

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

\_\_\_\_\_, Individually and on Behalf  
of All Others Similarly Situated,

Plaintiff,

vs.

BLUECITY HOLDINGS LIMITED,  
BAOLI MA, ZHIYONG (BEN) LI, ZHE  
WEI, and WEI YING,

Defendants.

Index No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF  
THE SECURITIES ACT OF 1933

DEMAND FOR JURY TRIAL

Plaintiff \_\_\_\_\_ (“Plaintiff”), individually and on behalf of all others similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and upon information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding BlueCity Holdings Limited (“BlueCity” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

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

1. This is a securities class action on behalf of a class consisting of all persons and entities other than Defendants (defined herein) that purchased or otherwise acquired BlueCity American depositary shares (“ADSs”) pursuant and/or traceable to the Offering Documents (defined herein) issued in connection with the Company’s initial public offering conducted on or about July 8, 2020 (the “IPO” or “Offering”), seeking to recover compensable damages caused by Defendants’ violations of the securities laws and to pursue remedies under Sections 11 and 15 of the Securities Act of 1933 (the “1933 Act”). The claims in this action arise from BlueCity’s materially misleading Offering Documents issued in connection with the IPO.

2. BlueCity operates a platform for the LGBTQ—lesbian, gay, bisexual, transgender, and queer (or questioning)—community primarily under the BlueCity brand in China, India, Korea, Thailand, and Vietnam. The Company operates a mobile application, *Blued*, together with

other products and services. The Company's LGBTQ platforms provide products and services, including social and entertainment, online health consulting and online pharmacy, and assisted reproductive technology service.

3. On June 16, 2020, BlueCity filed a registration statement on Form F-1 with the SEC in connection with the IPO, which, after amendment, was declared effective on July 7, 2020 (the "Registration Statement").

4. On July 8, 2020, BlueCity filed a prospectus on Form 424B4 with the SEC in connection with the IPO, which incorporated and formed part of the Registration Statement (the "Prospectus" and, together with the Registration Statement, the "Offering Documents").

5. That same day, BlueCity conducted the IPO pursuant to the Offering Documents, issuing 5.3 million shares of the Company's ADSs to the public at the Offering price of \$16.00 per ADS for approximate proceeds of \$78.86 million to the Company before expenses and after applicable underwriting discounts and commissions.

6. The Offering Documents were negligently prepared and, as a result, contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading and were not prepared in accordance with the rules and regulations governing their preparation. Specifically, the Offering Documents were false or misleading or failed to disclose that: (i) Defendants had overstated BlueCity's business and financial prospects; (ii) the Company was ill-equipped to absorb the costs of becoming a publicly traded company, including IPO- and growth-related costs; (iii) as a result of all the foregoing, Defendants had misrepresented the Company's capability for sustainable growth; and (iv) as a result, the Offering Documents were materially false or misleading and failed to state information required to be stated therein.

7. On December 2, 2020, BlueCity issued a press release announcing the Company's unaudited financial and operating results for the third quarter of the Company's fiscal year 2020. That press release reported, among other results, that the Company's cost of revenues had increased 41.3% year-over-year, selling and marketing expenses had increased 86.3% year-over-year, technology and development expenses had increased 49.5% year-over-year, and general and administrative expenses had increased **4349%** year-over-year. BlueCity attributed these sharply increased costs to, *inter alia*, the growth of revenue-sharing costs, expenses related to the Company's IPO, and increased advertising and promotion expenses and staff costs.

8. On this news, BlueCity's ADS price fell \$3.30 per ADS, or 22.84%, to close at \$11.15 per ADS on December 2, 2020.

9. Then March 23, 2021, BlueCity issued a press release announcing its results for the fourth quarter of 2020. Among other results, BlueCity announced revenue of \$42.7 million, missing consensus estimates by \$3.92 million. The Company also reported that the Company's cost of revenues had increased 29.0% year-over-year, selling and marketing expenses increased 56.7% year-over-year, technology and development expenses increased 9.0% year-over-year, and general and administrative expenses had increased **345.5%** year-over-year. BlueCity attributed these increased costs to, *inter alia*, the growth of revenue-sharing costs and live streaming services, increased advertising and promotion expenses and staff costs, increased staff cost in technology and development personnel, share-based compensation expenses, and increased professional fees and staff cost.

