SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: COMMERCIAL DIVISION

SONNY ST. JOHN, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. CLOOPEN GROUP HOLDING LIMITED, CHANGXUN SUN, YIPENG LI, KUI ZHOU, QINGSHENG ZHENG, XIAODONG LIANG, ZI YANG, MING LIAO, FENG ZHU, LOK YAN HUI, JIANHONG ZHOU, CHING CHIU, COGENCY GLOBAL INC., COLLEEN A. DEVRIES, GOLDMAN SACHS (ASIA) L.L.C., CITIGROUP GLOBAL MARKETS INC., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, TIGER BROKERS (NZ) LIMITED, and FUTU, INC., Defendants.	Index No.: 652617/2021 Part 54: Hon. Jennifer G. Schecter **DEMAND FOR JURY TRIAL**

AMENDED COMPLAINT FOR VIOLATIONS OF THE SECURITIES ACT OF 1933

Plaintiff Sonny St. John ("Plaintiff"), individually and on behalf of all others similarly situated, by Plaintiff's undersigned attorneys, 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 on the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of U.S. Securities and Exchange Commission ("SEC") filings by Cloopen Group Holding Limited ("Cloopen" or the "Company"), articles and other publications, including media and analyst reports about the Company and Company press releases. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein.

SUMMARY OF THE ACTION

1. Plaintiff brings this securities class action on behalf of persons who purchased, or otherwise acquired, Cloopen American Depositary Shares ("ADS") pursuant or traceable to the F-1 registration statement (including all amendments made thereto) and related prospectus on Form 424B4 (collectively, the "Registration Statement") issued in connection with Cloopen's February 9, 2021 initial public stock offering (the "IPO" or "Offering").

2. This action asserts non-fraud, strict liability claims under §§11, 12, and 15 of the Securities Act of 1933 ("1933 Act" or "Securities Act"), against Cloopen, certain Cloopen officers and directors, the underwriters of the IPO, and Cloopen's U.S. representatives (collectively, the "Defendants").

3. Cloopen purports to be the largest multi-capability cloud-based communications solutions provider in China, and the only provider in China that offers a full suite of cloud-based communications solutions covering communications platform as a service, or CPaaS, cloud-based contact centers, or cloud-based CC, and cloud-based unified communications and collaborations, or cloud-based UC&C. Cloopen conducted its IPO in New York, and its ADS are listed on the New York Stock Exchange (NYSE) under the ticker symbol "RAAS."

4. In February 2021, Defendants (defined below) commenced Cloopen's IPO. With the promise of retaining existing customers and capitalizing on opportunities for accelerated growth in China, Cloopen issued approximately 23 million ADS to the investing public at $16.00 per share, all pursuant to the Registration Statement.

5. The Registration Statement, however, contained untrue statements of material fact and omitted to state material facts both required by governing regulations and necessary to make the statements made not misleading.

6. In particular, the Registration Statement misled investors into believing that Cloopen's "land and expand" growth strategy, predicated on "cross-selling and up-selling," "optimiz[ing] existing solutions," and "develop[ing] new features," was working at the time of the IPO to both retain and grow Cloopen's customer base, and to keep the Company's dollar-based net retention rate, showing Cloopen's ability to increase revenue generated from its existing customer base, high and "stable." The Registration Statement's repeated claims and representations about its growth strategy and retention rates, however, were false and misleading because, at the time of the IPO, and as the Company knew, Cloopen's "land and expand" strategy was not working, and customers were exiting in droves.

7. As would later be revealed, Cloopen's dollar-based net retention rate had fallen off a cliff by the end of 2020, plummeting significantly below the 94.7% figure the Company observed in the nine months ended September 30, 2020. In fact, the fourth quarter dollar-based net retention rate, reflecting the period immediately preceding the Company's IPO, fell so drastically low that it caused the Company's fiscal year 2020 retention rate to tumble to 86.8% as of December 31, 2020, a marked decline from the Company's fiscal year 2019 retention rate of 102.7%. In addition, as customers exited in droves, an increasing number were not paying Cloopen for the services and/or solutions it provided, forcing Cloopen to recognize massive increases in its accounts receivables and its allowance for doubtful accounts, the latter of which reflects Cloopen's determination that these accounts were simply "uncollectible." As a result, Cloopen's general and administrative expenses swelled. Thus, contrary to the Registration Statement's claims, Cloopen's customer base was not "stay[ing] with [the Company]."

8. Also undisclosed in the Registration Statement was the fact that Cloopen had massive liabilities related to the fair value of certain recently granted warrants. These undisclosed

costs would cause Cloopen's net loss to skyrocket ***466.9% year-over-year***, a fact revealed to the market on March 26, 2021, just over six weeks after the IPO.

9. By failing to disclose the material facts detailed above and herein, Defendants also violated Item 303 of SEC Regulation S-K, 17 C.F.R. §229.303 ("Item 303"), which requires disclosure of "any ***known*** trends or uncertainties that have had or that [the] registrant reasonably expects will have a material favorable or unfavorable impact on the sales and revenues or income from continuing operations" of the registrant.[1] Cloopen's failing growth strategy and customer exodus were known trends or uncertainties that Cloopen reasonably expected would (and did) impact sales, revenue, and income from continuing operations.

10. Additionally, Item 105 of Regulation S-K, 17 C.F.R. §229.105 ("Item 105"), requires in the "Risk Factor" section of registration statements and prospectuses, "a discussion of the material factors that make [the offering] . . . speculative or risky" and that each risk factor "adequately describe the risk." At no point does the Registration Statement adequately disclose the ***known*** risks posed by either Cloopen's failed growth strategy or the remarkable deterioration of its customer base. Accordingly, Defendants also violated Item 105.

