whereas the stock closed at $22.23 on November 18, 2014, it closed at $19.32 on November 20, 2014 (below the IPO price), and further dropped to $16.45 by December 2, 2014.

17. Significantly, it was not until year-end 2014, after the devastating effects of the exit from the third-party beauty product sales had taken its toll, that the Company admitted for the first time what it should have stated in the IPO Offering Materials and other statements issued during the Class Period:

Our decision to terminate our marketplace beauty products and luxury products sales, to shift our marketplace beauty products sales to merchandise sales, may negatively impact our future growth prospects and financial performance.

18. Indicative of the ongoing material adverse impact of Jumei’s exit from the third-party marketplace, its ADSs closed at $10.08 on October 14, 2015.

JURISDICTION AND VENUE

19. The claims asserted herein arise under (i) §§11 and 15 of the Securities Act [15 U.S.C. §§77k and 77o], and (ii) §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5)

20. Pursuant to the Securities Act, the Securities Act Defendants are strictly liable for material misstatements in the Offering Materials issued in connection with the IPO. The Securities Act claims specifically exclude any allegations of fraud, knowledge, recklessness or scienter, do not “sound in fraud” and based solely on strict liability and negligence.

22. Venue is properly laid in this District pursuant to §22 of the Securities Act and §27 of the Exchange Act, 28 U.S.C. §1391(b) on the Exchange Act. The acts and conduct complained of herein occurred in substantial part in this District. Following the IPO, Jumei ADSs trade on the New York Stock Exchange (“NYSE”).

23. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES


25. Defendant Jumei operates as an online retailer of beauty products in the People’s Republic of China. Following the IPO, Jumei ADSs have traded on the NYSE under the ticker symbol “JMEI.”

26. Defendant Leo Ou Chen (“Chen”), Jumei’s founder, is, and was at the time of the IPO, a member of the Jumei Board of Directors (the “Board”), the Chairman of the Board, a member of the Board’s Audit Committee and Jumei’s Chief Executive Officer (“CEO”).

27. Defendant Yusen Dai (“Dai”) is, and was at the time of the IPO, Vice President of Products of Jumei and a member of its Board.

28. Defendant Mona Meng Gao (“Gao”) is, and was at the time of the IPO, a Co-Chief Financial Officer (“CFO”) of Jumei.
29. Defendant Yunsheng Zheng ("Zheng") is, and was at the time of the IPO, a Co-Chief Financial Officer ("CFO") of Jumei.

30. Defendant Steve Yue Ji is, and was at the time of the IPO, a member of the Jumei Board of Directors.

31. Defendant Keyi Chen is, and was at the time of the IPO, a member of the Jumei Board of Directors.

32. The defendants named in ¶¶ 26-31 are sometimes referred to herein as the "Individual Defendants." The Individual Defendants each signed the Registration Statement issued in connection with the IPO.

33. Defendant Goldman Sachs (Asia) L.L.C. ("Goldman Sachs") is a financial services firm that acted as underwriter and co-lead manager of Jumei’s IPO and helped to draft and disseminate the Offering Documents. Goldman Sachs maintains executive offices in this District and/or directed substantial activities toward the State of New York in connection with the IPO.

34. Defendant Credit Suisse Securities (USA) LLC ("Credit Suisse") is a financial services firm that acted as underwriter and co-lead manager of Jumei’s IPO and helped to draft and disseminate the Offering Documents. Credit Suisse maintains executive offices in this District and/or directed substantial activities toward the State of New York in connection with the IPO.

35. Defendant J.P. Morgan Securities LLC ("JP Morgan") is a financial services firm that acted as underwriter and co-lead manager of Jumei’s IPO and helped to draft and disseminate the Offering Documents. JP Morgan maintains executive offices in this District and/or directed substantial activities toward the State of New York in connection with the IPO.
36. Defendant China Renaissance Securities (Hong Kong) Limited ("China Renaissance") is a financial services firm that acted as underwriter and co-lead manager of Jumei’s IPO and helped to draft and disseminate the Offering Documents. China Renaissance maintains executive offices in this District and/or directed substantial activities toward the State of New York in connection with the IPO.

37. Defendant Piper Jaffray & Co. ("Piper Jaffray") is a financial services firm that acted as underwriter in connection with Jumei’s IPO and helped to draft and disseminate the Offering Documents. Piper Jaffray maintains executive offices in this District and/or directed substantial activities toward the State of New York in connection with the IPO.