10. On this news, BlueCity's ADS price fell \$3.25 per ADS, or 26.71%, over the following two trading sessions, to close at \$8.92 per ADS on March 24, 2021.

11. At the time this Complaint was filed, BlueCity's ADSs have continued to trade below the \$16.00 per share Offering price, damaging investors.

12. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of BlueCity's ADSs, Plaintiff and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

13. The claims alleged herein arise under Sections 11 and 15 of the 1933 Act, 15 U.S.C. §§ 77k and 77o, and this Court has original subject matter jurisdiction of those claims.

14. This Court also has jurisdiction over the subject matter of this action pursuant to Section 22 of the 1933 Act. Section 22 of the 1933 Act expressly prohibits removal of this action to federal court.

15. The Court has personal jurisdiction over each of the Defendants under N.Y. C.P.L.R. Sections 301 and 302, and venue is proper in this County pursuant to Section 22 of the 1933 Act and N.Y. C.P.L.R. Section 503. The Defendants conducted the IPO in this County, disseminated the statements alleged to be false and misleading herein into this County, and solicited purchasers of BlueCity's ADSs in this County. The Defendants each have substantial operations in this County. The Defendants delivered the shares in the IPO against payment in this County, and the shares trade in this County on the Nasdaq Global Market ("NASDAQ"). In sum, the situs of this action lies within this County, Defendants' tortious acts occurred in this County and caused injury to the purchasers of the shares traded in this County, and each of the Defendants and members of the Class (defined herein) would foreseeably expect any case or controversy stemming from the IPO to be adjudicated in this County.

## PARTIES

16. Plaintiff acquired BlueCity ADSs pursuant and/or traceable to the Offering Documents issued in connection with the IPO and suffered damages as a result of the securities law violations and false or misleading statements or material omissions alleged herein.

17. Defendant BlueCity is a Cayman Islands offshore holding company with principal executive offices located at Block 2 Tower B Room 028, No. 22 Pingguo Shequ, Bai Zi Wan Road, Chaoyang District, Beijing 100022, People's Republic of China. The Company's ADSs trade in an efficient market on the NASDAQ under the ticker symbol "BLCT."

18. Defendant Baoli Ma ("Ma") has served as BlueCity's Chairman of the Board of Directors and Chief Executive Officer at all relevant times. Ma signed or authorized the signing of the Registration Statement filed with the SEC.

19. Defendant Zhiyong (Ben) Li ("Li") has served as BlueCity's Chief Financial Officer at all relevant times. Li signed or authorized the signing of the Registration Statement filed with the SEC.

20. Defendant Zhe Wei ("Wei") served as a Director of BlueCity at the time of the IPO. Wei signed or authorized the signing of the Registration Statement filed with the SEC.

21. Defendant Wei Ying ("Ying") served as a Director of BlueCity at the time of the IPO. Ying signed or authorized the signing of the Registration Statement filed with the SEC.

22. Defendants Ma, Li, Wei, and Ying are sometimes referred to herein collectively as the "Individual Defendants."

23. As directors, executive officers and/or major shareholders of the Company, the Individual Defendants participated in the solicitation and sale of BlueCity ADSs in the IPO for their own benefit and the benefit of BlueCity. The Individual Defendants were key members of

the IPO working group and executives of BlueCity who pitched investors to purchase the shares sold in the IPO, including in IPO road shows.

24. BlueCity and the Individual Defendants are sometimes collectively, in whole or in part, referred to herein as “Defendants.”

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

25. BlueCity operates a platform for the LGBTQ—lesbian, gay, bisexual, transgender, and queer (or questioning)—community primarily under the BlueCity brand in China, India, Korea, Thailand, and Vietnam. The Company operates a mobile application, *Blued*, together with other products and services. The Company’s LGBTQ platforms provide products and services, including social and entertainment, online health consulting and online pharmacy, and assisted reproductive technology service.

26. On June 16, 2020, BlueCity filed the Registration Statement on Form F-1 with the SEC in connection with the IPO, which, after amendment, was declared effective on July 7, 2020.

27. On July 8, 2020, BlueCity filed the Prospectus on Form 424B4 with the SEC in connection with the IPO, which incorporated and formed part of the Registration Statement.

