

IN THE CIRCUIT COURT OF JEFFERSON COUNTY, ALABAMA

CITY OF BIRMINGHAM RETIREMENT)
AND RELIEF SYSTEM, Individually and)
on Behalf of All Others Similarly Situated,)

Plaintiff,)

v.)

ZTO EXPRESS (CAYMAN) INC.,)
MEISONG LAI, JIANFA LAI, JILEI)
WANG, XIANGLIANG HU, BAIXI LAN,)
XING LIU, FRANK ZHEN WEI,)
JIANMIN (JAMES) GUO, MORGAN)
STANLEY & CO. INTERNATIONAL)
PLC, GOLDMAN SACHS (ASIA) L.L.C.,)
CHINA RENAISSANCE SECURITIES)
(HONG KONG) LIMITED, CITIGROUP)
GLOBAL MARKETS INC., CREDIT)
SUISSE SECURITIES (USA) LLC, AND)
J.P. MORGAN SECURITIES LLC,)

Defendants.)

CASE NO. _____

CLASS ACTION COMPLAINT

Plaintiff, City of Birmingham Retirement and Relief System, individually and on behalf of all others similarly situated (“Plaintiff”), by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and upon information and belief as to all other matters based on the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of ZTO Express (Cayman) Inc.’s (“ZTO” or “the Company”) press releases, Securities and Exchange Commission (“SEC”) filings, analyst reports, media reports and other publicly disclosed reports and information about the Defendants.

Plaintiff believes that, after a reasonable opportunity for discovery, substantial additional evidentiary support will exist for the allegations set forth herein against Defendants ZTO, Meisong Lai, Jianfa Lai, Jilei Wang, Xiangliang Hu, Baixi Lan, Xing Liu, Frank Zhen Wei, Jianmin (James) Guo, Morgan Stanley & Co. International plc, Goldman Sachs (Asia) L.L.C.

China Renaissance Securities (Hong Kong) Limited, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, and J.P. Morgan Securities LLC.

NATURE OF THE ACTION

1. This is a securities class action on behalf of Plaintiff and all other persons or entities, except for Defendants, who purchased or otherwise acquired the common stock of ZTO pursuant and/or traceable to the Company's public offering of approximately \$1.4 billion of American Depository Shares ("ADSs") of ZTO, by Morgan Stanley & Co. International plc, Goldman Sachs (Asia) L.L.C., China Renaissance Securities (Hong Kong) Limited, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, and J.P. Morgan Securities LLC, on or around October 27, 2016 (the "Offering"), seeking to pursue *strict liability and negligence* remedies under the Securities Act of 1933 (the "Securities Act").

INTRODUCTION

2. ZTO is an express delivery company in China. The Company provides express delivery service through its nationwide network, as well as other value-added logistics services. ZTO is headquartered in Shanghai, People's Republic of China and its ADSs are traded on the New York Stock Exchange under the ticker symbol "ZTO."

3. On or around October 27, 2016, ZTO conducted the Offering, selling 72,100,000 ADSs at a price to the public of \$19.50 per share.

4. In violation of the Securities Act, Defendants negligently issued untrue statements of material facts and omitted to state material facts required to be stated in the Registration Statement and incorporated Offering Materials that the Company filed with the SEC in support of the Offering. Defendants are strictly liable for any and all material untrue statements or omissions in the Offering Materials. Furthermore, because this case involves a Registration

Statement, Defendants also had an independent, affirmative duty to provide adequate disclosures about adverse conditions, risks, and uncertainties. *See* Item 303 of SEC Reg. S-K, 17 C.F.R. §229.303(a)(3)(ii). Thus, Defendants had an affirmative duty to ensure that the Registration Statement and the materials incorporated therein disclosed material trends and uncertainties that they knew, or should have reasonably expected, would have a materially adverse impact on ZTO’s business. Defendants failed to fulfill this obligation as well.

5. Unbeknownst to investors, the Registration Statement’s representations were materially untrue, inaccurate, misleading, and/or incomplete because, upon information and belief, at the time of the Offering, the Company failed to disclose that it was improperly inflating its stated profit margins far above industry norms by keeping low-margin segments of its business out of its financial statements.

6. This known but undisclosed information had a material adverse effect on the Company’s ADS price. Since the Offering, the price of ZTO ADSs has fallen approximately 25% from its IPO price of \$19.50.