11. With these misrepresentations and omissions in the Registration Statement, the IPO went forward and Cloopen raised approximately $340.2 million in net proceeds.

12. Conversely, when the truth regarding the Company's fourth quarter 2020 revenue, accounts receivables and allowance for doubtful accounts, and the true value of its warrant liabilities, reached the market, Cloopen's common stock fell 18.5% from $14.42 per ADS on March 25, 2021 to close at $11.75 per ADS on March 26, 2021.

[1] Unless otherwise noted, all emphasis is added.

13. Weeks later, as Cloopen further revealed additional facts about its failed growth strategy and withering customer base, including that its dollar-based net retention rate by year end 2020 fell far below historical periods, Cloopen's stock fell again, closing at $8.97 per share on May 12, 2021, or 9.3% below its previous day close.

14. As of the date of the filing of this Amended Complaint, Cloopen's stock price has traded as low as $3.98 per ADS, representing a decline of over 75% from the $16 IPO offering price.

15. All told, investors have lost hundreds of millions of dollars because of Defendants' wrongdoing, which prevented Plaintiff and other ADS purchasers to adequately assess the value of the shares offered in connection with the IPO.

JURISDICTION AND VENUE

16. This Court has original subject matter jurisdiction under the New York Constitution, Article VI, §7(a). Removal is barred by §22 of the Securities Act.

17. This Court has personal jurisdiction, and venue is proper under the New York Civil Practice Laws and Rules ("CPLR"), because Defendants reside or are headquartered in this county; Defendants and their agents affirmatively solicited and sold the subject securities and offered the Registration Statement to investors in New York and this county; those contacts have a substantial connection to the claims alleged herein; and the securities at issue are listed and traded on the NYSE, which is located in this county.

PARTIES

18. Plaintiff purchased Cloopen ADS pursuant or traceable to the IPO and was damaged thereby.

19. Defendant Cloopen is a leading multi-capability cloud-based communications solution provider in China that offers a full suite of cloud-based communications solutions,

Cloopen conducted the IPO in New York, and its ADS are listed on the NYSE under the ticker symbol "RAAS."

20. Defendant Cogency Global Inc. ("Cogency Global") was Cloopen's authorized U.S. representative for purposes of the IPO. Defendant Colleen A. DeVries ("DeVries"), who signed the Registration Statement, is an employee of Defendant Cogency Global. As a result, Defendant Cogency Global is liable for the securities law violations committed by Defendant DeVries, in its capacity as employer and as a control person under the Securities Act.

21. Defendant Changxun Sun ("Sun") founded Cloopen and was, at the time of the IPO, Cloopen's Chief Executive Officer ("CEO") and Chairman of Cloopen's Board of Directors (the "Board"). Defendant Sun reviewed, contributed to, and signed the Registration Statement.

22. Defendant Yipeng Li ("Li") was, at the time of the IPO, Cloopen's Chief Financial Officer ("CFO") and a Director on Cloopen's Board. Defendant Li reviewed, contributed to, and signed the Registration Statement.

23. Defendant Kui Zhou ("Zhou") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Zhou reviewed, contributed to, and signed the Registration Statement.

24. Defendant Qingsheng Zheng ("Zheng") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Zheng reviewed, contributed to, and signed the Registration Statement.

25. Defendant Xiaodong Liang ("Liang") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Liang reviewed, contributed to, and signed the Registration Statement.

26. Defendant Zi Yang ("Yang") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Yang reviewed, contributed to, and signed the Registration Statement.

27. Defendant Ming Liao ("Liao") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Liao reviewed, contributed to, and signed the Registration Statement.

28. Defendant Feng Zhu ("Zhu") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Zhu reviewed, contributed to, and signed the Registration Statement.

29. Defendant Lok Yan Hui ("Hui") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Hui reviewed, contributed to, and signed the Registration Statement.

30. Defendant Jianhong Zhou ("J. Zhou") was, at the time of the IPO, a Director on Cloopen's Board. Defendant J. Zhou reviewed, contributed to, and signed the Registration Statement.

31. Defendant Ching Chiu ("Chiu") was, at the time of the IPO, a Director on Cloopen's Board. Defendant Chiu reviewed, contributed to, and signed the Registration Statement.

32. Defendant DeVries served as Senior Vice President on behalf of Defendant Cogency Global, the designated U.S. Representative of Defendant Cloopen, and reviewed, contributed to, and signed the Registration Statement.

33. Defendants Sun, Li, Zhou, Zheng, Liang, Yang, Liao, Zhu, Hui, J. Zhou, Chiu, and DeVries are collectively referred to herein as the "Individual Defendants." The Individual Defendants each signed the Registration Statement, solicited the investing public to purchase securities issued pursuant thereto, hired and assisted the underwriters, planned and contributed to the IPO and Registration Statement, and attended road shows and other promotions to meet with and present favorable information to potential Cloopen investors, all motivated by their own, and the Company's, financial interests.

34. Defendants Goldman Sachs (Asia) L.L.C., Citigroup Global Markets Inc. ("Citigroup"), China International Capital Corporation Hong Kong Securities Limited, Tiger Brokers (NZ) Limited, and Futu, Inc., are financial services companies that acted as underwriters for Cloopen's IPO, helping to draft and disseminate the Registration Statement and solicit investors to purchase Cloopen securities issued pursuant thereto. These Defendants are referred to herein as the "Underwriter Defendants."