38. Defendant Oppenheimer & Co. Inc. ("Oppenheimer") is a financial services firm that acted as underwriter in connection with Jumei’s IPO and helped to draft and disseminate the Offering Documents. Oppenheimer maintains executive offices in this District and/or directed substantial activities toward the State of New York in connection with the IPO.

39. The defendants named in ¶¶33-38 are referred to herein as the “Underwriter Defendants,” collectively.

40. All of the defendants identified above are collectively referred to as the “Securities Act Defendants.”

SUBSTANTIVE ALLEGATIONS

Company Background

41. Jumei portrays itself as China’s largest on-line seller of beauty products. It began operations in 2010. Based in Beijing, it is incorporated in the Cayman Islands to facilitate international financing.

42. Jumei’s offerings of beauty products include cosmetics, skin care, and fragrance products for women, men, and children. The Company also sells apparel and other “lifestyle”
products, such as footwear, handbags, luggage, sportswear, sporting goods, accessories, home goods and other luxury goods, as well as snacks and health supplements. The majority of the Company’s sales are placed through its website, Jumei.com, as well as its mobile application, which was launched in May 2012.

43. The Company generates revenues sales from two sales channels: (1) merchandise sales; and (2) third-party marketplace services. Merchandise sales arise where Jumei acts as the principal for the direct sale of beauty products to customers through its internet platform. To source such sales, Jumei has entered into private label and exclusive contracts with manufacturers and licensed distributors. As such, Jumei has been responsible for all aspects of the merchandise sales chain, from website marketing, procurement of products, fulfillment, delivery and customer service. While this results in higher sales-related costs, and lower profit margins, it insures control over the product from manufacturer to customer.

44. In contrast, for third-party marketplace sales, Jumei merely connects customers with third-party merchants who are responsible for all sales-related services. Jumei charges the merchants (not the buyers) service fees. Since it does not incur any other product or sale-related costs, Jumei’s profit margins for such third-party sales are higher compared to merchandise sales.

45. The market’s metric for Jumei financial results has been “Net GMV”, i.e. (i) net revenues from direct merchandise sales, plus (ii) net revenues third-party marketplace service charges, minus (iii) amounts due to third-parties for the marketplace sales.

46. As detailed below, prior to its May 15, 2014 IPO, a significant portion of Jumei’s revenue growth and increased profit margin was due to the third-party marketplace revenues.
The May 15, 2014 IPO

47. On May 15, 2014, Jumei completed its IPO, selling 11,140,000 ADSs at $22 per share, thereby generating over $245,000,000 for the Company. Shares reached a high of $28.28 per ADS on the first day of trading.

48. The centrality of beauty product sales to Jumei’s business plan was evident from the Company’s Registration Statement and Prospectus issued in connection with the IPO (the “Offering Materials”). The Company characterized itself as “China’s No.1 on line retailer of beauty products as a measure of gross merchandise volume (GMV).” With its growing middle class, China’s $22.5 billion beauty products industry was rapidly expanding at a 17.5% rate. The Company appeared well placed to take advantage of that growth:

We believe that our internet platform is a trusted destination for consumers to discover and purchase branded beauty products.

49. The Registration Statements’ “Risks” section reinforced the contribution of beauty products sales to the Company’s financial performance, noting that “We rely on the online retail sale of beauty products for a substantial portion of our net revenue.”

The False and Misleading Statements In The Offering Materials

50. Jumei’s historic financial results reflected the critical and growing contribution of the third-party channel:

a. In 2012, only $24 million (10%) of its $233.2 million in sales was generated through the third-party channel. By 2013, third-party channel sales nearly tripled to $70 million, constituting 14.5% of total sales. Nearly 50% of the third-party sales were of beauty supplies.

b. For the quarter ended March 30, 2014, the last full quarter before the IPO:

i. total customer orders increased from 8.7M to 11.4M;
ii. Net GMV revenues totaled $155M, a 45% increase from the prior year's first quarter results, which the Company primarily attributed to "the increase in the number of active customers and total orders";

iii. Third-party revenues increased to over 16% of total revenues; and

iv. Profit margins increased from 21.6% to 25.2%, attributed in part to the third-party merchandise sales "from which we do not incur costs of revenue."

