

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

LUCKIN COFFEE, INC.

Defendant.

Civil Action No. 1:20-cv-10631

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against Defendant Luckin Coffee, Inc. (“Luckin” or “Defendant”), alleges as follows:

SUMMARY

1. From at least April 2019 through January 2020, Luckin Coffee, Inc., a United States listed retail coffee provider based and operating in the People’s Republic of China (“China”), intentionally fabricated more than RMB 2.12 billion (approximately USD \$311 million) in retail sales transactions in an effort to falsely appear to achieve rapid growth and increased profitability and to meet the company’s earnings estimates. Luckin incorporated the fraudulent sales transactions into its books and records and intentionally and materially overstated its reported revenue by more than 27% for the period ending June 30, 2019, and 45% for the period ending September 30, 2019, in its publicly disclosed financial statements. During these same time periods, Luckin intentionally and materially understated its net loss by approximately 15% and 34%, respectively.

2. Luckin used related third parties to fund and execute the manufactured retail sales

transactions. During the same time period, Luckin also inflated its costs and expenses by more than RMB 1.3 billion (approximately USD \$196 million), in part to mask the fabricated sales and falsely inflated revenue and in part to return money used in the sham sales back to the related third-party sources. Luckin incorporated these fraudulent costs and expenses in its books and records and intentionally overstated its expenses by at least 9% and 24% in its publicly disclosed financial statements for the periods ending June 30, 2019 and September 30, 2019, respectively.

3. Certain executive officers and senior managers at Luckin intentionally orchestrated, effected, and approved the sham sales and expense transactions. They created a fake operations database and altered bank records to hide their misconduct from the company's Finance Department and others. These sham sales, the fake database, and altered bank records enabled Luckin to make materially misleading statements about key aspects of the company's financial condition. Luckin made these material misstatements in reports, earnings calls, guidance, and materials provided in January 2020 in connection with an equity offering that raised approximately USD \$418 million and a convertible bond issuance that raised approximately USD \$446.7 million.

4. On April 2, 2020, Luckin, whose American Depositary Shares ("ADS") traded on the NASDAQ Global Select Market, acknowledged the fabricated sales, as well as fabricated transactions that substantially inflated Luckin's costs and expenses. Luckin also warned investors that they should no longer rely upon its 2019 quarterly reports or its fourth quarter earnings guidance.

5. When Luckin's fraud was revealed, the price of Luckin's ADS plummeted by more than 75 percent, from a closing price of USD \$26.20 per ADS on April 1, 2020 to USD \$6.40 per ADS on April 2, 2020. On July 13, 2020, the NASDAQ delisted Luckin's ADS from the exchange.

6. Luckin's fraudulent practices, including but not limited to its fabricated sales transactions and its false statements regarding revenue, income, and expenses, deceived investors about the true financial performance of the company, in particular its rapid growth, and violated the anti-fraud and other provisions of the federal securities laws.

JURISDICTION AND VENUE

7. This Court has subject matter jurisdiction over this action pursuant to Securities Act Sections 20(b) and 22(a) [15 U.S.C. §§ 77t(b) and 77v(a)] and Exchange Act Sections 21(d), 21(e), and 27 [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

8. In connection with the conduct alleged in this Complaint, Defendant has, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange.

9. Venue is proper in this District pursuant to Securities Act Section 22 [15 U.S.C. § 77v] and Exchange Act Section 27 [15 U.S.C. § 78aa]. Certain of the acts, practices, transactions, and courses of business constituting the violations alleged in this Complaint occurred within this District. Notably, Luckin's ADS traded on the NASDAQ Global Select Market, a national securities exchange located in this District; Luckin's depository bank for its ADS is headquartered in this District; and Luckin offered its securities for sale in this District.