35. 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 received tens of millions of dollars in fees (collectively) for their service. The Underwriter Defendants arranged a multi-city road show prior to the IPO, during which they, and representatives from Cloopen, 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 Cloopen and the Individual Defendants, that Cloopen would indemnify and hold the Underwriter Defendants harmless from any liability under the federal securities laws. They also made certain that Cloopen had purchased millions of dollars in directors' and officers' liability insurance.

c. Representatives of the Underwriter Defendants also assisted Cloopen and the Individual Defendants in planning the IPO, and purportedly conducted an adequate and reasonable investigation into the business and operations of Cloopen, 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 internal, confidential, current corporate information concerning Cloopen's most up-to-date operational and financial results and prospects.

d. In addition to availing themselves of virtually unlimited access to internal corporate documents, agents of the Underwriter Defendants met with Cloopen's lawyers, management and top executives and engaged in "drafting sessions" ahead of the IPO. 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 Cloopen ADS would be sold; (iii) the language to be used in the Registration Statement; (iv) what disclosures about Cloopen 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 Cloopen's management and top executives, the Underwriter Defendants knew of, or in the exercise of reasonable care should have known of, Cloopen's existing problems as detailed herein.

e. Finally, the Underwriter Defendants caused the Registration Statement to be filed with the SEC and declared effective in connection with the offers and sales of securities registered thereby, including those to Plaintiff and the other members of the Class.

SUBSTANTIVE ALLEGATIONS

A. Cloopen's Business and Financial Performance in the Years Leading Up to the IPO

36. Cloopen began providing cloud-based communications solutions in 2014. Because PRC laws and regulations impose restrictions on foreign ownership and investment in companies

that engage in value-added telecommunication services, like Cloopen, the Company primarily operates its business through Beijing Ronglian Yitong Information Technology Co. Ltd., or Ronglian Yitong, which also is an entity controlled by Defendants Sun and Zhou whom possess 71.01% and 26.46% interests, respectively.

37. Cloopen claims to be the largest multi-capability cloud-based communications solution provider in China, and the only provider in China that offers a full suite of cloud-based communications solutions covering CPaaS, cloud-based CC, and cloud-based UC&C. Cloopen's customer base consists of enterprises of all sizes across a variety of industries, including internet, telecommunications, financial services, education, industrial manufacturing, and energy.

38. Cloopen generates revenues primarily from its CPaaS, cloud-based CC and cloud-based UC&C solutions. In general, Cloopen charges its customers using its CPaaS solutions on a recurring basis, based on the monthly number of text messages and call minutes facilitated. Cloopen charges its customers using its cloud-based CC solutions deployed on public clouds on a recurring basis, with a combination of seat subscription fees and related resource fees. And Cloopen charges its customers using its cloud-based CC solution deployed on a private cloud and cloud-based UC&C solutions on a project basis.

39. In the years leading up to its IPO, Cloopen observed significant changes in how people in China communicate and collaborate in business settings. With business communications and collaboration increasingly migrating from traditional solutions dependent upon on-premise hardware and infrastructure, to take place across scattered locations and diverse devices, cloud-based communications solutions emerged (and continue) to be increasingly relied on and adopted. As a result, Cloopen experienced robust growth. By year end 2018 and 2019, and September 30,

2020, for example, Cloopen's active customer base expanded to over 10,200, 11,500, and 12,000, including 125, 152, and 173 large-enterprise customers, respectively.

40. According to Cloopen, driving this increase in active customers is its sales and marketing team, which consists of over 471 members (as of September 30, 2020), a substantial number of whom are well-versed in China's cloud-based communications industry. In addition to contacting prospective customers, Cloopen's sales and marketing team is also charged with maintaining current customer relationships, reviewing existing customer subscriptions, and expanding cross-selling and up-selling opportunities as part of the Company's "land and expand" strategy.

41. Moreover, as part of Cloopen's go-to-market strategy, the Company established sales representative offices in over 20 cities distributed across China (as of September 30, 2020). In addition to expanding its sales network, these offices enable Cloopen to stay closer to its customers, to receive honest feedback and insights into evolving communication needs, and to otherwise keep tabs on the existing customer relationship. Effectively, these offices serve as geographic hubs that collect relevant regional information in real time.

42. As a result of the foregoing, Cloopen's revenues rose in 2018, 2019, and the nine months ended September 30, 2019 and 2020, increasing 29.7% from RMB501.5 million in 2018 to RMB650.3 million (US$95.8 million) in 2019, and by 19.4% from RMB426.3 million in the nine months ended September 30, 2019 to RMB509.0 million (US$75.0 million) in the nine months ended September 30, 2020, of which 72.3%, 75.0%, 74.9%, and 76.5% were recurring revenues, respectively. At the same time, Cloopen's net losses increased. In 2018 and 2019, and the nine months ended September 30, 2019 and 2020, Cloopen incurred net loss of RMB155.5

million, RMB183.5 million (US$27.0 million), RMB129.6 million and RMB203.7 million (US$30.0 million), respectively.

B. Cloopen Issues Warrants and Engages in Other Financing Before the IPO

43. Cloopen engaged in several financing rounds before the IPO.

44. In October 2019, Cloopen issued warrants to Guizhou Province Yunli High-tech Industry Investment Partnership (Limited Partnership) and Guizhou Province Chuangxin Chuangye Equity Investment Fund (Limited Partnership) with the right to purchase an aggregate of 6,112,570 series E preferred shares, as adjusted, at the aggregate exercise price of US$15,000,000. In connection with these Series E warrants, the warrant holders extended loans to Ronglian Yitong in the aggregate principal amount of RMB equivalent to US$15,000,000 in 2019.