JURISDICTION AND VENUE

7. This Court has subject matter jurisdiction over the causes of action asserted herein pursuant to the Alabama Constitution, Article VI, § 142(b), because this case is a cause not given by statute to other trial courts. This action is not removable. The claims alleged herein arise under §§11, 12(a)(2) and 15 of the Securities Act. *See* 15 U.S.C. §§77k, 771(a)(2) and 77o. Jurisdiction is conferred by §22 of the Securities Act and venue is proper pursuant to §22 of the Securities Act. Section 22 of the Securities Act explicitly states that “[e]xcept as provided in section 16(c), no case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States.” Section 16(c) refers to “covered

class actions,” which are defined as lawsuits brought as class actions or brought on behalf of more than 50 persons asserting claims under state or common law. This is an action asserting federal law claims. Thus, it does not fall within the definition of “covered class action” under §16(b)-(c) and therefore is not removable to federal court.

8. This Court has personal jurisdiction over each of the Defendants named herein because they conducted business in, and/or resided in and/or were citizens of Alabama at the time of the Offering. ZTO is headquartered in Shanghai, People’s Republic of China and at all times pertinent hereto conducted business in Jefferson County, Alabama.

9. Venue is proper in this Court because many of the acts complained of, including the dissemination of materially false and misleading statements and reports prepared by or with the participation, acquiescence, encouragement, cooperation, or assistance of Defendants, occurred, at least in part, in this county.

PARTIES

10. Plaintiff, City of Birmingham Retirement and Relief System, is a domestic entity located in Jefferson County, Alabama and at all times relevant hereto purchased ADSs of ZTO pursuant to and/or traceable to the Offering and were damaged thereby.

11. Defendant ZTO is a corporation headquartered in Shanghai, People’s Republic of China, and its ADSs are traded on the New York Stock Exchange. At all times pertinent hereto, Defendant ZTO did business in Jefferson County, Alabama.

12. Defendant Meisong Lai (“M. Lai”) was, at all relevant times, the Chairman of ZTO’s Board of Directors (“Board”), and the Company’s Chief Executive Officer (“CEO”). Defendant M. Lai signed, or authorized the signing of, the Registration Statement.

13. Defendant Jianfa Lai (“J. Lai”) was, at all relevant times, a Director of ZTO’s Board. Defendant J. Lai signed, or authorized the signing of, the Registration Statement.

14. Defendant Jilei Wang (“Wang”) was, at all relevant times, a Director of ZTO’s Board. Defendant Wang signed, or authorized the signing of, the Registration Statement.

15. Defendant Xiangliang Hu (“Hu”) was, at all relevant times, a Director of ZTO’s Board. Defendant Hu signed, or authorized the signing of, the Registration Statement.

16. Defendant Baixi Lan (“Lan”) was, at all relevant times, a Director of ZTO’s Board. Defendant Lan signed, or authorized the signing of, the Registration Statement.

17. Defendant Xing Liu (“Liu”) was, at all relevant times, a Director of ZTO’s Board. Defendant Liu signed, or authorized the signing of, the Registration Statement.

18. Defendant Frank Zhen Wei (“Wei”) was, at all relevant times, a Director of ZTO’s Board. Defendant Wei signed, or authorized the signing of, the Registration Statement.

19. Jianmin (James) Guo (“Guo”) was, at all relevant times, ZTO’s Chief Financial Officer. Defendant Guo signed, or authorized the signing of, the Registration Statement.

20. Defendants M. Lai, J. Lai, Wang, Hu, Lan, Liu, Wei, and Guo are collectively referred to herein as the “Individual Defendants.”

21. The Individual Defendants each participated in the preparation of, and signed (or authorized the signing of), the Registration Statement. Defendant ZTO and the Individual Defendants who signed (or authorized the signing of) the Registration Statement are strictly liable for the materially untrue and misleading statements incorporated into the Registration Statement. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of ZTO’s reports to the SEC, press releases, and

presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market.

22. Defendant Morgan Stanley & Co. International plc (“Morgan Stanley”) was an underwriter of the Offering. In the Offering, Morgan Stanley agreed to purchase 20,909,000 ADSs.