DEFENDANT

10. **Luckin** is a retail coffee provider incorporated in the Cayman Islands with its principal place of business in the Siming District, Xiamen, Fujian, China. As of March 31, 2020, Luckin had approximately 108 million outstanding ADS that traded on the NASDAQ Global Select Market. The company is registered as a foreign private issuer with the Commission and is

required to submit annual reports with the Commission on Form 20-F. Luckin also furnished quarterly financial results on Forms 6-K. At all relevant times, Luckin operated on a fiscal year that ran from January 1 to December 31. On July 1, 2020, NASDAQ filed a Form 25 to remove Luckin's ADS from listing on the NASDAQ; Luckin's ADS now trade on the over-the-counter markets under the symbol "LKNCY."

FACTS

Luckin's Business Model

11. Luckin sells coffee, tea, and other food and beverage items to retail customers throughout China. Luckin claimed to have served over 40 million cumulative transacting customers, including approximately 10 million new customers in the fourth quarter of 2019, and to have more than 4,500 coffee stores throughout China as of December 31, 2019.

12. Luckin's articulated business model was premised on an unmet demand for coffee in China and its ability to stimulate mass market coffee consumption. Among Luckin's techniques for increasing coffee consumption and gaining market share were the use of aggressive price discounting and offering customers free or reduced-price products through the use of coupons.

13. Luckin's customers place orders for Luckin's products through the company's phone-based application ("app"). All purchases must be made through the app, including by redeeming coupons or using certain third-party payment systems, such as Alipay and WeChat.

14. Luckin's customers could purchase coupons through Luckin's app by using funds from their Alipay or WeChat accounts. Its customers redeemed coupons through the company's app when purchasing coffee or other food and beverage items.

15. Luckin disclosed to the public that it recognized revenue from the sale of a coupon when the coupon was redeemed by a customer for coffee or another product, rather than at the time

of the sale of the coupon.

Luckin's IPO in May 2019

16. Luckin made an initial public offering (“IPO”) of ADS in the United States on May 17, 2019, raising approximately USD \$600 million. In connection with the IPO, Luckin primed the market for tremendous growth. Although it had only commenced operations in October 2017, Luckin reported that by March 31, 2019, it operated 2,370 stores in 28 cities across China and had over 16.8 million transacting customers. Luckin further proclaimed it was China’s “second largest and fastest-growing coffee network,” that it aimed to become the largest coffee network in China—as measured by number of stores—by year-end 2019, and that its “disruptive model has fulfilled the large unmet demand for coffee and driven its mass market consumption in China [], allowing us to achieve significant scale and growth.”

17. In the prospectus, Luckin disclosed that the company’s total revenues were USD \$125 million for year-end 2018, and USD \$71.3 million for the quarter ending March 31, 2019. Luckin acknowledged that it had incurred significant operating losses since its inception and that it may continue to be unprofitable if it could not sustain its historical growth rate.

18. Luckin released additional material in the run-up to the IPO that touted its historical growth. In the financial section of a March 2019 analyst presentation, Luckin highlighted its “[s]trong growth since inception” in terms of its number of stores, average monthly transacting customers, average monthly items sold, and net revenues. And in the months leading up to, and following, the IPO, Luckin executives reiterated the company’s goal of becoming the largest coffee network in China by the end of 2019.

19. In the months leading up to the IPO, various news reports characterized Luckin’s trajectory as a “meteoric expansion,” with “staggering,” “stunning,” and “super-charged” growth

occurring at “break-neck speed.” According to news reports, several rounds of private fundraising had already rapidly escalated Luckin’s pre-IPO valuation from USD \$1 million in July 2018, to USD \$2.2 billion in November 2018, to USD \$2.9 billion in April 2019. Its May 2019 IPO—priced at USD \$17 per ADS—valued the company at USD \$3.9 billion.

20. On its first day of trading, Luckin’s shares traded as high as USD \$25 per ADS, before settling at around USD \$20 per ADS. By mid-June 2019, a number of analysts began following the company, with a consensus target price of USD \$25 per ADS, which would correspond to a company valuation of approximately USD \$5 billion. Analysts recognized that the company did not anticipate break-even profitability in the near term, but focused on Luckin’s extraordinary revenue growth trajectory.

