

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

\_\_\_\_\_, individually and on  
behalf of all others similarly situated,

Plaintiff,

v.

EHANG HOLDINGS LIMITED, HUAZHI  
HU, RICHARD JIAN LIU, and EDWARD  
HUAXIANG XU,

Defendants.

Case No.

**CLASS ACTION COMPLAINT  
FOR VIOLATION OF THE  
FEDERAL SECURITIES LAWS**

Jury Trial Demanded

Plaintiff \_\_\_\_\_ (“Plaintiff”), by and through his attorneys, alleges upon personal knowledge as to his own acts, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the “SEC”), news reports, press releases issued by Defendants, and other publicly available documents, as follows:

**NATURE AND SUMMARY OF THE ACTION**

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired Ehang Holdings Limited (“EHang” or the “Company”) American depository shares (“ADS”) between December 12, 2019 and February 16, 2021 (and on February 16, 2021, only for those who purchased shares at or above the price of \$112.00), inclusive (the “Class Period”). This action is brought on behalf of the Class for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

2. EHang purports to be an autonomous aerial vehicle (“AAV”) technology platform company. The Company has stated that it is “pioneering the future of transportation through our proprietary developed AAVs and related commercial solutions. We believe we are the first in the world to launch passenger-grade AAVs, setting a new milestone in AAV technology.” EHang’s purported flagship, passenger-grade AAV is the “EH216.”

3. Since December 12, 2019, the start of the Class Period, EHang ADS have traded on the NASDAQ stock exchange under the ticker “EH.” The Company is headquartered in Guangzhou, People’s Republic of China.

4. In recent press releases and other public statements, Defendants have lauded EHang’s AAV business and prospects, including announcing numerous “flight certifications” and “long-term” approvals for its “passenger-grade” EH-216 in the US, Canada, and various European countries. As alleged herein, Defendants have repeatedly asserted that EHang is “the world’s leading autonomous aerial vehicle (AAV) technology platform company,”

5. During the trading day on February 16, 2021, analyst Wolfpack Research published a scathing report entitled “EHang: A Stock Promotion Destined to Crash and Burn.” In this report, and as further alleged herein, Wolfpack Research wrote that EHang is “an elaborate stock promotion, built on largely fabricated revenues based on sham sales contracts with a customer [Shanghai Kunxiang Intelligent Technology Co., Ltd. (“Kunxiang”)] who appears to us to be more interested in helping inflate the value of its investment in EH . . . than about buying its products.” Wolfpack Research wrote that it had “gathered extensive evidence” to support its report, “including behind-the-scenes photographs, recorded phone calls, and videos of on-site visits to EH’s various facilities . . . .” Wolfpack Research also noted that “in just 14 months as a publicly traded company, EH’s PR team has put out 50 press releases . . . . However, EH’s constant stream

of press releases are easily proven untrue.” Finally, Wolfpack Research wrote that it “obtained Chinese court records which show that EH’s ADRs may already be in serious jeopardy due to legal issues in China.”

6. On this news, the price of EHang’s ADS fell from its February 12, 2021 close of \$124.09 to a February 16, 2021 close of \$46.30 per share, a one day drop of \$77.79 per share or approximately 62.7%.<sup>1</sup>

7. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) the Company’s purported regulatory approvals in Europe and North American for its EH216 were for use as a drone, and not for carrying passengers; (ii) its relationship with its purported primary customer is a sham; (iii) EHang has only collected on a fraction of its reported sales since its ADS began trading on NASDAQ in December 2019; (iv) the Company’s manufacturing facilities were practically empty and lacked evidence of advanced manufacturing equipment or employees; and (v) as a result, the Company’s public statements were materially false and misleading at all relevant times.

### **JURISDICTION AND VENUE**

8. The federal law claims asserted herein arise under §§ 10(b) and 20(a) of the Exchange Act, 15 U.S.C. § 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5, as well as under the common law.

9. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §1331 and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

10. This Court has jurisdiction over each Defendant named herein because each

---

<sup>1</sup> The markets were closed between February 13 and February 15, 2021, for the weekend and the President’s Day holiday.

Defendant is an individual or corporation who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

11. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1931(b), as the Company's ADS trade on the NASDAQ stock exchange, which is located within this District, and because the Company conducts substantial business here. Furthermore, EHang's agent for service of process in the United States is Cogency Global Inc., located at 122 East 42nd Street, 18<sup>th</sup> Floor, New York, NY 10168.

12. In connection with the acts, omissions, conduct and other wrongs in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to the United States mail, interstate telephone communications and the facilities of the national securities exchange.

### **PARTIES**

13. Plaintiff \_\_\_\_\_ acquired and held shares of EHang at artificially inflated prices during the class period, and has been damaged by the revelation of the Company's material misrepresentations and material omissions.

14. Defendant EHang purports to be an autonomous aerial vehicle technology platform company engaged in "pioneering" the future of transportation through the Company's purportedly proprietary developed AAVs and related commercial solutions. EHang ADS trade on the NASDAQ stock exchange under the ticker "EH." The Company's headquarters are located at Building C, Yixiang Technology Park, No. 72 Nanxiang Second Road, Huangpu District, Guangzhou, 510700, People's Republic of China. EHang is incorporated under the laws of the Cayman Islands.

15. Defendant Huazhi Hu is EHang's founder and has served as Chief Executive Officer and Chairman of the Board of Directors since EHang was founded.

16. Defendant Richard Jian Liu is EHang's Chief Financial Officer, and has served in that capacity since May 2017.

17. Defendant Edward Huaxiang Xu is EHang's Chief Strategic Officer, and has served in that capacity since July 2019.

18. Collectively, Defendants Hu, Liu, and Xu are referred to throughout this complaint as the "Individual Defendants."

19. The Individual Defendants, because of their positions at the Company, possessed the power and authority to control the content and form of the Company's annual reports, quarterly reports, press releases, investor presentations, and other materials provided to the SEC, securities analysts, money and portfolio managers and investors, *i.e.*, the market. The Individual Defendants authorized the publication of the documents, presentations, and materials alleged herein to be misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these false statements or to cause them to be corrected. Because of their position with the Company and access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

### **SUBSTANTIVE ALLEGATIONS**

20. EHang was incorporated in December 2014 in the Cayman Islands as an offshore holding company to facilitate offshore financing and listing. In the same month, Ehfly was established in Hong Kong, which subsequently became EHang's wholly-owned subsidiary. In October 2015, Ehfly established a wholly-owned subsidiary in China, EHang Intelligent, which

purported to be engaged in the research, development, manufacture, and sale of AAVs, and the research and development of software, communication technology and autonomous control technology related to air mobility and intelligent aviation.