45. In March 2020 and July 2020, Cloopen issued additional warrants to the Series E warrant holders, affording them rights to purchase an aggregate of 314,274 series E preferred shares at nominal value.

46. Also in March 2020 and July 2020, Cloopen issued 3,706,745 and 3,036,187 pre-offering Class A ordinary shares, respectively, to Kastle Limited at nominal consideration. In July 2020, Cloopen also issued 464,900 pre-offering Class A ordinary shares to Will Hunting Capital Fund I, L.P. at the consideration of US$1,140,864.60.

47. In November 2020, Cloopen issued 1,700,000 pre-offering Class A ordinary shares to Wisdom Legend Investment Limited at nominal consideration. It also issued a series F warrant to Novo Investment HK Limited in the aggregate principal amount of US$34,000,000. The warrant holder may, within six months commencing from the issuance date, subscribe for an aggregate of 11,799,685 series F preferred shares of Cloopen, par value of US$0.0001 per share, at the exercise price of US$2.8814 per share, subject to adjustment. The series F warrant was,

prior to the expiration date, transferrable, subject to certain restrictions, and the warrant shares issuable thereunder were to be converted and re-designated into Class A ordinary shares after Cloopen's IPO.

48. Under generally accepted accounting principles, or GAAP, Cloopen was obligated to treat the aforementioned warrants as either equity instruments or as liabilities. By classifying these warrants to purchase redeemable convertible preferred shares as warrant liabilities, Cloopen was required to adjust the carrying value of the warrant liabilities to fair value.

49. According to Cloopen, it recorded its warrant liabilities on its consolidated balance sheets at estimated "fair value[s]," calculated using "unobservable inputs which are supported by little or no market activity." Cloopen purports to remeasure its warrant liabilities on a routine basis.

50. Cloopen's series E warrants were exercised in full in November 2020. Cloopen recorded the fair value of the Series E Redeemable Convertible Preferred Shares underlying the Series E warrants as $2.70 per share.

51. Cloopen's series F warrant was exercised in full in January 2021. Notwithstanding, Cloopen did not record the fair value of the Series F Redeemable Convertible Preferred Shares underlying the Series F warrant in the Offering Documents.

52. Cloopen also continued to issue pre-offering Class A ordinary shares in January and February 2021, affording, for example, Kastle Limited 1,424,312 shares at nil consideration and 6,410,750 and 15,065,118 pre-offering Class A ordinary shares to Flawless Success Limited and Flawless Wisdom Limited, respectively, due to the exercise of options by certain grantees under a 2016 share incentive Plan.

C. Cloopen Races to Conduct Its IPO Becoming the First Chinese SaaS Company Listed in the United States

53. With the promise of "land[ing] and expand[ing]," "optimiz[ing] [its] existing solutions," and "develop[ing] new features," to keep existing customer and to capitalize on opportunities for accelerated growth in China, Cloopen filed with the SEC on November 13, 2020, a confidential draft registration statement on Form F-1, which would be used for the IPO following a series of amendments in response to SEC comments, including comments concerning the Company's financial condition and its pre-IPO capital raises. *See* ¶6, *supra*.

54. On February 3, 2021, Cloopen filed its final amendment to the Registration Statement, which, incorporating and in combination with related documents, registered a maximum of 23 million Cloopen ADS for public sale.

55. Two days later, on February 5, 2021, Defendant Sun, on behalf of Cloopen, filed a letter with the SEC requesting "that the effectiveness of the . . . Registration Statement on Form F-1, as amended (the "Form F-1 Registration Statement") be accelerated to and that the Registration Statement become effective at 4:00 p.m. on February 8, 2021, or as soon thereafter as practicable." Defendants Goldman Sachs, Citigroup, and China International Capital Corporation, serving as representatives for all the Underwriter Defendants, joined in Cloopen's "request for acceleration," and filed their own letter with the SEC that same day.

56. The SEC declared the Registration Statement effective on February 8, 2021.

57. On February 9, 2021, Defendants priced the IPO at $16 per ADS, filing the final Prospectus for the IPO that same day, which forms part of the Registration Statement. In so doing, Cloopen became the first Chinese SaaS company listed in the United States, an accomplishment Cloopen repeatedly publicized.

58. Ultimately, Defendants raised approximately $340.2 million in net proceeds from their issuance of new shares for the IPO, after deducting underwriting discounts and commissions and estimated offering expenses payable to the Company.

D. Undisclosed to Investors at the Time of Its IPO, Cloopen Experienced Severe Business Reversals in the Fourth Quarter of 2020

59. Cloopen's fourth quarter and fiscal year 2020 closed December 31, 2020, more than a month before it filed its final amendment to the Registration Statement.

60. Unbeknownst to prospective investors, during the fourth quarter of 2020, Cloopen's growth strategy was failing and its customers were leaving the Company in droves.

61. Cloopen's dollar-based net customer retention rate, a "key operating metric" showing Cloopen's ability to increase revenue generated from its existing customer base, for example, was dramatically declining in the fourth quarter of 2020.

62. To calculate dollar-based net customer retention rate for a given period, Cloopen first identifies all its customers who purchase solutions that are offered on a recurring basis, with over RMB1,000 in monthly spending in the preceding period. Cloopen then calculates the quotient from dividing the revenue generated from these customers by the revenue generated from the same group of customers in the preceding period. Solutions that Cloopen offers on a recurring basis include its CPaaS solutions and its cloud-based CC solutions deployed primarily on a public cloud.