51. Given the importance of the third-party channel to Jumei's results and outlook, the Offering Materials assured investors that adequate steps were being taken to prevent the sale of counterfeit products, particularly in the beauty supply sector. Among other things, the Company asserted that it was "a trusted destination for consumers;" "commit[ted] to authentication"; and that it "adopted measures to verify the authenticity of products sold on [its] internet platform and to immediately remove any counterfeit products found on [its] internet platform."

52. The Company's continued commitment to the fast-growing, high-margin third-party marketplace channel for sales was reinforced by the representation in the "Risks" section that "Our expansion into new product categories and third-party marketplace business may expose us to new challenges."

53. The Offering Materials were materially misleading, because while touting the significant contribution of third-party sales and profit margins to the Company's explosive growth, and measures being taken to assure continuation of that growth by avoiding the sale of counterfeit items, they failed to disclose;

(a) The Company had decided to materially alter its marketing plans by exiting the third-party channel for sales of beauty supplies before year's end;
(b) This exit plan was prompted by the ongoing high risk of counterfeiting;

(c) While the Company hoped that sales of the third-party beauty products would migrate to Jumei’s own merchandise channel, defendants knew that the profit margin on the merchandise sales channel would be substantially reduced;

(d) The Company had not yet entered into direct contracts with exclusive source vendors or private label manufacturers for a number of high demand beauty products being offered through its third-party channel. In order to keep its “loyal” customers, the Company would have to replace the sourcing of these products with purchases from department stores, which lowered the potential profit margins for these sales even further.

(e) The Company was obliged to assist its third-party contractors to move inventory. To do so, it would have to offer costly one-off promotional sales.

(f) Given the foregoing, there was a substantial and manifest risk that Jumei would sustain a material decline in profit margins and rate of earnings growth during the planned exit, would adversely impact the Company’s ADS price.

August 18, 2014 Announcement of Second Quarter Results and Year End Forecast

54. On August 18, 2014, Jumei reported robust results for the quarter ended June 30, 2014. Net GMV rose over 64% year-over-year to $289.4 million. Net income increased 53.6% to $15.4 million. While gross profit margins slid slightly from 25.7% to 24.7%, this was attributed mainly to the “expansion of marketplace services,” a signal that the Company remained fully committed to that sector.

55. Commenting on the results, Jumei’s CEO and founder, Leo Chen stated;

We are thrilled to report robust quarterly financial results, which reflect our continued growth momentum and increasing operational efficiencies, evidenced by 64.3% year-over-year growth in total net GMV, 41.9% growth in net revenues, and a 53.6% increase in net income attributable to ordinary shareholders.
56. Indicative of the continued commitment to the sale of beauty products through the high margin third-party sales channel, Yunsheng Zheng, Co-CFO of Jumei noted:

Looking forward, we will continue to focus on our strategy of adding more private label and exclusive beauty products to our wide range of product offerings. Striking a balance between our product offerings and marketplace services along with the continued execution of our strategy, should allow us to maximize shareholder value over the long term.

57. Reinforcing the appearance of continued commitment the sale of beauty products through the third-party “marketplace”, when asked during an analyst teleconference about the future mix of beauty product sales between the two channels, Defendant Gao stated:

[W]e expect exclusive and private label products (sold through the merchandise channel) to account for about 50% of our total beauty segment, which included beauty merchandise sales and beauty marketplace.

(emphasis added). Later in the call, Gao added, “[W]e have added some new brands in Jumei marketplace, marketplace beauty product.”

58. Further indicative of the commitment to the third-party channel, the Company touted its efforts to reign in any counterfeiting;

We are committed to enhancing our supply chain management and implementing strict quality control measures so that we can continue to attract more top-tier beauty brands from both China and around the world. As a part of these efforts, we expanded random product testing in June 2014 in order to reinforce Jumei’s reputation for quality and reliability with Chinese consumers. Our purpose is to raise the bar in China’s online beauty industry and set new benchmarks in our ongoing anti-counterfeiting campaign.

59. The Company’s confidence in its outlook was likewise reflected in its providing a detailed forecast of sales and earnings for the balance of the year:

For the year of 2014, the Company expects its non-GAAP net income to be between US$81 million and US$87 million, representing a year-over-year growth rate of approximately 40% to 50%.
60. Analysts applauded these results. Standard Charter issued a report dated August 20, 2014 recommending Jumei as “Outperform” and its “top e-commerce pick,” noting that: (i) revenues were “4% ahead of consensus;” (ii) “third-party marketplace contributed 57% of Jumei’s total GMV in 2Q, up from 52% in 1Q;” and (iii) the Company was raising its forecast for profits by 5% due to “the revenue shift towards high margin private labels and exclusive brands as well as marketplace services.”