### **MATERIALLY FALSE AND MISLEADING STATEMENTS**

21. The Class Period begins on December 12, 2019, when EHang's ADS commenced trading on the NASDAQ stock exchange.

22. In the Prospectus filed on Form 424B4 with the SEC through which EHang's ADS began trading on NASDAQ, the Company stated:

We are an autonomous aerial vehicle technology platform company. We are pioneering the future of transportation through our proprietary developed autonomous aerial vehicles, or AAVs, and related commercial solutions. We believe we are the first in the world to launch passenger-grade AAVs, setting a new milestone in the deployment and proliferation of AAV technology.

In today's increasingly populated and interconnected world, traditional modes of urban transportation continue to contribute to congestion and pollution, and they are largely confined to land-based infrastructure. Mobility for the future requires a revolutionary solution. While the sky above has always been a possibility, we brought a safe, cost-effective and easy-to-use air mobility solution one step closer to reality when we unveiled our first passenger-grade AAV in 2016. Our AAVs require minimal space for vertical take-off and landing, enabling urban travel to expand to the three-dimensional space. We believe AAV technology will transform the future of transportation, improving lives and creating new industries.

We design, develop, manufacture, sell and operate AAVs and their supporting systems and infrastructure for a broad range of industries and applications, including passenger transportation, logistics, smart city management and aerial media solutions. We aim to make it safe and convenient for both passengers and goods to take to the air.

We are the first mover in AAV technology. In January 2016, we unveiled the world's first passenger-grade AAV, EHang 184, a single-seat model, at CES. In March 2018, we delivered a unit of our dual-seat EHang 216 to a customer for testing, training and demonstration purposes. We believe this was the world's first delivery of a passenger-grade AAV. In addition, we have developed a number of non-passenger-grade AAV models suitable for a variety of industrial and commercial applications.

Unlike manually controlled UAVs, our intelligent AAVs can fly and operate autonomously. Our proprietary in-flight operating systems and on-the-ground infrastructure enable reliable and simultaneous control of a large number of AAVs. The operating systems installed on each AAV consist of an autopilot and flight control system, communication systems, a battery management system and a safety management system. Our on-the-ground infrastructure consists primarily of command-and-control systems, handheld and computer-based control units and AAV charging equipment.

Our strong in-house research and development capabilities underpin our leadership and support our innovation. As of September 30, 2019, our 125-member research and product development team represented more than half of our total employees. Our research and development efforts are led by our founder, chairman and chief executive officer, Mr. Huazhi Hu, one of the pioneers and leaders in the global AAV industry. Our key research and development team includes personnel with strong backgrounds in electrical engineering, aerospace engineering, mechanical engineering, automation, material engineering and software development. As of September 30, 2019, we had 138 issued patents in China, many of which relate to our core technologies, such as flight control and command-and-control systems.

We are collaborating with a number of global industry leaders to develop and commercialize urban air mobility solutions. Our strategic partners include DHL-Sinotrans in last-mile delivery in China, Vodafone GmbH in 5G connectivity and AAV technology innovation in Europe, and FACC in AAV production in Europe.

We strive to design safe, reliable and functional products. At our design and testing center, we have established a multitude of AAV flight tests, including climbing flight tests, high maneuverability tests, speed tests, night flying tests, as well as flight tests in harsh weather conditions. We have conducted over 2,000 passenger-grade AAV flight tests, including in winds of up to 70 kilometers per hour and in fog with a visibility of approximately 50 meters.

\* \* \*

As of December 5, 2019, we had cumulatively delivered 38 passenger-grade AAVs for testing, training and demonstration purposes and developed two command-and-control centers for smart city management. As of December 5, 2019, we had unfilled purchase orders for 48 passenger-grade AAVs.

Our core business, air mobility solutions, grew significantly in the first nine months of 2019. Since early 2019, we have accelerated the commercialization of our passenger-grade AAVs in air mobility solutions. In the third quarter of 2019, we sold 18 passenger-grade AAVs, compared with 17 in the first two quarters of 2019 combined.

Our revenues increased by 109.8% from RMB31.7 million in 2017 to RMB66.5 million (US\$9.3 million) in 2018. Our net loss decreased by 7.1% from RMB86.6 million in 2017 to RMB80.5 million (US\$11.3 million) in 2018. Our revenues increased by 19.9% from RMB56.0 million in the nine months ended September 30, 2018 to RMB67.1 million (US\$9.4 million) in the nine months ended September 30, 2019, and our net loss decreased by 3.9% from RMB49.8 million in the nine months ended September 30, 2018 to RMB47.8 million (US\$6.7 million) in the nine months ended September 30, 2019. In 2018, revenues generated by air mobility solutions, smart city management solutions and aerial media solutions were RMB3.1 million (US\$0.4 million), RMB30.5 million (US\$4.3 million) and RMB31.3 million (US\$4.4 million), representing 4.7%, 45.8% and 47.0% of our total revenues, respectively. In the nine months ended September 30, 2019, revenues generated from air mobility solutions, our core business, increased significantly to RMB48.8 million (US\$6.8 million), representing 72.7% of our total revenues.

23. On January 8, 2020, EHang issued a press release entitled “EHang Conducts First-Ever U.S. Trial Flight of Pilotless Air Taxi at North Carolina Transportation Summit.” In this release EHang stated, in relevant part, that “EHang . . . conduct its first-ever U.S. trial flight of its two-seater passenger-grade AAV. . . . This represents the first time that the EHang 216 has received flight approval from the Federal Aviation Administration . . . .”

24. On January 23, 2020, EHang issued a press release entitled “EHang Announces Strategic Partnership with Guiyang, the City of Global Big Data Industry, to set up its Guizhou headquarter.” In this release, EHang referred to itself as “the world’s leading autonomous aerial vehicle (AAV) technology platform company,” and announced that it had “signed a strategic cooperation agreement with Yunyan District of Guiyang, following the ‘Urban Air Mobility’ pilot city cooperation with Guangzhou in August 2019. Both sides will settle EHang’s headquarter of Guizhou Province in Yunyan District, so as to join hands to develop Urban Air Mobility (UAM) and promote the commercialization of relevant application scenarios.”

25. On March 5, 2020, EHang announced that it had “obtained operational permit for its two-seater passenger-grade AAV, the EHang 216, from the Civil Aviation Authority of Norway

. . . . This is the first operational permit for long term testing flight of EHang 216 in Europe, laying a solid foundation for future urban air mobility (UAM) operations in other EU countries.” The release further provided:

After the assessment of test flight plans and contingency plans, the CAA Norway issued an operational permit for EHang 216 to conduct flights together with a local customer for the purpose of testing and certification. According to CAA Norway, it believes the country’s geographic conditions suit the testing of unmanned aircraft well. Covered with a long strip of land with abundance of sparsely populated areas and free airspace, the country has started to build a network of small airports since 1960's, connecting most territories throughout the country. For the test flight of EHang 216, CAA Norway looks forward to witnessing it at Elvenes airport.