63. In 2018, 2019, and the nine months ended September 30, 2020, the dollar-based net customer retention rate in relation to solutions Cloopen offered on a recurring basis was 135.7%, 102.7%, and 94.7%, respectively.

64. As was later revealed, for fiscal year 2020, Cloopen's dollar-based net customer retention rate had fallen to 86.8%. Besides itself being drastically lower than any historical period, Cloopen's fiscal 2020 dollar-based net customer retention rate of 86.8% also indicates that its

fourth quarter 2020 dollar-based net customer retention rate had to be substantially lower than the 94.7% rate observed over the first three quarters of 2020. In other words, for the fourth quarter of 2020, large numbers of customers were not purchasing additional solutions from Cloopen (or, in some cases, any solutions for that matter), which itself was devastating and, further, was much worse than Cloopen's historical experience as represented in the Offering Documents.

65. Since Cloopen's dollar-based net customer retention rate reflects its ability to increase revenue generated from its existing customer base, this marked decline shows that Cloopen was having difficulty executing on its "land and expand" sales strategy and, further, that existing customers were reducing the number of solutions they used, all in the period leading up to the IPO.

66. To make matters worse, by year end 2020, Cloopen was also witnessing an increase in the number of customers electing not to pay Cloopen for the services and/or solutions it provided. As a result, Cloopen was seeing increases in its accounts receivables and its allowance for doubtful accounts, which, if revealed at the time of the IPO, would have further undermined the Company's narrative about the ongoing success of its growth strategy.

67. According to the Company, Cloopen recognizes accounts receivables after providing services to customers and when its right to payment is unconditional. The Company records an allowance for doubtful accounts in its general and administrative expenses based on the age of the accounts receivables or after identifying accounts receivables likely to become "uncollectible." Accounts receivables which are deemed to be uncollectible are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Cloopen's provision for doubtful accounts is accounted for as a component of the Company's "general and administrative expenses."

68. As mentioned above, Cloopen charges its customers through a combination of pricing methods, depending on the type of solutions they use. *See* ¶38. Cloopen's standard payment terms are generally not more than 90 days after customers have been billed for the solutions or services delivered.

69. Through its robust sales and marketing team and its strategically-located regional sales representative offices, Cloopen is able to (and does) maintain regular contact with its customers. *See* Section A, *supra*. As a result, Cloopen is aware of (or can observe with relatively little effort) the status of their customers' existing accounts.

70. In 2018, 2019, and the nine months ended September 30, 2020, Cloopen recorded accounts receivables of RMB150.3 million, RMB219.1 million (US$32.3 million), and RMB232.0 million (US$34.2 million), and allowance for doubtful accounts in relation to accounts receivables of RMB19.3 million, RMB22.4 million (US$3.3 million), and RMB31.6 million (US$4.7 million), respectively.

71. As was later revealed, in the lead up to the IPO, Cloopen's accounts receivables and allowance for doubtful accounts were rising, eventually reaching RMB238.3 million (US$36.5 million) and RMB38.1 million (US$5.8 million), respectively. As a result, Cloopen's general and administrative expenses swelled by ***59.2%*** YOY, and operating expenses rose by ***30%*** for the same period.

72. As with the dramatic decline in Cloopen's dollar-based net retention rate, these increases further confirm how, at the time of the IPO, there was in fact a deteriorating opportunity (or no opportunity at all) to grow Cloopen's customer base and business, nor any validity behind the Registration Statement's repeated claims that Cloopen's growth strategy was working or would continue to work into the future.

E. The Offering Materials' Actionable Omissions and Misrepresentations

73. As alleged herein, the Registration Statement was negligently prepared and, as a result, contained untrue statements of material fact and omitted to state material facts both required by governing regulations and necessary to make the statements made not misleading.

74. First, to convince prospective investors that its recent growth was not fleeing, the Registration Statement made false representations regarding the strength of Cloopen's "diverse and ***loyal*** customer base" and how its "land and expand" strategy, including its efforts to "cross-sell[] and up-sell[]," "optimize existing solutions," and "develop new features," was working to both retain existing customers and expand Cloopen's customer base at the time of the IPO.

75. For example, the Registration Statement sets forth Cloopen's growth strategy, which consists of "continuously innovate[ing] [its] solutions and ***captur[ing] new growth opportunities***, continuously optimiz[ing] [its] product offering mix, ***expand[ing] sales to existing customers***, [and] ***grow[ing] [its] customer base[.]***" The Registration Statement repeatedly then claims that Cloopen's sales and marketing team enjoys "***considerable opportunities***" to cross-sell and up-sell Cloopen's solutions to its "diverse and ***loyal*** customer base," which represents only "a small fraction of [Cloopen's] total addressable market in China," and consists of enterprises that "***stay with [the Company]*** due to the critical role [Cloopen's] solutions play in their business." To support this claim, the Registration Statement touts Cloopen's history of, and ability to maintain, an over 94% dollar-based net retention rate.

76. The Registration Statement further represented that, based on the facts at the time of the IPO, Cloopen expected its dollar-based net retention rate to "***remain stable*** at a relatively high level," as the Company "continuously optimize[s] [its] existing solutions and develop[s] new features and solutions."

