

Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION— S.D.N.Y.: Class action alleges Chinese apartment management company concealed COVID-19 risks, (Apr. 29, 2020)

Securities Regulation Daily Wrap Up

[Click to open document in a browser](#)

By [R. Jason Howard, J.D.](#)

Offering materials omitted and misrepresented material information related to employees' coronavirus exposure, according to the complaint.

A class action complaint filed in the Southern District of New York alleges a Cayman Islands holding company, Phoenix Holding Limited, which leases and manages apartments in China, along with certain of its officers and directors, IPO underwriters and others, concealed renter complaints and the impact of the COVID-19 pandemic ([Wandelv. Phoenix Tree Holdings Limited](#), April 24, 2020).

Phoenix. The class action, filed on behalf of all the purchasers of American Depositary Shares of Phoenix in connection with its January 2020 IPO, asserts that the IPO offering materials did not disclose the company's exposure to the pandemic as a portion of its 5,000-plus employees worked in Wuhan, China, a significant hub for Phoenix.

According to the complaint, the offering materials "favorably portrayed Phoenix's business, emphasizing its focus on residents and customer service," despite tenants complaints concerning "Phoenix's practice of signing them up for bank loans without their knowledge or authorization and using the loan proceeds to fund its operations, while tenants unwittingly repaid the loans in monthly installments akin to rent."

The offering materials, according to the complaint, "obliquely" warned that business could be adversely affected if operations were disrupted by the effects of "Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics," but, as of the effective date of the offering materials, China and particularly the City of Wuhan, were already being devastated by the pandemic.

A press release issued by Phoenix on March 25, 2020, announced its unaudited financial results for the fourth quarter and fiscal year end December 31, 2019, and cautioned that the pandemic was expected to adversely affect financial performance for the first quarter of 2020. This information led to a decline in the trading price of the American Depositary Shares.

The complaint states that the plaintiff and other class members purchased the American Depositary Shares based on misleading information concerning the current and future prospects of Phoenix and the risks associated with purchasing the shares and, as a result, suffered damages.

Relief sought. The three court complaint asserts that the defendants violated federal securities laws and the plaintiff seeks class certification, compensatory damages against all defendants, jointly and severally for all damages in an amount to be determined at trial, an award of rescission or a rescissory measure of damages, to the extent available, and payment of reasonable costs and expenses.

The case is [No. 1:20-cv-03259](#).

Attorneys: Samuel H. Rudman (Robbins Geller Rudman & Dowd LLP) for Katherine Wandel.

Companies: Phoenix Tree Holdings Ltd

LitigationEnforcement: CorporateFinance CorporateGovernance Covid19 DirectorsOfficers FormsFilings
FraudManipulation GCNNews InternationalNews InvestorEducation IPOs PublicCompanyReportingDisclosure
SecuritiesOfferings ShareholderActivismNews NewYorkNews