26. On March 16, 2020, EHang announced in a press release that it had “entered into a cooperation agreement with the city government of Seville, Spain to execute the first Urban Air Mobility (UAM) pilot program in Spain.” According to the Company, “[t]he agreement specifies that EHang will work with the Seville government to develop the urban air mobility including passenger transportation, air logistics and command and control platforms in the city. The city will also collaborate on applications for permission to conduct test flights, in accordance with Spanish and European legislation, and will coordinate with EHang in the planning of flight routes.”

27. On March 25, 2020, EHang filed a press release announcing its fourth quarter and full year 2019 unaudited financial results as an attachment to a Form 6-K with the SEC. Defendant Liu signed the Form 6-K. In this report, EHang announced that for the full year 2019, total revenues increased 83.2%, gross margins were up 7.7 percentage points, operating losses were down 37.7%, and that sales of passenger-grade AAVs reached 61 units in 2019, up from just 3 units in 2018.

Defendant Hu included a quote in this release:

In December 2019, EHang successfully completed its IPO on Nasdaq and became the world’s first publicly traded UAM company, which was a milestone achievement not only for EHang but also for the whole industry. As a new public company, EHang delivered record high quarterly results with impressive financial and operating performance. Our revenues grew significantly, gross margin

continued to increase and we achieved first ever quarterly positive operating cash flow and operating profit. Such achievements reflect our strong competitive advantages arising from our global leadership in the UAM industry. Our business is experiencing some short-term turbulence from the COVID-19 outbreak. These include absence and late return of frontline workers, delayed fulfillment across our supply chain, and the short-term disruption on some of our customers' industries such as tourism. However, this has also created new opportunities for us to explore, such as emergency delivery and rescue. We are confident in the long-term growth and robustness of our business. We are very optimistic about the future of the global UAM industry, which is expected to reach US\$1.5 trillion by 2040 according to Morgan Stanley. We are confident that we will keep our leadership in this promising industry.

We are the first to enter into commercialization in the global industry. Our first-mover advantage has helped us be a pioneer in commercializing AAVs and establishing market standards. Our breakthroughs in the regulatory front, both in China and internationally (e.g. having obtained the first flight permit for the EHang 216 AAV by the Federal Administration of Aviation (FAA) in the US and the first flight permit for the EHang 216 AAV by the Civil Aviation Authority in Norway), have also underpinned our industry leadership and enhanced our customers' confidence globally. Leveraging all these, we aim to not just be a technology product provider but a leading UAM platform company offering a comprehensive suite of solutions and services to develop an integrated UAM ecosystem. We look forward to building more partnerships with other businesses, city governments, regulators and investors globally to achieve this strategic goal and benefiting together from fast growing demands for UAM globally.

28. On April 20, 2020, EHang issued its Annual Report on Form 20-F with the SEC.

This Form 20-F, *inter alia*, reiterated the financial results announced on March 25, 2020.

29. As attachments to this Form 20-F, Defendants Hu and Liu signed certifications that “[b]ased on [their] knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.” They also certified that “the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report.”

30. On April 22, 2020, EHang issued a press release announcing the Company's

“intention to build the world’s first E-port for AAV services.” The release continued that:

EHang will cooperate with a local partner in the City of Hezhou in Guangxi Province, China, to build the E-port, which will accelerate the commercialization of EHang AAVs in the tourism industry. The city of Hezhou is a pioneer in air tourism, and this project will make it model for air tourism innovation around the world. The E-port is planned to be completed and operational by around the end of 2020.

The plan includes the delivery of 20 units of the EHang 216, the Company’s two-seat passenger-grade AAV, which will be deployed for aerial sightseeing.

The E-port terminal building will be three stories covering 2,500 square meters. Architectural features include a first floor reception hall, second floor passenger waiting area, and a third floor departure/arrival zone. Four landing pads will be located on the roof-top, which can accommodate the landing/take-off of four AAVs simultaneously.

The combination of EHang’s AAV technology and the natural tourism resources of Hezhou can promote and enhance Guangxi’s air tourism industry not only in Hezhou, but also in other cities in the province.

“Hezhou is a beautiful city with rich tourism resources and we are excited to enhance their appeal with our AAVs. As we progress, we intend to create more commercial applications for EHang AAVs, such as aerial sightseeing that can uniquely merge modern culture and tourism. We also welcome more local partners to join us and embrace the opportunity to provide a safe, autonomous, and green approach to travel and sightseeing,” said Mr. Hu Huazhi, the Founder, Chairman and CEO of EHang.

31. On May 27, 2020, EHang issued a press release announcing that it “obtained the world’s first commercial pilot operation approval from the Civil Aviation Administration of China (“CAAC”) to use EHang 216 passenger-grade AAVs for air logistics purpose. Thus, EHang became the world’s first AAV company approved by a national aviation authority to carry out commercial pilot operation for the category of 150 kg plus heavy-lift air logistics uses.” In this release, Defendant Hu stated:

We are thrilled that the CAAC and EHang took the lead on the world’s first commercial pilot operation approval of passenger-grade AAVs for air logistics uses. This approval is of great significance. For EHang, it enables us to enhance our first-mover advantage and accelerate the commercialization of AAV

technology and air mobility solutions for logistics. It also lays a foundation for regulators around the world to jointly explore and establish a coordinated, supportive and sustainable regulatory environment. This will benefit the long-term development of the promising Urban Air Mobility (“UAM”) applications.

32. On May 29, 2020, EHang issued a press release attached to a Form 6-K filing with the SEC announcing the unaudited financial results for its first quarter 2020. Defendant Liu signed the Form 6-K. In the release, EHang reported that total revenues were up 80.3% year over year, that gross margins increased 0.8 percentage points year over year, and that gross profits increased 82.7% year over year. In this release, Defendant Hu stated:

We are pleased to deliver solid financial and operational results in the first quarter of 2020. Despite the challenges posed by the virus outbreak, we still achieved significant year-over-year top line growth. Although there was some short-term impact to our supply chain and customers, since mid-March our operations have gradually resumed and our business initiatives are back on track. Meanwhile, we have continued to increase our customer base for emerging use cases, such as medical emergency transportation and air tourism. We have also expanded the UAM pilot city network and successively achieved regulatory breakthroughs in the U.S. and Europe, paving the way for global business expansion in the post-COVID-19 world. Looking forward, we will continue to invest in technology and talents to accelerate commercialization of AAVs and related solutions. We are confident we can achieve our targets for 2020 and further strengthen our leadership in the promising UAM market.

33. On July 29, 2020, EHang issued a press release announcing that “EHang 216 has obtained a Special Flight Operations Certificate (SFOC) issued by the Transport Canada Civil Aviation (TCCA), the civil aviation authority in Canada. This is another milestone in regulatory breakthroughs for EHang 216 and the first of this kind permit for periodic operations of passenger-grade AAVs in North America.” In this release, Defendant Hu stated:

We are pleased to see the EHang 216 receiving such an important certificate from the TCCA, following consecutive flight approvals received from aviation authorities in different countries, including the U.S. Federal Aviation Administration, the Civil Aviation Authority of Norway and the Civil Aviation Administration of China. It conveys a positive signal from global regulators to establish a supportive and sustainable regulatory environment for the UAM industry. As a leader in the industry, EHang will continue to work with our

customers and partners to provide safe, autonomous and eco-friendly air mobility solutions to the world.