77. The aforementioned statements, however, were false and misleading because, at the time of the IPO, and as the Company knew, Cloopen's "land and expand" strategy was not working, and customers were exiting in droves. As would later be revealed, Cloopen's dollar-based net retention rate was not "stable," but rather had fallen off a cliff by the end of 2020, plummeting significantly below the 94.7% figure the Company observed in the nine months ended September 30, 2020. In fact, the fourth quarter dollar-based net retention rate, reflecting the period immediately preceding the Company's IPO, fell so drastically low that it caused the Company's fiscal year 2020 retention rate to tumble to 86.8%, a marked decline from the Company's fiscal year 2019 retention rate of 102.7%. This meant, Cloopen's purportedly "loyal" existing customer base was not "expand[ing]" into additional solutions and that Cloopen's "strong customer acquisition capability [and] ***steady*** revenue stream from repeat customers," was waning. In other words, Cloopen's "land and expand" strategy was failing.

78. For these same reasons, the Registration Statement's claims about Cloopen's strategies to "***strengthen [its] sales efforts***" by "optimiz[ing] [its] incentive structure to encourage [Cloopen's] sales and customer support teams to actively and regularly interact with existing customers, in order to identify changes in customer needs . . . to more effectively cross-sell and up-sell [its] solutions," "***strengthen [its] direct sales capabilities*** to cover more key accounts and tap into more industries," "***serve more customers*** from similar industries to lower the additional costs in industry customization as [Cloopen] scale[s]," "***strategically establish business relationships*** with enterprises in second- and lower-tier cities to capitalize on the increasing penetration of cloud-based communications solutions into these areas," and "***collaborate with an increasing number of channel partners*** . . . to further expand [Cloopen's] geographical coverage

in China," were false and misleading. These statements failed to disclose that these initiatives were not working and customers were exiting in droves.

79. The misrepresentations in ¶¶74-76; 78 above were further misleading because, at the time of the IPO, an increasing number of customers were not paying Cloopen for the services and/or solutions it provided, forcing Cloopen to recognize massive increases in its accounts receivables and its allowance for doubtful accounts, the latter of which reflects Cloopen's determination that these accounts were simply "uncollectible." As such, the supposed "opportunity" to "up-sell and cross-sell" existing customers did not in fact exist, explaining why revenues for the period ending December 31, 2020 were, according to analysts, "***soft,***" and general and administrative expenses had ***grown by 59.2% YOY***.

80. Furthermore, although the risk factors in the Registration Statement mentioned the possibility that Cloopen's customers "***may*** delay or even be unable to pay [the Company] in accordance with the payment terms included in [its] agreements with them," that "[a]ny change in [its] customers' business and financial conditions ***may*** affect [Cloopen's] collection of accounts receivables," or that its "efforts to cross-sell and up-sell [***may***] not [be] as successful as [Cloopen] anticipates," these risk warnings were themselves materially false and misleading because the risks warned of had already come to pass as of the effective date of the Registration Statement.

81. The Registration Statement's summary of Cloopen's capitalization efforts leading up to the IPO also misled investors. According to the Registration Statement:

> In October 2019, ***we issued warrants*** to Guizhou Province Yunli High-tech Industry Investment Partnership (Limited Partnership) and Guizhou Province Chuangxin Chuangye Equity Investment Fund (Limited Partnership) ***with the right to purchase an aggregate of 6,112,570 series E preferred shares, as adjusted, at the aggregate exercise price of US$15,000,000*** . . . . In March 2020 and July 2020, we issued ***additional warrants*** to such warrant holders ***with rights to purchase an aggregate of 314,274 series E preferred shares at nominal value for anti-dilution purpose***. ***The series E warrants were exercised in full in November 2020.***

* * *

> In November 2020, ***we issued a warrant*** to Novo Investment HK Limited with the value of US$34,000,000, or the series F warrant. ***The warrant holder may, within six months commencing from the issuance date, subscribe for an aggregate of 11,799,685 series F preferred shares of our company, par value of US$0.0001 per share, at the exercise price of US$2.8814 per share, subject to adjustment.*** The series F warrant is, prior to the expiration date, transferrable, subject to certain restrictions, and the warrant shares issuable thereunder will be converted and re-designated into Class A ordinary shares after this offering . . . . ***The series F warrant was exercised in full in January 2021.***

82. The Registration Statement also noted how Cloopen accounted for the Series E and Series F warrants as liabilities using their estimated fair value, which was to be remeasured routinely:

> At initial recognition, the Group recorded the warrant liabilities on the consolidated balance sheets at their estimated fair value and changes in estimated fair values were included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss or and allocated to the proceeds from the issuance of the debt instrument to the warrants based on the warrant liabilities fair value. The warrant liabilities are subject to remeasurement at each reporting period and the Group adjusted the carrying value of the warrant liabilities to fair value at the end of each reporting period utilizing the binominal option pricing model, with changes in estimated fair value included in the change in fair value of warrant liabilities on the consolidated statement of comprehensive loss.

83. According to the Registration Statement, the fair value of the Series E preferred shares underlying the Series E Warrants as of December 31, 2019 and September 30, 2020 were $2.49 and $2.70, respectively. Though the fair value of the Series F preferred shares underlying the Series F Warrant were not provided, the exercise price of the preferred shares underlying the Series F warrant was $2.8814 per share.

84. The statements in ¶¶81-83 above misled prospective investors in that they failed to disclose that, due to the fact that Cloopen had valued these warrants at extremely low levels, Cloopen had massive additional costs associated with the warrants that needed to be recognized.

85. The Offering Documents also violated Sections 11 and 12 of the Securities Act by omitting critical information regarding trends, risks, and uncertainties that existed at the time of

the IPO. The affirmative disclosure obligations required this information to be disclosed in the Offering Documents, an obligation that the Defendants violated.