Luckin’s Fabricated Sales

21. Luckin was not able to meet its own guidance, extraordinary predictions, or the market’s high expectations for revenue and growth. Beginning in April 2019, Luckin fabricated coupon sales transactions for the purpose of artificially inflating its revenues and growth. Certain Luckin employees, including senior officers and directors, orchestrated and carried out three separate fraudulent schemes to fabricate coupon sales and associated revenue. Luckin and certain of its employees knew or were reckless in not knowing that by fabricating coupon sales and associated revenues and income, the company was providing investors with materially false and misleading information about the company’s financial position. This practice operated as a fraud or deceit on Luckin investors.

22. In the first scheme, Luckin fabricated coupon sales and redemptions by purported individual customers. Beginning in April 2019, Luckin employees and others transferred money from individual bank accounts—controlled by Luckin employees and their family members, as

well as employees of two entities associated with certain officers and directors of Luckin (the “Two Related Entities”)—to WeChat and Alipay accounts associated with mobile phone numbers those individuals controlled. The transferred funds were then used to purchase coupons on Luckin’s app. Luckin, through the actions of its employees, then created fake customer orders to “redeem” the coupons, and, although real orders were never placed and the coupons were never actually redeemed, Luckin recognized the fabricated revenue.

23. In connection with the first scheme, Luckin fabricated sales of several millions of dollars.

24. In its second scheme, certain Luckin employees fabricated coupon sales to four purported corporate customers, all of which were controlled by or associated with Luckin personnel or employees of the Two Related Entities. Beginning in May 2019, the four corporate entities transferred money directly to Luckin from their corporate Alipay accounts to purchase coupons on Luckin’s app. As with the first scheme, Luckin created fake retail customer orders to redeem the coupons, and, although real orders were never placed and the coupons were never actually redeemed, Luckin recognized the fabricated revenue.

25. In connection with the second scheme, Luckin fabricated sales of tens of millions of dollars, nearly triple the amount of sales fabricated in the first scheme.

26. In its third scheme, which had the largest impact on Luckin’s financial statements, certain Luckin employees fabricated coupon sales to third-party shell companies—purported intermediary agents that would resell coupons to individual customers (the “Fictitious Agents”). Beginning in May 2019, Luckin entered into sham coupon purchase agreements with the Fictitious Agents.

27. A May 2019 email from an employee of one of the Two Related Entities to certain Luckin officers described efforts to conceal the fraud: “We will try to replace the contact persons [of the Fictitious Agents] with third parties, in order to reduce the number of our internal colleagues that are aware of such issue.”

28. In connection with the third scheme, seven funding companies (collectively, the “Funding Companies”), including two of the corporate entities involved in the second scheme, transferred money into Luckin’s bank accounts beginning in May 2019. The Funding Companies were controlled by or associated with Luckin employees or employees of the Two Related Entities. Certain Luckin employees altered the company’s bank statements so that the funds appeared to originate from the Fictitious Agents, rather than the Funding Companies. Then, these Luckin employees generated fake coupons and fabricated coupon sales to the Fictitious Agents. Finally, Luckin created fake orders by individual customers, who had purportedly bought coupons from the Fictitious Agents, to redeem the coupons, and, although real orders were never placed and the coupons were never actually redeemed, Luckin recognized the fabricated revenue.

29. In connection with the third scheme, Luckin fabricated sales of hundreds of millions of dollars, accounting for nearly 90% of the approximately USD \$311 million in total fabricated revenue.

30. Luckin maintained a database to track its business operations, including coupon sales and redemptions and customer orders (the “Business Operations Database”). To effectuate the above-described schemes, certain Luckin employees created a second database that included both legitimate coupon sales, redemptions, and customer orders as well as fabricated coupon sales, redemptions, and customer orders (the “Fabricated Database”). These employees then switched the source data for certain reports—reports used by Luckin’s Finance Department for bookkeeping

and financial reporting purposes—from the Business Operations Database to the Fabricated Database. The Finance Department had access only to the Fabricated Database and so could not distinguish the legitimate from the fabricated transactions. As a result, the Finance Department incorporated the fabricated transactions into Luckin’s publicly disclosed financial statements.