34. On July 30, 2020, EHang issued a press release announcing that it “will build a new AAV production facility in Yunfu city in Guangdong, China with a planned initial annual capacity of 600 units and an RMB42 million . . . investment supported by the local government in the facility. The EHang Yunfu facility is aimed to be established as an industry-leading AAV production center, including an R&D facility for air mobility solutions and a training center for operations and technical talents.” In this release, Defendant Hu stated, “The increasing market demands and commercialization of AAVs in China are driving us to expand our production and upgrade our manufacturing capabilities. The EHang Yunfu facility serves as an expansion of our existing facility and will support the growth of our air mobility business in China.”

35. On August 26, 2020, EHang issued a press release attached to a Form 6-K filing with the SEC announcing the unaudited financial results for its second quarter 2020. Defendant Liu signed the Form 6-K. In this release, in which EHang referred to itself as the “world’s leading autonomous aerial vehicle (AAV) technology platform company,” EHang reported that total revenues were up 62.7% year over year, “driven by significant growth across all revenue streams.” The Company further reported that gross profits increased 60% year over year. In this release, Defendant Hu stated:

During the second quarter of 2020, we significantly grew revenues and strengthened our core business of air mobility solutions, despite the ongoing COVID-19 pandemic challenges in China and overseas. We set a significant regulatory milestone for the industry by achieving the world’s first commercial operation approval of passenger-grade AAVs for air logistics from the CAAC. We are well-prepared and confident that we can accelerate growth by deploying our AAV solutions for more practical uses and expect to roll out more new products including the ones with the flight range exceeding 100 kilometers. We are proud of our continued progress in global markets.

36. On December 3, 2020, EHang issued a press release attached to a Form 6-K filing

with the SEC announcing the unaudited financial results for its third quarter 2020. Defendant Liu signed the Form 6-K. In this release, in which EHang referred to itself as “the world’s leading autonomous aerial vehicle (AAV) technology platform company,” EHang stated that it “Achieved Record High Quarterly Revenues and Gross Profit,” “Maintained Stable and High Gross Margin,” and “Attained Second Quarter of Adjusted Operating Profitability.”

37. For the third quarter of 2020, ended September 30, 2020, EHang reported total revenues of RMB71.0 million (\$10.5 million USD), which the Company said was “up 104.3% year over year, with growth across the main revenue streams.” The Company further reported gross margins of 59.2%, “an increase of 4.3 percentage points year over year, driven by optimized cost structure of certain products and the change in revenue mix.” EHang also reported a gross profit of RMB42.0 million (\$6.2 million USD), “an increase of 120.3% year over year,” and that operating loss shrunk to RMB1.8 million (\$0.3 million USD), down from RMB10.6 million in the third quarter of 2019. Moreover, EHang reported “[s]ales of the EH216, the Company’s flagship passenger-grade AAV, reached 23 units in the third quarter of 2020 versus 18 units in the third quarter of 2019.”

38. In the “Business Highlights” section of this release, EHang stated that it:

- **Launched the EH216F AAV and intelligent aerial firefighting solution:** In July, EHang introduced the EH216F, the firefighting version of EH216. The EH216F is the world’s first large-payload AAV for high-rise aerial firefighting. With a peak altitude of up to 600 meters, it is superior to conventional extinguisher equipment for high-rise fires. Given significant market demand, it has attracted strong interest from emergency management departments and fire departments at national and local level in China.
- **Unveiled the heavy-lift EH216L AAV for aerial logistics:** In September, EHang unveiled another new product, the aerial logistics version of EH216 named the EH216L. The EH216L is a multi-rotor AAV with the record payload capacity. This model opens up more commercial opportunities for various urban and rural aerial logistics uses that require frequent and point-to-point deliveries.

- **Capacity expansion to meet high demand for AAVs in China:** In July, EHang announced that it will build a new AAV production facility in Yunfu, Guangdong. This factory expands upon the current facility in Guangzhou and will support the growth of the air mobility business in China with a planned initial capacity of 600 units of passenger-grade AAVs per annum. The Yunfu factory is designed to be an industry-leading AAV production center and will feature an R&D facility and a training center for air mobility.
- **Obtained the first operational flight permit for passenger-grade AAVs in North America:** In July, the EH216 was awarded a Special Flight Operations Certificate issued by the Transport Canada Civil Aviation with which trial flights have been permitted and are routinely conducted in Québec province, Canada.
- **Joined an international project to develop an air ambulance:** In August 2020, EHang was selected to join Ambular, an important international project supported by the International Civil Aviation Organization, which is dedicated to the development of a flying ambulance for emergency medical uses.

39. Defendant Hu included several quotes in this December 3, 2020 announcement.

Defendant Hu stated:

In the third quarter we had significant growth in revenues and gross profit, both year-over-year and quarter-over-quarter. Notably, we have attained positive quarterly operating profitability on an adjusted basis again since last time in the fourth quarter of 2019. This reflects our improving business operations despite the impact of COVID-19 around the world.

We are excited by the launch of two new products based on the cutting-edge EH216 passenger-grade AAV technology platform. The EH216F and the EH216L are designed to meet strong market demand for high-rise firefighting solutions and heavy-lift aerial logistics solutions. Both are expected to drive revenue growth in the years to come. With increasing demand and stronger government emphasis on supporting the development of urban air mobility and unmanned civil aviation in China, we have started to ramp up our production capacity with the new facility in Yunfu. This is an important step forward as we get ourselves ready for the next phase of growth.

We are confident in our long-term growth prospects. We are the recognized world leader in UAM. Further regulatory breakthroughs should drive faster growth of the global UAM market. We are creating new use cases, increasing our air mobility operations, and most importantly, providing compelling and integrated technologies and solutions. With the government support and relevant

infrastructure upgrade, it is expected that we will receive the airworthiness certificate for EH216 in 2021 and start to provide commercial operation services.

40. Also on December 3, 2020, EHang and the Individual Defendants held a call with financial analysts to discuss its third quarter 2020 results. On this call, Defendant Xu, translating for Defendant Hu, stated “we have already delivered over 100 units of EH216 passenger-grade autonomous aerial vehicles, or AAVs, cumulatively in China and in the world. We have completed near 10,000 safe flights worldwide with zero accidents. This is an amazing accomplishment for such an innovative passenger-grade AAV. Our proprietary full redundancy safety systems have been fully testified by the abundance of real flights.”

41. Defendant Xu, again translating for Defendant Hu, continued:

Since our current production facility can no longer meet the needs of the mass production, we decided to build a new production facility in Guangdong, Yunfu with an area of 40,000 square meters and the planned initial annual capacity of 600 units passenger-grade AAVs. More important, we will establish a complete set of industry standards and systems from designing, production and operations and will devote ourselves to designing and developing infrastructure, including the automated vertiports so as to gradually establish an integrated operating system like that in existing airports. This is also an important measure to ensure the safe operations of EH216.