23. Defendant Goldman Sachs (Asia) L.L.C. (“Goldman Sachs”) was an underwriter of the Offering. In the Offering, Goldman Sachs agreed to purchase 18,025,000 ADSs.

24. Defendant China Renaissance Securities (Hong Kong) Limited (“China Renaissance”) was an underwriter of the Offering. In the Offering, China Renaissance agreed to purchase 7,210,000 ADSs.

25. Defendant Citigroup Global Markets Inc. (“Citigroup”) was an underwriter of the Offering. In the Offering, Citigroup agreed to purchase 8,652,000 ADSs.

26. Defendant Credit Suisse Securities (USA) LLC (“Credit Suisse”) was an underwriter of the Offering. In the Offering, Credit Suisse agreed to purchase 7,210,000 ADSs.

27. Defendant J.P. Morgan Securities LLC (“J.P. Morgan”) was an underwriter of the Offering. In the Offering, Credit Suisse agreed to purchase 10,094,000 ADSs.

28. Defendants Morgan Stanley, Goldman Sachs, China Renaissance, Citigroup, Credit Suisse, and J.P. Morgan are referred to collectively herein as the “Underwriter Defendants.” The Underwriter Defendants each served as a financial advisor for, and assisted in the preparation and dissemination of, the Company’s materially untrue and misleading Registration Statement and Prospectus.

29. Pursuant to the Securities Act, the Underwriter Defendants are liable for the false and misleading statements in the Offering’s Registration Statement, Prospectus and Prospectus

Supplement. The Underwriter Defendants' failure to conduct adequate due diligence investigations was a substantial factor leading to the harm complained of herein.

30. The Underwriter Defendants are primarily investment banking houses which specialize, *inter alia*, in underwriting public offerings of securities. As the underwriters of the Offering, the Underwriter Defendants earned lucrative underwriting fees as a result of their participation in the Offering.

31. Representatives of the Underwriter Defendants also assisted the Company and Individual Defendants in planning the Offering. They also purported to conduct an adequate and reasonable investigation into the business, operations, products, and plans of the Company, an undertaking known as a "due diligence" investigation. During the course of their "due diligence," the Underwriter Defendants had continual access to confidential corporate information concerning the Company's business, financial condition, products, plans, and prospects.

32. In addition to having unlimited access to internal corporate documents, the Underwriter Defendants and/or their agents, including their counsel, had access to the Company's lawyers, management, directors, and top executives to determine: (i) the strategy to best accomplish the Offering; (ii) the terms of the Offering, including the price at which the Company's common stock would be sold; (iii) the language to be used in the Registration Statement; (iv) what disclosures about the Company would be made in the Registration Statement; and (v) what responses would be made to the SEC in connection with their review of the Registration Statement. As a result of those constant contacts and communications between the Underwriter Defendants' representatives and the Company's management and top executives, at a minimum, the Underwriter Defendants were negligent in not knowing of the

Company's undisclosed existing problems and plans and the materially untrue statements and omissions contained in the Registration Statement, as detailed herein.

33. The Underwriter Defendants caused the Registration Statement to be filed with the SEC and to be declared effective in connection with the offer and sales of the Company's ADSs pursuant and/or traceable to the Offering and relevant offering materials, including to Plaintiff and the Class (defined below).

34. Pursuant to the Securities Act, the Underwriter Defendants are liable for the untrue and misleading statements in the Offering's Registration Statement and Prospectus. The Underwriter Defendants' negligent due diligence investigation was a substantial factor leading to the harm complained of herein.

SUBSTANTIVE ALLEGATIONS

35. On or around October 27, 2016, ZTO conducted the Offering, selling 72,100,000 ADSs of ZTO at a price of \$19.50 per share. The Registration Statement was negligently prepared and, as a result, contained untrue statements of material facts, or omitted to state facts necessary to make the statements not misleading, and was not prepared in accordance with the rules and regulations governing its preparation. Given the Individual Defendants' interest in ensuring a favorably high offering price, it is hardly surprising that the Company's Registration Statement, and Prospectus incorporated therein, presented a highly positive picture of the Company's business, performance, prospects, and acreage, while omitting crucial realities.

36. The Company stated the following in its Registration Statement, in pertinent part:

We have achieved superior profitability along with our rapid growth. Our operating margin, which is the ratio of our income from operations to revenues, in 2015 was 25.1%, which was one of the highest among the major publicly listed logistics companies globally.