31. An April 2019 email from an employee of one of the Two Related Entities to certain Luckin officers confirmed that “the original reports/forms in the system are all unseeable,” and that those reports included the cost carryover and income reports.

32. In total, Luckin fabricated sales transactions and revenues totaling approximately RMB 2.12 billion (approximately USD \$311 million) from April 2019 through at least January 2020. By quarter, Luckin fabricated sales and falsified revenue of approximately RMB 250 million (approximately USD \$36 million) in the second quarter of 2019, RMB 700 million (approximately USD \$103 million) in the third quarter of 2019, and RMB 1.17 billion (approximately USD \$172 million) in the fourth quarter of 2019.

Luckin Fabricated Expenses and Recycled Funds to the Funding Companies

33. While fabricating coupon sales, Luckin returned funds to the Funding Companies, including the four purported corporate customers involved in the second scheme, both directly through bank transfers and indirectly through fabricated expense payments to vendors.

34. For example, Luckin made payments to 13 purported suppliers of raw materials that did not provide any materials to the company, overpaid two providers of human resources (outsourcing) services, and paid delivery fees to three companies that did not provide any services to Luckin. Nonetheless, Luckin reported these payments as business-related expenses in its publicly disclosed financial statements.

35. In total, Luckin fabricated costs and expenses totaling approximately RMB 1.3 billion (approximately USD \$196 million) in 2019. By quarter, Luckin fabricated costs and expenses of approximately RMB 150 million (approximately USD \$22 million) in the second quarter of 2019, RMB 520 million (approximately USD \$76 million) in the third quarter of 2019, and RMB 670 million (approximately USD \$98 million) in the fourth quarter of 2019. As discussed below, during the relevant time period, Luckin inflated its costs and expenses by more than 20%.

36. Luckin's fabricated costs and expenses allowed for funds to be returned, in part, to the Funding Companies, which were controlled by or associated with Luckin employees and employees of related companies. Further, the Luckin employees increased costs to make those costs consistent with its increased, inflated revenue. In March and April 2020, Luckin continued returning money to the Funding Companies through direct bank transfers, and certain vendors refunded fabricated and inflated expenses to Luckin.

37. Certain Luckin officers were kept apprised of the progress of the schemes. In two emails in October 2019 to Luckin officers, for example, an employee of one of the Two Related Entities expressed concern that the fraud may be discovered, writing that "the same-store revenue can maintain a growth rate of more than 35%, but its credibility will be questioned ..." and "suppliers will notice the abnormality [in Luckin's growth] because we don't purchase that much."

Luckin's Second Quarter 2019 Earnings Release

38. In advance of Luckin's first earnings release as a public company, analysts expected quarterly revenues of approximately USD \$130 to \$133 million. By contrast, Luckin's revenues for the entire fiscal year of 2018 were USD \$125 million.

39. On August 14, 2019, Luckin furnished to the Commission a Form 6-K disclosing

its earnings for the second quarter ending June 30, 2019.

40. In its 6-K, Luckin reported that its total net revenues for the second quarter were RMB 909.1 million (approximately USD \$132 million). Total net revenues from products were reportedly RMB 870 million (approximately USD \$126 million), an increase of 698% over the same quarter in 2018. Luckin highlighted this astronomical growth on a same-day earnings call. Luckin's reported net revenue included the fabricated coupon sales, as described above, of approximately RMB 250 million (approximately USD \$36 million). Luckin's reported total net revenues for the second quarter of 2019 were therefore overstated by more than 27%.

41. Despite Luckin's substantial revenue growth, analyst reports generally characterized the results as "in line" with their expectations. Luckin's stock declined moderately, closing at USD \$20.68 per ADS the following day.

42. The company's expenses were also overstated in this period because of the fraudulent expense transactions created to return funds used in the scheme back to certain Funding Companies and to create the appearance that expenses were consistent with reported revenue. Luckin reported total operating expenses of RMB 1,598.8 million (approximately USD \$233 million), which were overstated by approximately RMB 150 million (approximately USD \$22 million), or approximately 9%.

