

Phoenix Tree Holdings Limited Hit with Coronavirus Lawsuit

Stanford - April 28, 2020

In a COVID-related securities fraud complaint that might be a harbinger of litigation to come, plaintiffs' class action attorneys have filed a complaint against [Phoenix Tree Holdings Limited](#) ("Phoenix") that is notable for three distinct reasons. It is the first case alleging omissions of COVID-related risks, trends and uncertainties that allegedly should have been disclosed to investors. Second, it is the first COVID-related action to be filed against a foreign issuer. Finally, it is the first COVID case filed in connection with an IPO.

The securities class action against Phoenix was filed in the Southern District of New York on April 24th on behalf of all purchasers of the company's American Depositary Shares. Phoenix is a Cayman Islands holding company that leases and manages apartments in China, which it rents to tenants under the Danke Apartment and Dream Apartment brands.

The complaint alleges that offering materials prepared in connection with Phoenix's IPO on January 22, 2020 omitted or otherwise misrepresented the nature and level of renter complaints the company had received before and as of the IPO, as well as demand in the Chinese residential rental market due to the pandemic, and the company's exposure to significant adverse developments, resulting from the onset of the coronavirus in China – particularly in Wuhan – at the time of the IPO. Plaintiffs are pursuing remedies under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933.

This case against Phoenix is the third COVID-related securities class action identified by the Clearinghouse. It follows on the heels of [Norwegian Cruise Lines](#) and [Inovio Pharmaceuticals](#). The Norwegian complaint primarily alleges failure to disclose sales tactics of providing affirmatively false statements to potential customers about the safety and demand for Norwegian's products during the pandemic. The Inovio complaint alleges falsely exaggerated claims in connection with a potential COVID-19 vaccine. In contrast, the Phoenix complaint primarily alleges omissions of material risks in IPO prospectuses and registration statements of a Chinese company. This complaint may serve as a preview of future forms of COVID-related litigation.

By Leo Cho

Securities Class Action Clearinghouse (SCAC)

If you have questions about this report, please contact scac@law.stanford.edu

<http://securities.stanford.edu/>