61. The foregoing statements were materially false and misleading, because:

(a) The Company had decided to materially alter its marketing plans by exiting the third-party channel for sales of beauty supplies before year’s end;

(b) This exit plan was prompted by the ongoing high risk of counterfeiting;

(c) While the Company hoped that sales of the third-party beauty products would migrate to Jumei’s own merchandise channel, defendants knew that the profit margin on the merchandise sales channel would be substantially reduced;

(d) The Company had not yet entered into direct contracts with exclusive source vendors or private label manufacturers for a number of high demand beauty products being offered through its third-party channel. In order to keep its “loyal” customers, the Company would have to replace the sourcing of these products with purchases from department stores, which lowered the potential profit margins for these sales even further.

(e) The Company was obliged to assist its third-party contractors to move inventory. To do so, it would have to offer costly one-off promotional sales;

(f) Given the foregoing, there was a substantial and manifest risk that Jumei would sustain a material decline in profit margins and rate of earnings growth during the planned exit, would could adversely impact the Company’s ADS price.
(g) Given the foregoing, the Company’s forecasts for year end results lacked reasonable basis.

Revelation of the Truth

62. Not less than two weeks after the August 18, 2014 earnings announcement, Jumei commenced its previously undisclosed rapid exit from its third-party market for beauty products.

63. While Lead Plaintiffs have been unable to locate a record of any contemporaneous disclosure of commencement of the exit plan, Jumei’s stock price fell contemporaneously, consistent with leakage of this news.

64. Whereas on August 18, 2014, Jumei’s shares were selling at $37.01, by November 12, 2014, shares had fallen to $24.19. A Bank of America/Merrill Lynch issued that day explained that the 40% decline was “due to the company’s strategic move to reduce exposure to selling third-party beauty protects via its 3P [third-party] marketplace.”

65. However, it was not until November 18, 2014 that investors learned the full truth regarding the Jumei’s third-party sales channel. At that time, the Company announced results for the third quarter ended September 30, 2014. Net GMV totaled $273 million, based on a mediocre 14% increase in orders. Profit margins fell dramatically from 26% the year before, to only 22%.

66. The material profit margin decline was directly attributed to the shift of the high margin “beauty product marketplace sales” to much lower margin “merchandise sales,” compounded by “an increase in promotional activities which led to higher pricing discounts.” Indeed, marketing expenses had increased nearly 30% from the prior year.

67. Jumei justified the sudden exit as a response to the continued risk of counterfeit items. “This strategic shift gives us greater control over the entire beauty supply chain and further strengthens our quality control.”
68. In a teleconference on November 20, 2014, defendants further explained the circumstances for the sudden change. Defendant Goa admitted:

   In terms of [third-party] marketplace cosmetics, in Q3 we actually started the shift in September, so prior to September we had around 30% our beauty products in marketplace. And as of September, we made the move quite swiftly so in September there was only single digit percent of our beauty products in marketplace.

69. The increased promotional expenses were also attributed to anticipated, but undisclosed, costs. According to Gao, the decline in net GMV was:

   Purely due to the shift of marketplace beauty into merchandise sales beauty, and also partly due to the one-off promotion that we did with a lot of cash vouchers in September to help the third-party merchants in beauty - to help them move inventory.

70. In other words, just two weeks after the August 19, 2014 release of upbeat 2Q14 results, the Company embarked on a rapid exit from its high margin third-party beauty products market, reducing sales in that channel from 30% to less than 10% of Company-wide sales. This had a clearly foreseeable adverse impact on revenues and earnings, since high margin marketplace sales could not be replaced fast enough by greater volume of lower margin merchandise sales, as evidenced by the plunge in company-wide profit margin.

71. Analysts were surprised by this significant downturn. Piper Jaffrey commented in its November 20, 2014 report: “The deceleration of order growth from 39% to 14% was concerning. This step-down surprising…”

72. Likewise, Barron’s reported in an article entitled “Why Jumei’s Business Model is Broken. Selling Authentic Makeup Is Costly”:

   Investors are worried that as an online discounter, Jumei can’t control its sourcing and inevitably sells counterfeit products. About 30% of Jumei’s GMV came from third-party merchants last year and most of Jumei’s tier-one brands such as Estee Lauder, Lancome and Clinique were sold by these third-party merchants who relied on parallel importing to make money. By not
controlling the sourcing directly, Jumei runs the risk of selling fake products on its site.