86. As detailed herein, Cloopen filed a registration statement on Form F-1 for the IPO. Part I of Form F-1, entitled, "Information Required in Prospectus," governs the nature and content of information an issuer must disclose in connection with an offering, such as the IPO. Item 4 of Part I, entitled, "Information with Respect to the Registrant and the Offering," requires, in subpart (a) thereof, disclosure of the "[i]nformation required by Part I" of Form 20-F.

87. In turn, Item 5 of Part I of Form 20-F, entitled "Operating and Financial Review and Prospects," requires an issuer to disclose "***management's assessment of factors and trends which are anticipated to have a material effect on the company's financial condition and results of operations in future periods.***" (Emphasis in original). Specifically, Item 5(D), entitled "Trend information," provides:

> The company must identify the most significant recent trends in production, sales and inventory, the state of the order book and costs and selling prices since the latest financial year. ***The company also must discuss, for at least the current financial year, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition***.

88. The scope of the information whose disclosure is required under this paragraph on trends, uncertainties, and events is coextensive with that required under Item 303(a)(2)(ii) of SEC Regulations S-K, 17 C.F.R. §229.303(a)(3)(ii), which requires an issuer to "[d]escribe any known trends or uncertainties that have had or that are reasonably likely to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations."

89. Defendants were thus required to disclose that Cloopen's growth strategy was not working and that its customers were: (i) leaving in droves; (ii) dramatically decreasing their usage

of Cloopen's solutions, so much so that the Company's dollar-based net retention rate fell significantly below the Company's historical levels; and (iii) increasingly failing to pay for the services or solutions that Cloopen rendered. The omitted material facts alleged herein were reasonably expected to (and did) have an unfavorable impact on the Company's sales, revenues, and income from continuing operations at the time of the IPO. By failing to disclose this information, Defendants violated Item 303. Defendants also had an obligation to disclose (but failed to) the massive warrant liabilities facing the Company at the time of the IPO in violation of Item 303.

90. Likewise, the Offering Materials failed to disclose certain of Cloopen's most material risks as of the IPO, in violation of Item 105 of SEC Regulation S-K, 17 C.F.R. §229.105. Item 105 requires an issuer to "provide under the caption 'Risk Factors' a discussion of the material factors that make an investment in the [securities] speculative or risky." Specifically, Item 105 requires a company to "[e]xplain how the risk affects the registrant or the securities being offered" and "[s]et forth each risk factor under a subcaption that adequately describes the risk." Item 3 of Part I of Form F-1 also requires a foreign private issuer, such as the Company, to "[f]urnish the information required" by Item 105.

91. Cloopen's discussion of risk factors inadequately described the risks posed by Cloopen's deteriorating customer base, ineffective growth strategy, and large warrant liabilities. It also failed to warn of the likely and consequent materially adverse effects such risks posed on the Company's future results, share price, and prospects. Without adequate disclosure of the specific risks ***then facing*** Cloopen related to its customers and growth initiatives, investors could not adequately ascribe a value for the Company's ADS in connection with the IPO.

F. After the Company Generated Over $340 Million in Net Proceeds from Shareholders, Investors Began to Learn the Truth About Cloopen's Financial Condition and Deteriorating Customer Base

92. On March 26, 2021, Cloopen shocked the market when it published its fourth quarter and fiscal year 2020 results, which closed on December 31, 2020, more than a month before the IPO.

93. Cloopen reported fourth quarter revenues of $39.6 million, $2 million shy of analysts' consensus, net losses of $305.4 million (46.8 million), ***representing a staggering 466.9% increase year-over-year***, and operating expenses of RMB180.4 million ($27.6 million), ***representing a 30% increase*** from RMB138.8 million in the fourth quarter of 2019.

94. In both the Form 6-K filed with the SEC on March 26, 2021 and during the analyst earnings call that took place the same day, Defendants blamed a "***change in fair value of warrant liabilities of RMB224.8 million (US$34.4 million)***" for Cloopen's remarkable net loss, and an "***increase in its provision for doubtful accounts resulting from increased accounts receivables***" for the ***59.2% increase recorded in general and administrative expenses***.

95. These disappointing fourth quarter results also dragged down the Company's full year performance, which resulted in revenues increasing only 18.1%, net losses of RMB509.1 million (US$78.0 million), representing an ***increase of 177.5%*** year-over-year, and a 90.1% increase in general and administrative expenses. Defendants again blamed an "***increase in the change in fair value of warrant liabilities***," this time to the tune of RMB227.5 million (US$34.9 million) and "***a significant increase*** in provision for doubtful accounts resulting from an increase in accounts receivables."

96. In response to this news — the same news that was featured in a March 26, 2021 article published on *SeekingAlpha* entitled, "Cloopen Group shares fall after reporting ***soft*** Q4

revenue, rising losses," — Cloopen's stock price plunged from $14.42 per ADS on March 25, 2021 to close at $11.75 per ADS on March 26, 2021, a decline of 18.5%.

97. As further information emerged about how poorly Cloopen's growth strategy was performing, how Cloopen's customer base was deteriorating, and how Cloopen was estimating the fair value of certain warrants, all ahead of the IPO, the value of Cloopen's shares continued to decline. For example, on May 10, 2021, after the market closed, Cloopen filed its Annual Report on Form 20-F (the "Annual Report"), revealing for the first time that its dollar-based net customer retention rate had hemorrhaged from 102.7% in 2019 to 86.8% by year end 2020. This meant, Cloopen's purportedly "loyal" existing customer base was not "expand[ing]" into additional solutions — a fact Defendants had to have known given how Cloopen "built a sales and marketing team well-versed in China's cloud-based communications industry," tasked its team members with "***renewing existing subscriptions***[] and ***maintaining customer relationships***," and established strategically-located sales representative offices to "***stay closer to potential [and existing] customers*** and accommodate specific needs . . . more effectively." In other words, Cloopen's "land and expand" strategy was not working.