### **Materially False and Misleading Statements Issued in the Offering Documents**

28. The Offering Documents touted BlueCity’s “large and active user base,” particularly monthly active users (“MAUs”) and daily active users (“DAUs”) generated through the Company’s *Blued* mobile application, in addition to, among other indicators of strong business and future growth prospects, the Company’s dominant market position in several countries, stating, *inter alia*:

We are the dominant leader in China. In 2019, we had average MAUs and average DAUs over six and nearly seven times that of the next largest player in China,

respectively . . . BlueCity's average MAUs grew from 4.1 million in the three months ended March 31, 2018 to 6.0 million in the three months ended March 31, 2020. Leveraging our experience in China, we have successfully expanded into a number of overseas markets and established a strong global presence. We are the largest online LGBTQ community in India, Korea, Thailand and Vietnam in terms of average MAUs in 2019 . . . We are rapidly expanding into new markets, and have users spanning over 210 countries and regions as of March 31, 2020. Users in countries and regions outside of China represented over 49% of our total MAUs in March 2020.

29. The Offering Documents also asserted BlueCity's ability to capitalize on its user base and dominant market position, in addition to citing historical results that indicated the Company was experiencing increased and sustainable profitability. For example, the Offering Documents stated that the Company's "total revenues increased by 51.4% to RMB758.9 million (US\$107.2 million) in 2019 from RMB501.3 million in 2018, and by 42.8% to RMB207.5 million (US\$29.3 million) for the three months ended March 31, 2020 from RMB145.3 million for the three months ended March 31, 2019," while the Company's "net loss decreased by 63.4% to RMB52.9 million (US\$7.5 million) in 2019 from RMB144.6 million in 2018, and by 71.2% to RMB7.6 million (US\$1.1 million) for the three months ended March 31, 2020 from RMB26.4 million for the three months ended March 31, 2019."

30. Similarly, the Offering Documents made positive statements regarding BlueCity's historically profitable average revenue per paying user ("ARPPU"), which purportedly benefited, in part, from the ongoing COVID-19 pandemic, stating, *inter alia*:

Our ARPPU for live streaming services increased from RMB1,279 in 2018 to approximately RMB2,059 in 2019, primarily due to more interactive and engaging formats and features offered in our live streaming business. Our ARPPU for live streaming services increased from RMB995 in the three months ended March 31, 2019 to RMB1,010 in the three months ended March 31, 2020, primarily due to our continuous efforts to enhance our live streaming services . . . Our paying users for live streaming services increased from approximately 137 thousand in the three months ended March 31, 2019 to 178 thousand in the three months ended March 31, 2020, primarily due to our continued monetization efforts in overseas markets, as well as increased user activity and willingness to pay as a result of COVID-19



related movement restrictions. We launched our membership services in June 2018, and our paying users for membership services increased from approximately 85 thousand in 2018 to 457 thousand in 2019. Our paying users for membership services increased from approximately 122 thousand in the three months ended March 31, 2019 to 295 thousand in the three months ended March 31, 2020. We have been enhancing various features of our membership services. Therefore we have made substantial progress in user acquisition in 2019 and monetization efforts in international markets in 2020 to date.

31. In the Offering Documents' discussion of key factors affecting BlueCity's results of operations, Defendants downplayed difficulties related to the Company's ability to further improve cost efficiency, stating, in relevant part, that BlueCity's "results of operations depend on our ability to manage our costs and expenses"; that BlueCity's "cost of revenues consists primarily of revenue-sharing costs, staff costs and processing fees and service charges payable to third-party business partners"; that "[i]t is critical for us to manage our costs and expenses effectively and improve operational efficiency"; that BlueCity "expect[s] the absolute amount of [its] staff costs to increase as [it] grow[s] [its] business"; and that the Company "will also invest in the growth of [its] platform by incurring selling and marketing expenses as [it] expand[s] into global markets and promote[s] more diversified services for the LGBTQ community"; none of which adequately apprised investors of the severe cost inefficiencies the Company was poised to face under the strain of its IPO- and growth-related costs associated with becoming a publicly traded company.