As a result, Jumei has decided to rapidly shift the sale of all beauty products from its third-party marketplace to direct sales. But this affects Jumei’s near-term results. According to HSBC analyst Chi Tsang and team, this strategic shift “reduced the supply of products being offered,” which negatively affected GMV. Margin was also affected because “management has been offering coupons to drive demand.” In Jumei’s third-quarter press release, the company blamed its lower gross profit margin on an “increase in promotional activities.”

73. Analysts also noted that Jumei’s transition was hampered by the availability of product from reliable channels. As HSBC report dated November 21, 2014 stated, “In order to replace the beauty inventory supplied by its MP merchants, Jumei is buying products directly from department stores.”

74. Reflective of the surprise and materiality of these developments, Jumei’s ADS price plummeted from $23.24 on November 17, 2014 to $18.13 on November 21, 2014, a 22% decline.

Post-Class Period Developments and Admissions

75. By year end 2014, the devastation to Jumei’s profit margins caused by the exit from the third-party marketplace had become manifest, as evidenced by the chart below:
76. Indicative of the baselessness of its August 18, 2014 forecast for year end 2014 results, whereas the Company had forecasted 2014 annual income of $81M-$87M, actual income for the year was only $65.9 million, nearly 20% lower.

77. In its Form 10-K for 2014, Jumei admitted the materially adverse financial effects of its altered business strategy:

In the third quarter of 2014, we began to shift our marketplace beauty product sales to our merchandise sales. By the end of 2014, we had replaced most of our historical marketplace beauty product offerings using procurements through direct brand cooperation, department stores and our Jumei Global. While our decision to undertake such transitions were driven by our determination to ensure the authenticity and quality of the products sold through our internet platform, such transitions have resulted in a decrease in the number of SKUs available through our internet platform and exerted increased pressure on our merchandizing team to source the relevant beauty products directly. Furthermore, the termination of marketplace beauty product sales and the shift to merchandising sales had a negative impact on our financial performance in 2014.

78. The Company also blamed the reduced profit margin on the strategic shift: “The lower gross profit margin in 2014 is mainly attributed to our shift in strategy from beauty product
marketplace sales to merchandise sales that started in September 2014.” (2014 Form 10-K, p. 80).

79. Significantly, the Company also disclosed the likelihood of the ongoing adverse impact of this shift, all of which should have been disclosed at the outset of the Class Period;

Although we are taking measures to improve operating efficiency of Jumei Global, we cannot assure you that the shift would not continue to have negative impact on our results of operations or financial results in the future. Our decision to terminate our marketplace beauty products and luxury products sales[,] to shift our marketplace beauty products sales to merchandise sales[,] may negatively impact our future growth prospects and financial performance.

(Emphasis added).

80. The year end results were first announced on February 19, 2015, by which time Jumei ADSs had fallen to $12.89, a decline of over 40% from its IPO price.

CLASS ACTION ALLEGATIONS

81. Lead Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired Jumei ADSs (i) pursuant and/or traceable to the Company’s false and misleading Registration Statement for its IPO, or (ii) on the open market, between May 15, 2014 and November 19, 2014, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of Jumei, members of the Defendants’ immediate families and their legal representatives, heirs, successors or assigns and any entity in which Officer or Director Defendants have or had a controlling interest.

82. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there are hundreds of members in the proposed Class. Record owners and other members of the Class may
be identified from records maintained by Jumei or its transfer agent and may be notified of the
pendency of this action by mail, using the form of notice similar to that customarily used in
securities class actions.

83. Lead Plaintiffs’ claims are typical of the claims of the members of the Class, as all
members of the Class are similarly affected by defendants’ wrongful conduct in violation of
federal law that is complained of herein.

84. Lead Plaintiffs will fairly and adequately protect the interests of the members of
the Class and has retained counsel competent and experienced in class and securities litigation.

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

(a) whether defendants issued materially false and misleading
statements;

(b) whether the Registration Statement was negligently
prepared and contained inaccurate statements of material
fact and omitted material information required to be stated
therein;

(c) whether defendants acted with reckless disregard for the
truth with respect other statements;

(d) the extent to which members of the Class have sustained
damages and the proper measure of damages.