98. In addition, the Annual Report disclosed for the first time that the fair value of the Series F Redeemable Convertible Preferred Shares underlying the Series F warrant, issued and exercised in full ahead of the IPO, was, ***as of December 31, 2020***, $5.50 per share.

99. Not surprisingly, as the market absorbed all this news, the value of Cloopen's shares fell from $9.89 per share on May 11, 2021 to close at $8.97 per share on May 12, 2021, representing a decline of 9.3%.

100. Since then, Cloopen's shares have continued to precipitously decline. As of the date of the filing of this Amended Complaint, Cloopen's stock price traded as low as $3.98 per ADS, representing a decline of over 75% from the $16 IPO offering price.

CLASS ACTION ALLEGATIONS

101. Plaintiff brings this action as a class action on behalf of all those who purchased Cloopen ADS pursuant or traceable to the Registration Statement (the "Class"). Excluded from the Class are Defendants and their families, the officers and directors and affiliates of Defendants, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

102. 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 at least thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Cloopen 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.

103. 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.

104. 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.

105. 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 Securities Act;

b) whether the Registration Statement contained false or misleading statements of material fact and omitted material information required to be stated therein; and

c) to what extent the members of the Class have sustained damages and the proper measure of damages.

106. 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 §11 of the Securities Act
Against All Defendants

107. Plaintiff repeats and re-alleges each and every allegation contained above, as if fully set forth herein.

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

109. The Registration Statement 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.

110. Defendants are strictly liable to Plaintiff and the Class for the misstatements and omissions.

111. 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, without omissions of any material facts, and were not misleading.

112. By reason of the conduct herein alleged, each Defendant violated or controlled a person who violated §11 of the Securities Act.

113. Plaintiff acquired Cloopen ADS pursuant to the Registration Statement.

114. Plaintiff and the Class have sustained damages. The value of Cloopen ADS has declined substantially subsequent to and due to Defendants' violations.

115. At the time of their purchases of Cloopen shares, 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 have 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 §12(a)(2) of the Securities Act
Against All Defendants

116. Plaintiff repeats and re-alleges each and every allegation contained above, as if fully set forth herein.

117. By means of the defective prospectus, Defendants promoted, solicited, and sold Cloopen shares to Plaintiff and other members of the Class.

118. The prospectus for the IPO contained untrue statements of material fact, and concealed and failed to disclose material facts, as detailed above. Defendants owed Plaintiff, and the other members of the Class who purchased Cloopen shares pursuant to the prospectus, the duty

to make a reasonable and diligent investigation of the statements contained in the prospectus, to ensure that such statements were true and that there was no omission to state a material fact required to be stated, in order to make the statements contained therein not misleading. Defendants, in the exercise of reasonable care, should have known of the misstatements and omissions contained in the prospectus, as set forth above.

119. Plaintiff did not know, nor in the exercise of reasonable diligence could Plaintiff have known, of the untruths and omissions contained in the prospectus at the time Plaintiff acquired Cloopen shares.

120. By reason of the conduct alleged herein, Defendants violated §12(a)(2) of the Securities Act. As a direct and proximate result of such violations, Plaintiff and the other members of the Class who purchased Cloopen shares, pursuant to the prospectus, sustained substantial damages in connection with their purchases of the shares. Accordingly, Plaintiff and the other members of the Class who hold the ADS issued pursuant to the prospectus have the right to rescind and recover the consideration paid for their shares, and hereby tender their ADS to Defendants sued herein. Class members who have sold their ADS seek damages to the extent permitted by law.

THIRD CAUSE OF ACTION
For Violation of §15 of the Securities Act
Against All Defendants Except the Underwriter Defendants

121. Plaintiff repeats and re-alleges each and every allegation contained above, as if fully set forth herein.

122. This Cause of Action is brought pursuant to §15 of the Securities Act against all Defendants except the Underwriter Defendants.

123. The Individual Defendants were controlling persons of Cloopen, within the meaning of the Securities Act. By virtue of their positions as directors or senior officers of Cloopen

or Cogency Global, as alleged above, these Defendants each had the power to influence, and exercised same, over the Company to cause it to engage in the conduct complained of herein. The Company controlled the Individual Defendants and all of Cloopen's employees. The Individual Defendants each had a series of direct and indirect business and personal relationships with other directors and officers and major shareholders of Cloopen. Likewise, Cogency Global controlled Defendants Arthur and DeVries, both of whom signed the Registration Statement at the direction of Cogency Global, in their capacities as employee representatives of Cogency Global. Cloopen, the Individual Defendants, and Cogency Global were culpable participants in the violations of §§11 and 12(a)(2) of the Securities Act alleged in the First and Second Causes of Action 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.

PRAYER FOR RELIEF

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

A. Under Article 9 of the CPLR, certifying this class action, appointing Plaintiff as a Class representative, and appointing Plaintiff's counsel as Class Counsel;

B. Awarding damages in favor of Plaintiff and the Class against all Defendants, jointly and severally, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees; and

D. Awarding rescission, disgorgement, or such other equitable or injunctive relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiff demands trial by jury.

DATED: October 4, 2021

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