We operate a highly scalable network partner model, which we believe is best suited to support the significant growth of e-commerce in China. We leverage our network partners to provide pickup and last-mile delivery services, while we control the mission-critical line-haul transportation and sorting network within the express delivery service value chain. The network partner model is developed to reach and serve the Chinese e-commerce industry's fragmented and geographically dispersed merchant and consumer base and seasonal demand. It allows us to achieve strong operating leverage through minimizing fixed costs and capital requirements, consequently driving higher return on invested capital and equity.

37. The Company further stated the following in its Registration Statement regarding its profit margins:

We have achieved significant growth and profitability. Our total parcel volume increased from 279 million in 2011 to 2,946 million in 2015 and from 1,185 million in the six months ended June 30, 2015 to 1,913 million in the same period in 2016. Our total parcel volume in the nine months ended September 30, 2016 was 3,015 million compared to 1,917 million in the same period in 2015. Our revenues increased from RMB3.9 billion in 2014 to RMB6.1 billion (US\$915.8 million) in 2015 and from RMB2.5 billion in the six months ended June 30, 2015 to RMB4.2 billion (US\$638.8 million) in the same period in 2016. We generated operating profit of RMB600.3 million and RMB1.5 billion (US\$230.1 million) and our operating profit margin was 15.4% and 25.1% in 2014 and 2015, respectively. We generated operating profit of RMB579.9 million and RMB1.1 billion (US\$159.0 million) and our operating profit margin was 23.3% and 24.9% in the six months ended June 30, 2015 and 2016, respectively.

38. The Company further stated the following in its Registration Statement regarding its "network partners":

During 2014 and 2015, we acquired the express delivery business and assets of selected network partners in exchange for cash and/or our ordinary shares in order to optimize our nationwide network.

39. The above statements were materially untrue and misleading and omitted material information because, upon information and belief, at the time of the Offering, the Company failed to disclose that ZTO was improperly inflating its stated profit margins by keeping certain low-margin segments of its business out of its financial statements. ZTO used a system of

“network partners” to handle lower-margin pickup and delivery services, while maintaining ownership of core hub operations. By keeping the “network partners” businesses off its own books, the Company was able to exaggerate its profit margins to investors.

40. In addition, pursuant to Item 303 of Regulation S-K (17 C.F.R. §229.303) and the SEC’s related interpretive releases thereto, including any known trends, issuers are required to disclose events or uncertainties that have had, or are reasonably likely to cause, the registrant’s financial information not to be indicative of future operating results. Any adverse events and/or uncertainties associated with ZTO’s margins were reasonably likely to have a material impact on ZTO’s profitability and, therefore, were required to be (but were not) disclosed in the Registration Statement under Item 303.

41. Since the Offering, ZTO ADSs have fallen approximately 25% as investors learn more about ZTO’s exaggerated profit margins.

PLAINTIFF’S CLASS ACTION ALLEGATIONS

42. Plaintiff brings this action as a class action on behalf of a Class, consisting of all those who purchased ADSs of ZTO pursuant or traceable to the Company’s Offering and Registration Statement and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, 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.

43. 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 thousands of members in the proposed Class. The proposed Class may be identified from

records maintained by ZTO 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.

44. 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.

45. 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.

46. 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 the federal securities laws were violated by Defendants' acts as alleged herein;
- b. whether the Registration Statement, Prospectus and Prospectus Supplement contained materially false and misleading statements and omissions; and
- c. to what extent Plaintiff and members of the Class have sustained damages, and the proper measure of damages.

47. 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 CLAIM Violations
of Section 11 of
the Securities Act Against All Defendants**

48. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

49. This Claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. §77k, on behalf of the Class, against each of the Defendants.

50. The Registration Statement was inaccurate and misleading, contained untrue statements of material facts, omitted facts necessary to make the statements made therein not misleading, and omitted to state material facts required to be stated therein.

51. Defendant ZTO is the issuer of the securities purchased by Plaintiff and the Class. As such, ZTO is strictly liable for the materially inaccurate statements contained in the Registration Statement and the failure of the Registration Statement to be complete and accurate.