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

COUNT I

(Against All Defendants For Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder)

87. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

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

89. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiffs and the other members of the Class; made various untrue statements of material facts and 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; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Jumei’s securities; and (iii) cause Plaintiffs and other members of the Class to purchase or otherwise acquire Jumei’s securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

90. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly
and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Jumei ADSs. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Jumei’s finances and business prospects.

91. Pursuant to Item 303 of Regulation S-K [17 C.F.R. §229.303], and the SEC’s related interpretive releases thereto, issuers are required to disclose events or uncertainties, including any known trends, that have caused, or are reasonably likely to cause, the registrant’s financial information not to be indicative of future operating results.

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

93. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants’ knowledge and control. As the senior managers and/or directors of Jumei, the Individual Defendants had knowledge of the details of Jumei internal affairs.
94. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Jumei. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Jumei’s businesses, operations, financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Jumei’s securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Jumei’s business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Jumei’s securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

95. During the Class Period, Jumei’s securities traded on a well-developed and efficient market. Plaintiffs and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Jumei’s securities at prices artificially inflated by Defendants’ wrongful conduct. Had Plaintiffs and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiffs and the Class, the true value of Jumei’s securities was substantially lower than the prices paid by Plaintiffs and the other members of the Class. The market price of Jumei’s securities declined
sharply upon public disclosure of the facts alleged herein to the injury of Plaintiffs and Class members.

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

97. As a direct and proximate result of Defendants’ wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company’s securities during the Class Period, upon the disclosure that the Company had been disseminating false and misleading financial statements to the investing public.

COUNT II
(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)

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

99. During the Class Period, the Individual Defendants participated in the operation and management of Jumei, and conducted and participated, directly and indirectly, in the conduct of Jumei’s business affairs. Because of their senior positions, they knew the adverse non-public information about Jumei’s financial and business results, prospects and operations.

100. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Jumei’s financial condition and results of operations, and to correct promptly any public statements issued by Jumei which had become materially false or misleading.
101. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Jumei disseminated in the marketplace during the Class Period concerning Jumei’s financial and business results, prospects and operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Jumei to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were “controlling persons” of Jumei within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged, which artificially inflated the market price of Jumei securities.

102. Each of the Individual Defendants, therefore, acted as a controlling person of Jumei. By reason of their senior management positions and/or being directors of Jumei, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Jumei to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Jumei and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

103. As set forth above, Jumei violated Section 10(b) and Rule 10b-5. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act as they culpably participated in the fraud alleged herein.

104. As a direct and proximate result of the Individual Defendants’ wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company’s common stock during the Class Period.
SECURITIES ACT CLAIMS

COUNT I

(For Violation of §11 of the Securities Act Against All Defendants)

105. The following allegations are in effect a separate complaint. For the following claims there is no allegation of fraud, scienter or recklessness. These claims, brought under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the “Securities Act”), 15 U.S.C. §§77k, 77(l)(2) and 77o, are based solely on claims of strict liability and/or the absence of any affirmative defense based on the reasonableness of the pertinent Defendants’ investigation into the true facts.

106. These Securities Act claims expressly do not make any allegations of fraud or scienter and do not incorporate any of the allegations contained in ¶¶ 54-61, 87-104 herein. These Securities Act claims are not based on any allegation that any Defendant engaged in fraud or any other deliberate and intentional misconduct, and the Lead Plaintiffs specifically disclaim any reference to or reliance on fraud allegations.

107. These Securities Act claims are brought on behalf of persons who purchased Jumei ADSs in or traceable to the May 15, 2014 IPO against the Securities Act Defendants.

108. At the time of the IPO, the adverse events and uncertainties associated with the trends described above were reasonably likely to have a material impact on Jumei’s profitability and, therefore, were required to be disclosed in the Registration Statement pursuant to Item 303 of Regulation S-K [17 C.F.R. §229.303], and the SEC’s related interpretive releases thereto.

109. The Registration Statement for the IPO was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein as set forth in ¶¶ 1 to 53.
110. The Underwriter Defendants each acted as underwriters in connection with Jumei’s IPO, and each participated in or assisted with the drafting and dissemination of offering documents, including the Registration Statement and Prospectus. Each of the Underwriter Defendants either maintains their principal place of business or executive offices in this District or directed substantial activities toward the State of New York in connection with conducting the IPO, including conducting the roadshow in this District.