Today, we have developed an integrated AAV technology platform with proprietary intellectual properties. Leveraging our experiences and expertise in the fields of hardware, software and supply chains, we will release more AAV models with different payload levels to meet the demands for mid-haul and long-haul flights, thus gradually expanding the operational range of autonomous air mobility.

In terms of new products, while we continue to accumulate potential orders of the EH216F firefighting model, we are accelerating the official certification process. Meanwhile, China's State Council has also proposed to accelerate the industrial upgrade and the practical applications of firefighting unmanned aerial vehicles. The EH216 AAVs, including the passenger version, the firefighting version and the logistics version are expected to be key revenue drivers in the years to come.

In respect of policies and regulations, we are trying to push forward the process. In China, we received an approval from the Civil Aviation Administration of China for airworthiness certification pilot and trial operation programs as early as 2018. Recently, the CAAC announced 13 selected cities as the civil unmanned aviation

experimental zones. Just recently in last week, China State Council also urged to include UAM development into the national strategies.

With the government support and a relevant infrastructure upgrade, we will receive airworthiness certificate for EH216 in 2021 and begin to provide commercial operation services. The commercialization of UAM will definitely be realized sooner than expected. So let's embrace the future together.

42. Also on this December 3, 2020 call, Defendant Xu, again translating for Defendant

Hu, stated:

In the third quarter, actually, we are experiencing change in our business model or we are adding new market because previously, we have been working as an OEM provider. We are selling our equipment. But we realized that we are going to be operating our system and equipment. So that means, given a lot of this flight data accumulated so far, we are able to provide the real operation by ourselves to our customers.

This is just like 100 years ago when Boeing and Airbus are providing the whole new air transportation to the society. And however, it's different that we are not providing this to the pilots. We are providing the service to every normal person without any flying techniques. So that means we are going to lead, take the lead to launch the operation model.

43. Defendant Xu continued:

So it is very clear that we see more and more positive attitudes or messages sent by the government, including the CAAC and the State Council. For example, CAAC recently selected 13 cities to be the experimental city for unmanned aviation zones in China. And specifically, EHang, we had a connection with at least 3 of them. And this would give us a good opportunity to testify our EH216. And also, this can expedite our process of certification. And more importantly, just in last week, we had the State Council's circular, which stressed 3 points. One is that it specifically mentioned that UAM development is going to be a national strategy in China. Understand that the government feel the urge, because Korea and Japan, both countries have elevated this UAM development into their national strategy. And so China, it's very good to hear that government realized this problem and also, they see the potential for this industry.

So after including UAM into the national strategy, this will be a very important critical factor for the development of the whole industry. And understand that we are the industry leader, and so we should be the key beneficiary of this policy change.

And secondly, they specifically mentioned that it urged the acceleration of the legislation for the UAV in China, given the faster development of the industry. And so we understand that improved legislative framework will do more good for the industry.

And the third, it specifically mentioned that for the firefighting and emergency service in China, we need to adopt the technology of the UAV. And just in the right time, we launched the firefighting version of EH216, so which can just meet the demand for such a product. And so 3 of the points of the State Council's circular are very positive message for EHang.

44. Again on this December 3, 2020 earnings call with analysts, Defendant Liu stated:

So in respect of our gross margin, we have seen our gross margin maintained at a stable high level of around 50% plus since we started the commercial delivery in the first half of last year. If you look at other electrical transportation technology products such as electrical cars, our gross margin is much higher. So in respect of our new model, firefighting model, the gross margin is expected to be in line with that of the other existing models.

And overall, it is expected, our gross margin will be maintained at the similar level of 50% plus going forward.

45. Defendant Hu, as translated by Defendant Xu, further stated on this call:

[W]e are not saying that we are going to change our business model. We just added new business to our existing platform. For example, previously, we were OEM provider. We didn't manage to operate the AAVs by ourselves. But we understand that now, we are going to operate the AAVs or platforms by ourselves. It seems that we are changing from a pure airline manufacturing company into airline operating company. So the 2 business models are integrated.

\* \* \*

And second, we realized that the value for EHang is that we are providing the individual a customized transportation mobility services to each individual. For example, during the COVID-19, in many countries, the public transportation has been suspended due to the outbreak of the virus. But the individual mobility transportation becomes important. So EHang is providing the mobility service to individual by these AAVs. So this definitely shows the value of our company, of our products.

46. On December 14, 2020, EHang issued a press release entitled "EHang 216 Receives Long-term Trial Flight Permit across Austria National Airspace." In this release, EHang referred

to itself as “the world’s leading autonomous aerial vehicle (“AAV”) technology platform company.” In this release, the Company stated that EHang:

[A]chieved a significant milestone on the path to offering Urban Air Mobility (“UAM”) services worldwide. On December 9, the Civil Aviation Authority of Austria issued a trial flight permit for the EH216 passenger-grade AAV. The permit allows trial operation of full unmanned flights in Austrian national airspace. This is the first flight permit for EHang’s passenger-grade AAVs within the European Union.

Through the joint efforts of the Civil Aviation Authority of Austria, the EHang European team, and local partners, the Company has achieved another important regulatory breakthrough in the geographical heart of Europe, enabling more people to experience its safe, green and comfortable UAM solutions. This achievement should enable EHang to accelerate commercial operations in Europe. The trial permit and flight operations will support EHang’s growth in the European Market by demonstrating the benefits of its UAM solutions to regulators, customers, and partners.

Autonomous Aerial Vehicles are poised to change the way people and cargo move from point A to point B. Whether for commuting within a large city or traveling from rural to metropolitan areas, aerial travel will dramatically change how mankind perceives distance and travel time. What is a reality today in Asia also comes closer in Europe.

As part of the process, a test flight occurred in November 2020. It was the first flight ever in open EASA airspace. After a Specific Operational Risk Assessment (SORA) procedure, an EH216 AAV with the registration number OE-VFA took off in St. Martin im Innkreis, in the province of Upper Austria. Under the supervision of the Civil Aviation Authority, the unmanned aircraft took off for several minutes via automatic flight programming and then safely landed, despite harsh weather conditions of severe cold and high wind speed.

47. On December 28, 2020, EHang issued a press release entitled “EHang Launches Aerial Tourism Services with Strategic Partner Greenland Hong Kong.” In this release, EHang referred to itself as “the world’s leading autonomous aerial vehicle (“AAV”) technology platform company,” and announced “the launch of its own autonomous urban air mobility (“UAM”) services with its strategic partner Greenland Hong Kong Holdings Limited . . . .” According to EHang, “[t]he trial services include an aerial sightseeing program and aerial media shows, which

will be rolled out in the partner's tourism real estate project (Forest Lake) located in Zhaoqing, a popular tour destination city in Guangdong, China. The Company intends to work jointly with Greenland Hong Kong over time to offer aerial tourism services using its EH216 AAVs in more cities." The release continued:

The collaboration will start with a flight base in Forest Lake first, independently run by EHang, to offer aerial sightseeing services to passengers. Forest Lake is located close to the new Zhaoqing-Pearl River Delta-Hub Airport, which is under construction. The area offers abundant tourism attractions, including 7 natural lakes and wetlands covering 3 million square meters. Going forward, the two parties will work together to commercialize EHang AAV technologies in various use cases including aerial sightseeing.