32. Moreover, the Offering Documents represented, *inter alia*, that BlueCity has "invested significant resources to . . . ensure the sustainable growth of [its] platform," that the Company has "a highly-scalable, cloud-based technology infrastructure to ensure the sustainable growth of [its] platform," and that "[t]alent development is fundamental to [BlueCity's] sustainable growth," while touting the myriad ways the Company ensured this development, including BlueCity's "new employee training" program, which "provide[s] comprehensive training tailored to new employees' personal goals to help them effectively and holistically align themselves with

[the Company's] corporate culture," as well as "various interactive training programs to develop [BlueCity] employees' professional skills and capabilities, including 'Knowledge and Innovation Sharing Sessions' in which [BlueCity] teach[es] them innovative skills and ideas to help them better develop [the Company's] businesses as well as their own career."

33. The statements referenced in ¶¶ 28-32 were materially false and misleading because the Offering Documents were negligently prepared and, as a result, contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading and were not prepared in accordance with the rules and regulations governing their preparation. Specifically, the Offering Documents made false or misleading statements or failed to disclose that: (i) Defendants had overstated BlueCity's business and financial prospects; (ii) the Company was ill-equipped to absorb the costs of becoming a publicly traded company, including IPO- and growth-related costs; (iii) as a result of all the foregoing, Defendants had misrepresented the Company's capability for sustainable growth; and (iv) as a result, the Offering Documents were materially false or misleading and failed to state information required to be stated therein.

34. On July 8, 2020, BlueCity conducted the IPO pursuant to the Offering Documents, issuing 5.3 million shares of the Company's ADSs to the public at the Offering price of \$16.00 per ADS for approximate proceeds of \$78.86 million to the Company before expenses and after applicable underwriting discounts and commissions.

### **The Truth Emerges**

35. On December 2, 2020, pre-market, BlueCity issued a press release announcing the Company's unaudited financial and operating results for the third quarter of the Company's fiscal year 2020. That press release reported, among other results, that "[t]he cost of revenues was RMB201.6 million (US\$29.7 million), representing an increase of 41.3% year-over-year," which

was “primarily due to the growth of revenue-sharing costs along with the continued growth of live streaming services, as well as the share-based compensation expenses with the Company’s [IPO] condition”; that “[s]elling and marketing expenses were RMB58.0 million (US\$8.5 million), representing an increase of 86.3% year-over-year,” which “was mainly due to the increased advertising and promotion expenses and staff cost, as well as the share-based compensation expenses with the IPO condition”; that “[t]echnology and development expenses were RMB50.3 million (US\$7.4 million), representing an increase of 49.5% year-over-year,” which “was mainly due to the share-based compensation expenses with the IPO condition”; and that “[g]eneral and administrative expenses were RMB132.4 million (US\$19.5 million), representing an increase of **4349%** year-over-year” (emphasis added), which “was mainly due to professional service fees incurred for the IPO and the share-based compensation expenses with the IPO condition.”

36. On this news, BlueCity’s ADS price fell \$3.30 per ADS, or 22.84%, to close at \$11.15 per ADS on December 2, 2020.

37. Then March 23, 2021, pre-market, BlueCity issued a press release announcing its results for the fourth quarter of 2020. Among other results, BlueCity announced revenue of \$42.7 million, missing consensus estimates by \$3.92 million. That press release also reported that “[t]he cost of revenues was RMB209.3 million (US\$32.1 million), representing an increase of 29.0% year-over-year,” which “was primarily due to the growth of revenue-sharing costs along with the continued growth of live streaming services”; that “[s]elling and marketing expenses were RMB49.7 million (US\$7.6 million), representing an increase of 56.7% year-over-year,” which “was mainly due to increased advertising and promotion expenses and staff cost”; that “[t]echnology and development expenses were RMB37.3 million (US\$5.7 million), representing an increase of 9.0% year-over-year,” which “was mainly due to the increased staff cost in

technology and development personnel”; and that “[g]eneral and administrative expenses were RMB56.5 million (US\$8.7 million), representing an increase of **345.5%** year-over-year” (emphasis added), which “was mainly due to share-based compensation expenses, as well as the increased professional fees and staff cost.”

38. On this news, BlueCity’s ADS price fell \$3.25 per ADS, or 26.71%, over the following two trading sessions, to close at \$8.92 per ADS on March 24, 2021.