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

(a) The Underwriter Defendants are investment banking houses that specialize, *inter alia*, in underwriting public offerings of securities. They served as the underwriters of the IPO and shared approximately $19.6 million in fees collectively. The Underwriter Defendants determined that in return for their share of the IPO proceeds, they were willing to merchandize Jumei ADSs in the IPO. The Underwriter Defendants arranged a multicity roadshow prior to the IPO during which they, and representatives from Jumei, met with potential investors and presented highly favorable information about the Company, its operations, and its financial prospects.

(b) The Underwriter Defendants also demanded and obtained an agreement from Jumei that it would indemnify and hold them harmless from any liability under the federal securities laws. They also made certain that Jumei had purchased millions of dollars in directors’ and officers’ liability insurance.

(c) Representatives of the Underwriter Defendants also assisted Jumei and the Individual Defendants in planning the IPO, and purportedly conducted an adequate and reasonable investigation into the business and operations of Jumei, an undertaking known as a “due diligence” investigation. The due diligence investigation was required of the Underwriter Defendants in order to engage in the IPO. During the course of their “due diligence,” the Underwriter Defendants had continual access to confidential corporate information concerning Jumei’s operations and financial prospects.
(d) In addition to availing themselves of virtually unbridled access to internal corporate documents, agents of the Underwriter Defendants met with Jumei’s lawyers, management, and top executives and engaged in “drafting sessions” between at least January 2014 and May 2014. During these sessions, understandings were reached as to: (i) the strategy to best accomplish the IPO; (ii) the terms of the IPO, including the price at which Jumei ADSs would be sold; (iii) the language to be used in the Registration Statement; (iv) what disclosures about Jumei would be made in the Registration Statement; and (v) what responses would be made to the SEC in connection with its review of the Registration Statement. As a result of those constant contacts and communications between the Underwriter Defendants’ representatives and Jumei management and top executives, the Underwriter Defendants knew, or should have known, of Jumei’s existing problems as detailed herein.

112. The Underwriter Defendants caused the Registration Statement to be filed with the SEC and declared effective in connection with offers and sales thereof, including to plaintiff and the Class.

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

114. Jumei is strictly liable to Lead Plaintiffs and the Class for the material misstatements and omissions.

115. Plaintiff acquired Jumei ADSs traceable to the IPO.

116. Plaintiff and the Class have sustained damages. The value of Jumei ADSs has declined substantially subsequent to and due to defendants’ violations.

117. At the time of their purchases of Jumei ADSs, plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to the disclosures herein. Less than one
year has elapsed from the time that plaintiff discovered or reasonably could have discovered the facts upon which this complaint is based to the time that plaintiff commenced this action. Less than three years has elapsed between the time that the securities upon which this Count is brought were offered to the public and the time plaintiff commenced this action.

118. By reason of the conduct herein alleged, each defendant violated §11 of the Securities Act are liable to Class Members.

**COUNT II**

For Violation of §15 of the Securities Act
Against Jumei and the Individual Defendants

119. This Count is brought pursuant to §15 of the Securities Act, 15 U.S.C. §77o, against Jumei and the Individual Defendants.

120. The Individual Defendants each were control persons of Jumei by virtue of their positions as directors and/or senior officers of Jumei. The Individual Defendants each had a series of direct and/or indirect business and/or personal relationships with other directors and/or officers and/or major shareholders of Jumei. The Company controlled the Individual Defendants and all of Jumei’s employees.

121. The Individual Defendants were each culpable participants in the violations of §11 of the Securities Act alleged in Count I above, based on their having signed or authorized the signing of the Registration Statement and having otherwise participated in the process which allowed the IPO to be successfully completed. Jumei was a culpable participant in the violations of §11 of the Securities Act alleged in Count I above, based on its control of the Individual Defendants and having otherwise participated in the process which allowed the IPO to be successfully completed.
PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment as follows:

A. Determining that this action is a proper class action, designating Lead Plaintiffs as Class representatives, and certifying the Class under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Lead Plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants’ wrongdoing, in an amount to be proven at trial, including interest thereon;

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

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

JURY TRIAL DEMANDED

Lead Plaintiffs hereby demand a trial by jury.

Dated: October 16, 2015

Respectfully submitted,

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