\* \* \*

Edward Xu, Chief Strategy Officer of EHang said, "We are excited to partner with Greenland Hong Kong to launch trial operations of the EH216 and bring our safe, green and comfortable UAM services to local residents. As an AAV technology platform company and a UAM operator, we are steadily rolling out global trial operations and will further work with our partners to build more UAM networks."

The Company sees various advantages of its EH216 AAVs to conventional single-propeller helicopters, such as higher safety level, lower noise level, lower costs, and zero emissions. Powered by fossil fuel, helicopters discharge significant amounts of green-house gases and have high failure risks. Yet they are more expensive to operate with pilots. Given the key advantages, EHang believes its EH216 AAVs have the potential to become a new travel vehicle for low-altitude aerial sightseeing.

48. On December 29, 2020, EHang issued a press release entitled "China's First National Standard for Express Delivery Service by Unmanned Aircraft Jointly Formulated by EHang will be Effective from January 1, 2021." In this release, EHang stated:

As the world's leading autonomous aerial vehicle ("AAV") technology platform company and the UAM industry pioneer, EHang has proprietarily developed a complete suite of intelligent aerial logistics solutions, including the EH216L heavy-lift AAV for short-to-medium-haul aerial transport, the Falcon medium-sized AAV for urban express delivery, the unmanned aircraft systems, take-off and landing control sites and intelligent self-express service machines. With abundant operating experience, service workflow and practical data, EHang made significant

contribution to the groundbreaking for the Standard based on its industry expertise and valuable insights.

With the implementation of the Standard, EHang will continue to accelerate regular operations of its intelligent AAV technologies for aerial logistics, and provide customized solutions for clients from various sectors including logistics, retail, e-commerce and offshore oil and gas by helping them improve efficiency at lower costs.

49. On January 12, 2021, EHang issued a press release entitled “EHang to Provide UAM Services in Hengqin New Area in Zhuhai, China.” In this release, EHang referred to itself as the world’s leading autonomous aerial vehicle (“AAV”) technology platform company.” In this release, EHang:

[A]nnounced strategic partnerships with Zhuhai Da Heng Qin Pan-Tourism Development Co., Ltd., Zhuhai Huafa Sports Operations Management Co., Ltd. and Flying World (Zhuhai) Technology Co., Ltd. to jointly initiate Urban Air Mobility (“UAM”) operations for aerial sightseeing and other air mobility services in the Hengqin New Area, the largest island and a Free Trade Zone in southeast Zhuhai in Guangdong Province of China. By establishing AAV experience centers and a suite of supporting service systems, EHang AAVs will be integrated into the daily life of the local population.

During a signing ceremony held on January 8, a fleet of EH216 AAVs made passenger-carrying flights in Tianqin Park on Hengqin New Area. The flights were seen by local government officials, enterprise representatives, the media and local residents. A total of 36 passengers flew in the autonomous EH216, enjoying safe and comfortable aerial sightseeing trips. Through this event, EHang fully demonstrated its leading-edge technology for the centralized management of simultaneous flights of multiple AAVs in distributed operations under the command-and-control systems.

50. On January 21, 2021, EHang issued a press release entitled “EHang Joins European Union’s AMU-LED Project to Demonstrate Urban Air Mobility.” In this release, EHang referred to itself as “the world’s leading autonomous aerial vehicle (“AAV”) technology platform company with about 10,000 incident-free flights . . . .” In this release, EHang further stated that “[t]hroughout 2022, Ehang will perform trial operations of the EH216, its flagship two-seat passenger-grade AAV, in three countries: Spain, the United Kingdom and the Netherlands.” EHang further wrote

that its:

Participation in the AMU-LED project will enable EHang to demonstrate the benefits of its leading AAV products and technology platform solutions. EHang products enable smart city management, shorten the travel time of both people and goods, and reduce air pollution and traffic accidents. EHang believes the AMU-LED is a great opportunity to demonstrate the promise of autonomous air taxis and further inspire the global UAM community to develop new product innovations and enabling legal frameworks.

As the world's first publicly-listed UAM company to achieve global commercialization of its passenger-grade AAVs, EHang has been paying attention to the development of the European market. EHang has achieved multiple milestones in UAM development in Europe. In 2020, the Company made great regulatory breakthroughs by obtaining flight permits for the EH216 from the civil aviation authorities of Norway and Austria. So far it has expanded its UAM Pilot City Initiative to three cities in Austria and Spain, and established strategic UAM partnerships with FACC, the leading Austrian aerospace company and Vodafone, one of the world's biggest telecoms and technology service providers.

51. On January 27, 2021, EHang issued a press release entitled “The World’s Leading AAV Provider EHang Wins Urban Air Mobility Call from Paris Region.” In this release, EHang referred to itself as “the world’s leading autonomous aerial vehicle (AAV) technology platform company.” The Company further referred to itself as “the only commercialized passenger-grade AAV solution provider and a pioneer of urban air mobility.”

52. On February 5, 2021, EHang issued a press release entitled “EHang to Demonstrate Medical Air Mobility via Participation in EU-supported SAFIR-Med Project.” In this release, EHang referred to itself as “the world’s largest autonomous aerial vehicle (AAV) technology platform company.” EHang stated that it “will use EH216, its flagship two-seat passenger-grade AAV, and its Falcon medium-sized AAV to transport medical supplies in urban environment.”

EHang further wrote:

Using its expertise and abundant experience, EHang will help formulate a performance assessment and recommendations report, which will refine the current U-space architecture principles, propose operational procedures and mechanisms for an effective interface between Air Traffic Control . . . and U-Space service

providers, and suggest a set of Urban Air Mobility . . . indicators to complement the existing smart urban mobility indicators used by European cities.

\* \* \*

Leveraging its past regulatory breakthroughs and comprehensive partnership network, Ehang will expand its global flight tour to more cities and showcase its leading AAV products and solutions in various use cases including passenger commuting and emergency medical transport, etc. As the world's first listed UAM company to achieve global commercialization of its passenger-grade AAVs, EHang is also well positioned to work with all parties to facilitate product innovations and construction of a UAM legal framework in Europe.

53. On February 8, 2021, EHang issued a press release entitled "Goal to Integrate Unmanned Aerial System Traffic Management into Air Traffic Management." In this release, EHang referred to itself as "the world's largest autonomous aerial vehicle (AAV) technology platform company." It also called itself "the leading passenger electric vertical takeoff and landing (eVTOL) company."