52. The Individual Defendants each signed the Registration Statement. The Individual Defendants each had a duty to make a reasonable and diligent investigation of the truthfulness and accuracy of the statements contained in the Registration Statement. They had a duty to ensure that they were true and accurate, that there were no omissions of material facts that would make the Registration Statement misleading and that the document contained all facts required to be stated therein. In the exercise of reasonable care, the Individual Defendants should have known of the material misstatements and omissions contained in the Registration Statement and also should have known of the omissions of material fact necessary to make the statements made therein not misleading. As such, the Individual Defendants are liable to Plaintiff and the Class.

53. The Underwriter Defendants each served as underwriters in connection with the Offering. These Defendants each had a duty to make a reasonable and diligent investigation of

the truthfulness and accuracy of the statements contained in the Registration Statement. They had a duty to ensure that they were true and accurate, that there were no omissions of material facts that would make the Registration Statement misleading, and that the documents contained all facts required to be stated therein. In the exercise of reasonable care, the Underwriter Defendants should have known of the material misstatements and omissions contained in the Registration Statement and also should have known of the omissions of material facts necessary to make the statements made therein not misleading. As such, the Underwriter Defendants are liable to Plaintiff and the Class.

54. By reason of the conduct herein alleged, each Defendant violated Section 11 of the Securities Act.

55. Plaintiff acquired ADSs of ZTO in reliance on the Registration Statement and without knowledge of the untruths and/or omissions alleged herein. Plaintiff sustained damages and the price of ZTO's ADSs declined substantially due to material misstatements in the Registration Statement.

56. This action was brought within one year after the discovery of the untrue statements and omissions and within three years of the date of the Offering.

57. By virtue of the foregoing, Plaintiff and the other members of the Class are entitled to damages under Section 11 as measured by the provisions of Section 11(e), from the Defendants and each of them, jointly and severally.

**SECOND CLAIM Violations of
Section 12(a)(2) of
the Securities Act Against All Defendants**

58. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

59. Defendants were sellers and offerors and/or solicitors of purchasers of the ZTO securities offered pursuant to the Offering. Defendants issued, caused to be issued and signed the Registration Statement in connection with the Offering. The Registration Statement was used to induce investors, such as Plaintiff and the other members of the Class, to purchase ZTO securities.

60. The Registration Statement contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted material facts required to be stated therein. Defendants' actions of solicitation included participating in the preparation of the false and misleading Registration Statement.

61. As set forth more specifically above, the Registration Statement contained untrue statements of material fact and omitted to state material facts necessary in order to make the statements, in light of circumstances in which they were made, not misleading.

62. Plaintiff and the other Class members did not know, nor could they have known, of the untruths or omissions contained in the Registration Statement.

63. The Defendants were obligated to make a reasonable and diligent investigation of the statements contained in the Registration Statement to ensure that such statements were true and that there was no omission of material fact required to be stated in order to make the statements contained therein not misleading. None of the Defendants made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were accurate and complete in all material respects. Had they done so, these Defendants could have known of the material misstatements and omissions alleged herein.

64. This claim was brought within one year after discovery of the untrue statements and omissions in the Registration Statement and within three years after ZTO securities were sold to the Class in connection with the Offering.

THIRD CLAIM
**Violations of Section 15 of
the Securities Act Against All Defendants**

65. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

66. Individual Defendants acted as controlling persons of ZTO within the meaning of §15 of the Securities Act. By reason of their ownership, senior management positions and/or directorships at the Company, as alleged above, these Defendants, individually and acting pursuant to a common plan, had the power to influence, and exercised the same, to cause ZTO to engage in the conduct complained of herein. By reason of such conduct, the Individual Defendants are liable pursuant to §15 of the Securities Act.

67. By reason of such wrongful conduct, the Individual Defendants are liable pursuant to §15 of the Securities Act. As a direct and proximate result of the wrongful conduct, Class members suffered damages in connection with their purchases of the Company's securities.

REQUEST FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

- A. declaring this action to be a proper class action pursuant and certifying Plaintiff as Class representative;
- B. awarding Plaintiff and other members of the Class compensatory damages;

C. awarding Plaintiff and other members of the Class rescission on their §12(a)(2) claims;

D. awarding Plaintiff and other members of the Class pre-judgment and post-judgment interest, as well as reasonable attorneys' fees, expert witness fees, and other costs and disbursements; and

E. awarding Plaintiff and other members of the Class any other relief that the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury on all issues.

DATED: May 16, 2017