39. At the time this Complaint was filed, BlueCity’s ADSs have continued to trade below the \$16.00 per share Offering price, damaging investors.

40. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline in the market value of BlueCity’s ADSs, Plaintiff and other Class members have suffered significant losses and damages.

#### **CLASS ACTION ALLEGATIONS**

41. Plaintiff brings this action as a class action on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired BlueCity ADSs in the IPO, or purchased BlueCity ADSs thereafter in the stock market pursuant and/or traceable to the Company’s Offering Documents issued in connection with the IPO, and were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, members of the Individual Defendants’ immediate families and their legal representatives, heirs, successors or assigns and any entity in which the officers and directors of the Company have or had a controlling interest.

42. 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, Plaintiff believes 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 BlueCity 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, including being given an opportunity to exclude themselves from the Class.

43. Plaintiff's 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.

44. Plaintiff 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.

45. 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 violated the 1933 Act;
- b) whether statements made by Defendants to the investing public in the Offering Documents misrepresented material facts about the business and operations of BlueCity; and
- c) to what extent the members of the Class have sustained damages and the proper measure of damages.

46. 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.

## **FIRST CAUSE OF ACTION**

### **For Violation of Section 11 of the 1933 Act Against All Defendants**

47. Plaintiff repeats and incorporates each and every allegation contained above as if fully set forth herein, except any allegation of fraud, recklessness, or intentional misconduct.

48. This Cause of Action is brought pursuant to Section 11 of the 1933 Act, 15 U.S.C. § 77k, on behalf of the Class, against all Defendants.

49. This Cause of Action does not sound in fraud. Plaintiff does not allege that Defendants had scienter or fraudulent intent, which are not elements of a Section 11 claim.

50. The Offering Documents for the IPO were 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.

51. The Defendants named in this Cause of Action are strictly liable to Plaintiff and the Class for the misstatements and omissions.

52. None of the Defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Offering Documents were true and without omissions of any material facts and were not misleading.

53. By reason of the conduct herein alleged, each Defendant named herein violated, and/or controlled a person who violated, Section 11 of the 1933 Act.

54. Plaintiff acquired BlueCity ADSs pursuant and/or traceable to the Offering Documents for the Company's IPO.

55. Plaintiff and the Class have sustained damages. The value of BlueCity ADSs has declined substantially subsequent to and because of Defendants' violations.

56. At the time of their purchases of BlueCity 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 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 elapsed between the time that the securities upon which this Cause of Action is brought were offered to the public and the time Plaintiff commenced this action.

## **SECOND CAUSE OF ACTION**

### **For Violation of Section 15 of the 1933 Act Against the Individual Defendants**

57. Plaintiff repeats and incorporates each and every allegation contained above as if fully set forth herein, except any allegation of fraud, recklessness, or intentional misconduct.

58. This Cause of Action is brought pursuant to Section 15 of the 1933 Act, 15 U.S.C. § 77o, on behalf of the Class, against the Individual Defendants.

59. The Individual Defendants each were control persons of BlueCity by virtue of their positions as directors and/or senior officers of BlueCity's predecessor entities immediately prior to the IPO. 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 BlueCity.

60. The Individual Defendants have a financial interest in conducting the IPO, and the Individual Defendants were each critical to effecting the IPO, based on their signing and/or their authorization of the signing of the Offering Documents, by participating to execute the IPO, and by having otherwise directed through their authority the processes leading to execution of the IPO, including obtaining underwriters, registration, qualification, authorization, pricing, offering to the public, and issuance and sale of the shares in the IPO.

61. By reason of such wrongful conduct, the Individual Defendants are liable pursuant to Section 15 of the 1933 Act.

### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action and certifying Plaintiff as class representative under N.Y. C.P.L.R. art. 9, et seq., and certifying Plaintiff's counsel as Class Counsel;

B. Awarding compensatory damages in favor of Plaintiff 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 Plaintiff and the other members of 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

E. Awarding such equitable/injunctive or other relief as the Court may deem just and proper, including permitting any putative Class members to exclude themselves by requesting exclusion through noticed procedures.

### **DEMAND FOR JURY TRIAL**

Plaintiff hereby demands a trial by jury.