54. The statements identified above were materially false and misleading and failed to disclose material facts about the Company's business, operations, and prospects. As discussed below, the Defendants misled investors by misrepresenting and/or failing to disclose that: (i) the Company's purported regulatory approvals in Europe and North American for its EH216 were for use as a drone, and not for carrying passengers; (ii) its relationship with its purported primary customer is a sham; (iii) EHang has only collected on a fraction of its reported sales since its ADS began trading on NASDAQ in December 2019; (iv) the Company's manufacturing facilities were practically empty and lacked evidence of advanced manufacturing equipment or employees; and (v) as a result, the Company's public statements were materially false and misleading at all relevant times.

55. The statements described in ¶¶ 22-54 were materially false and misleading and failed to disclose material adverse facts about the Company's business, operations, and prospects.

## THE TRUTH EMERGES

56. During the trading day on February 16, 2021, analyst Wolfpack Research published a report entitled: “EHang: A Stock Promotion Destined to Crash and Burn.” In Wolfpack’s summary of its report, Wolfpack wrote that EHang:

[I]s an elaborate stock promotion, built on largely fabricated revenues based on sham sales contracts with a customer who appears to us to be more interested in helping inflate the value of its investment in EH (*i.e.*, pump EH’s stock price) than actually buying its products. EH has perpetuated its story with a collection of lies about its products, manufacturing, revenues, partnerships, and potential regulatory approval of its purported main business, an “autonomous” aerial vehicle (“AAV”) ridesharing network.

57. The Wolfpack Research report continued that “EH’s relationship with its primary purported customer is a sham. Government records and credit reports show that EH’s major customer is [Kunxiang]. We have gathered extensive evidence including behind-the-scenes photographs, recorded phone calls, and videos of on-site visits to EH’s various facilities, as well as Kunxiang’s offices which lead us to believe that Kunxiang signed sham sales contracts to benefits its investment (stock price) in EH.” As support for this conclusion, Wolfpack Research wrote:

- a. “Kunxiang has an exaggerated physical presence and its real operations appear to be a fraction of what is claimed. Out of the 3 addresses listed on Kunxiang’s website, one is a hotel with no Kunxiang presence, one is a 13th floor address of an 11-story building, and the last one had only one Kunxiang employee in the office on a weekday afternoon.” The Wolfpack Research report included photographic evidence of its visits to Kunxiang’s purported offices.
- b. “To the extent Kunxiang actually does sell vehicles, it did not want to sell EH’s products to us. When asked, the only employee on-site at Kunxiang, who claimed to be the finance manager, had no hesitation voicing his disapproval of the EH216,

and instead offered their own, supposedly much higher quality products for sale.” This finance manager further referred to EH216 as an “old model,” and stated that EHang’s battery technology is “not very good” because the battery can last only about 30 minutes, including takeoff and landing, “giving the user about 10 minutes of flying time.”

- c. “Kunxiang appears to be a willing participating in EH’s stock promotion. According to the same finance manager at Kunxiang, Kunxiang made an undisclosed RMB100 million (~14 million) pre-IPO investment in EH, which leads us to believe its true motive for signing these shambolic contracts was to benefit its investment, which is worth ~RMB473 million (~68 million) today.”
- d. “As is common with a sham customer, SAIC files and national credit reports show that Kunxiang was established just 9 days before it signed a RMB450 million (~650 million) sales contract with EH. Kunxiang had only RMB10 million (~\$1.4 million) of registered capital, rendering far too thinly capitalized to actually fulfill this purported sales contract. Nonetheless, Kunxiang signed another RMB30 million (~\$4.3 million) contract with EH four months later.”
- e. “One of the sloppiest details of this ‘customer/supplier’ relationship, the first purported sales agreement between EH and Kunxiang provides that Kunxiang will supposedly pay a per unit (‘per set’) price of RMB150 million (~\$21.5 million). We assume that before the second purported agreement was signed four months later, EH realized that the unit price was too high to be believable and cut it to RMB1.5 million (~\$215k), 1% of the price in the first contract.”

- f. “Between September 10, 2019 and October 31, 2019, EH filed a confidentiality request with the SEC to redact the prices on these contracts, likely because the prices are so absurd that they would ruin EH’s credibility if seen by investors or competitors. We only found the unredacted versions of these contracts within the SEC’s EDGAR archive.”

58. Wolfpack Research further reported that “EH has only collected on a fraction of its reported sales since its mid-December 2019 IPO. We see EH’s collection rate of only 20% and DSOs at nearly 200 days (despite its purported credit terms of up to 180 days) as a clear indication of fabricated revenues.” Wolfpack noted that although EH has reported RMB125.5 million (~18 million) in total revenues since its December 2019 IPO, that “its accounts receivable balance has increased by ~RMB100.3 million (~14.4 million),” meaning that “EH has only collected RMB25.2 million (~\$3.6 million) in cash since becoming a publicly traded company.”

59. In its report, Wolfpack Research further detailed that “in just 14 months as a publicly traded company, EH’s PR team has put out 50 press releases . . . . However, EH’s constant stream of press releases are easily proven untrue.” Wolfpack continued:

- a. “EH has announced numerous ‘flight certifications’ and ‘long-term’ approvals for its ‘passenger-grade’ EH216 in the US, Canada and various countries throughout Europe.”
- b. “According to aviation regulators or experts in aviation regulation in the US, Canada and Europe, EH has only received permits for recreational test flights of its drones in specified areas, below a specified altitude and at a specified time. In no way are these permits endorsements of EH’s ‘passenger-grade’ claims, nor are they ‘regulatory breakthroughs’ of any kind.”

- c. EH also claims in an English PR to have received the ‘World’s First Commercial Pilot Operation Approval of Passenger-Grade AAVs for Air Logistics Uses’ from China’s CAAC. However, the title of the Chinese version of the same PR says nothing about ‘commercial’ or ‘passenger-grade.’ What EH obtained was ‘特定类无人机试运行批准函’ (special approval letter for trial runs of drones of a specified class). CAAC had granted the same license to at least one other company in Hangzhou, China one year earlier in 2019.”
- d. “EH consistently makes different claims regarding regulatory approvals in the English and Chinese versions of its press releases. In English, EH makes false claims of commercial approval of its vehicles the EH216 by Chinese regulators. In its Chinese press releases, EH makes false claims of commercial approvals by regulators in the US, Canada, and Europe.”

60. Wolfpack Research wrote that it “visited EH’s corporate headquarters/main manufacturing facility in Guangzhou, which only reinforced our belief that EH isn’t a legitimate company. Similar to frauds we have exposed in the past, EH’s headquarters/main manufacturing facility was practically empty when our investigator visited in the middle of a workday. There was minimal activity and strikingly few employees.” Wolfpack continued:

We found that the facility has near zero security, which is unimaginable for a factory that produces and stores a product full of supposedly highly valuable IP and proprietary technologies used in EH’s “world-class” AAVs. Our investigator noted that they had seen coat hanger factories in China with more security than EH’s main manufacturing facility in Guangzhou. EH’s main manufacturing facility seems to lack any advanced manufacturing equipment, employees, or even a basic assembly line seen in typical aircraft/drone factories. Our investigator was able to walk around EH’s facility for ~20 minutes without seeing a single person working on a weekday afternoon.

61. Wolfpack Research further wrote that it was “not able to find any production equipment or raw material inventory on site,” such that “it is highly likely that EH has the near-finished parts manufactured and shipped in from contractors, performs simple light assembly on site, and then stores units at EH’s corporate headquarters in Guangzhou.” Wolfpack Research “question[ed] whether EH’s products, including EH216, can be legally claimed as ‘manufactured by EHang,” and wrote that “[t]he PRC lawyers we spoke to believe that EH may be violating PRC laws regarding manufacturer certification and labeling, at the least.”

62. Wolfpack Research further wrote that it “spoke on the record with a leading expert in the eVTOL industry, a manufacturing set-up specialist, and Chinese lawyers. Based on their expert opinions, even if EH was intended to be a real business, we believe its product is majorly flawed, inherently dangerous and would likely attract very few, if any, actual buyers.” As evidence of these conversations, Wolfpack Research reported that It spoke with Dr. Mark Moore, a 32-year NASA veteran engineer who most recently served as the Director of Aviation Engineering for Uber Elevate. Wolfpack wrote that Dr. Moore:

- a. “[P]ersonally evaluated the EH216 for Uber Elevate and determined that it didn’t meet Uber’s criteria for partnership.” Specifically, Dr. Moore was “concerned by [EH216’s] overall ‘rough’ quality and its use of ‘hobby-grade motors’ made by Chinese hobby motor company, T-Motor.” Dr. Moore “made it clear that these hobby grade motors are not aerospace products and should never be used in a passenger carrying vehicle.”
- b. Dr. Moore is further quoted in Wolfpack Research’s article that he “firmly feel[s] that the current configuration is inherently not safe” and has “significant

reservations about whether [the EH216] could ever be certified for carrying passengers in the US market.”

- c. According to Wolfpack, when told about EH’s “anemic R&D budget,” Dr. Moore was horrified, saying “I mean, seriously, if they’ve only spent \$10 to \$20 million in the development process, they should not even be flying people around in limited demonstrations, it’s just, that’s really scary.”
- d. Dr. Moore also stated, according to Wolfpack Research, “[s]o, if EHang can’t show that they’ve spent millions of dollars in research then their autonomy isn’t even – and I mean, hundreds of millions of dollars, ***then their autonomy couldn’t possibly be ready.***”

63. Finally, Wolfpack Research wrote that it “obtained Chinese court records which show that EH’s ADRs may already be in serious jeopardy due to legal issues in China.” Wolfpack continued that:

EH Guangzhou, the onshore entity which holds most of EH’s assets and operations likely had 95% of its equity frozen by a Chinese court. The basis for this freeze is said to be the “creditor’s right to cancel”, which means a creditor (in this case a major investment fund in Shenzhen called Join-Share) sued to undo certain questionable transactions EH Guangzhou might have done to reduce assets and avoid debt repayment. ***In other words, a Chinese court could liquidate EH’s equity to repay the creditor, rendering its ADRs completely worthless. American investors would be left with no legal recourse against the company or anyone else for their losses.***

(Emphasis added).

64. On this news, the price of EHang ADS fell from its February 12, 2021 close of \$124.09 to a February 16, 2021 close of \$46.30 per share, a one day drop of \$77.79 per share or approximately 62.7%.

## CLASS ACTION ALLEGATIONS

65. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of a class of all persons and entities who purchased or otherwise acquired Ehang ADS between December 12, 2019 and February 16, 2021 (and on February 16, 2021, only for those who purchased shares at or above the price of \$112.00), inclusive. Excluded from the Class are Defendants, directors and officers of the Company, as well as their families and affiliates.

66. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court.

67. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- a. Whether Defendants violated the Exchange Act;
- b. Whether Defendants omitted and/or misrepresented material facts;
- c. Whether Defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- d. Whether Defendants knew or recklessly disregarded that their statements were false and misleading;
- e. Whether the price of the Company's ADS was artificially inflated; and
- f. The extent of damage sustained by Class members and the appropriate measure of damages.

68. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct alleged herein.

69. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests that conflict with those of the Class.

70. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

### **FRAUD ON THE MARKET**

71. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things:

- a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- b. The omissions and misrepresentations were material;
- c. The Company's ADS traded in efficient markets;
- d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's ADS; and
- e. Plaintiff and other members of the class purchased the Company's ADS between the time Defendants misrepresented or failed to disclose material facts and the time that the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

72. At all relevant times, the markets for the Company's ADS were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services.

Plaintiff and the Class relied on the price of the Company's ADS, which reflected all information in the market, including the misstatements by Defendants.

### **NO SAFE HARBOR**

73. The statutory safe harbor provided for forward-looking statements under certain conditions does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

74. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

### **LOSS CAUSATION**

75. During the trading day on February 16, 2021, Wolfpack Research published the report alleged herein. On this news, the price of EHang ADS fell from its February 12, 2021 close of \$124.09 to a February 16, 2021 close of \$46.30 per share, a one day drop of \$77.79 per share or approximately 62.7%.

76. These revelations contradicted statements made by Defendants during the Class Period and were a causal element of the concurrent decline in the Company's share price.

### **Count One**

#### **Violations of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)**

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

78. During the Class Period, Defendant EHang and the Individual Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose

material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

79. Defendant EHang and the Individual Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in that they (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon those who purchased or otherwise acquired the Company's securities during the class period.

80. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for the Company's ADS. Plaintiff and the Class would not have purchased the Company's ADS at the price paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

**Count Two**  
**Violation of § 20(a) of the Exchange Act**  
**(Against the Individual Defendants)**

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

82. The Individual Defendants acted as controlling persons of the Company within the meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions at the Company, the Individual Defendants had the power and authority to cause or prevent the Company from engaging in the wrongful conduct complained of herein. The Individual Defendants were provided with or had unlimited access to the documents described above that contained statements alleged by Plaintiff to be false or misleading both prior to and immediately

after their publication, and had the ability to prevent the issuance of those materials or to cause them to be corrected so as not to be misleading.

### **PRAYER FOR RELIEF**

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

(a) determining that this action is a proper class action pursuant to Rule 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the Class as defined herein, and a certification of Plaintiff as class representative pursuant to Rule 23 of the Federal Rules of Civil Procedure and appointment of Plaintiff's counsel as Lead Counsel;

(b) awarding compensatory and punitive 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 pre-judgment and post-judgment interest thereon.

(c) awarding Plaintiff and other members of the Class their costs and expenses in this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

(d) awarding Plaintiff and the other Class members such other relief as this Court may deem just and proper.

### **DEMAND FOR JURY TRIAL**

Plaintiff hereby demands a trial by jury in this action of all issues so triable.