43. Because Luckin materially misstated its total revenues and expenses in the second quarter of 2019, it also materially understated its net loss in this period. The company reported net loss of RMB 681.3 million (approximately USD \$99 million), which was understated by approximately RMB 100 million (approximately USD \$14 million), or approximately 15%.

Luckin's Third Quarter 2019 Earnings Release

44. In advance of its third quarter earnings release, Luckin provided revenue guidance

of USD \$190 million to \$210 million in total quarterly net revenues. Analysts reported a consensus expectation of approximately USD \$209 to \$211 million.

45. On November 20, 2019, Luckin furnished to the Commission its 6-K reporting its third quarter financial results. In the 6-K, Luckin reported that its total net revenues in the third quarter were RMB 1,541.6 million (approximately USD \$216 million), an increase of 540% over the same quarter in 2018. On a same-day earnings call with investors, Luckin highlighted its revenue growth percentage. On the same call, Luckin stated that “since [its] inception, Luckin’s growth has always been beyond everyone’s expectations” and that, by year-end, it believed it would “become the largest coffee player in China.”

46. Luckin’s reported net revenues in the third quarter of 2019 included fabricated coupon sales and redemptions, as described above, of approximately RMB 700 million (approximately USD \$103 million) in the quarter. Luckin’s revenues for this period were therefore overstated by approximately 45%.

47. The company’s expenses were also overstated in this period because of the fraudulent expense transactions created to return funds used in the scheme back to certain Funding Companies. Luckin reported total operating expenses for the third quarter of RMB 2,132.5 million (approximately USD \$298 million). This amount was overstated by approximately RMB 520 million (approximately USD \$76 million), or approximately 24%.

48. Because Luckin materially misstated its total revenues and expenses in the third quarter of 2019, it also materially understated its net loss in this period. The company reported net loss of RMB 531.9 million (approximately USD \$74 million) for the third quarter of 2019, which was understated by approximately RMB 180 million (approximately USD \$26 million), or approximately 34%.

49. Luckin's total revenues for the third quarter of 2019 exceeded both its issued guidance and analyst expectations. Analysts praised Luckin's "robust," "accelerating" growth and "strong momentum," revising their forecasts and raising their price targets in response to the earnings release.

50. Following the November 13 earnings release, Luckin's stock steadily increased, from USD \$18.98 per ADS on November 12 to USD \$28.16 per ADS on November 18—an increase of more than 60% from its IPO just five months prior.

Luckin's Fabricated Sales and Expenses in the Fourth Quarter of 2019

51. Through the fourth quarter of 2019, Luckin continued to fabricate coupon sales, redemptions, and revenues and to falsify its Business Operations Database. In that three-month period, Luckin fabricated approximately RMB 1.17 billion (approximately USD \$172 million) in sham coupon sales, redemptions, and revenues.

52. Luckin also continued to fabricate or inflate its expenses during this period to account for the return of money to the Funding Companies for their participation in the scheme. During the fourth quarter of 2019, Luckin recorded in its books and records approximately RMB 670 million (approximately USD \$98 million) in fraudulent expenses.

53. On December 31, 2019, Luckin's stock closed at USD \$39.36 per ADS, a nearly 100% increase from its IPO.

January 2020 Follow-on Equity Offering and Convertible Bond Issuance

54. On January 14, 2020, Luckin conducted a follow-on equity offering and convertible bond issuance, raising approximately USD \$418 million from the equity offering and approximately USD \$446.7 million from the convertible bond offering. The offering materials included the company's previously disclosed, materially misstated financials for the second and

third quarters of 2019.

55. In its January 2020 management presentation to investors, Luckin again claimed that it was China's "largest," in terms of number of stores, and "fastest growing coffee network." The presentation highlighted Luckin's "[h]igh growth with significant improvements in efficiency," noting that its total net revenues from products grew 557.6% year-over-year in the third quarter of 2019. The presentation further stated that the company's product revenue "beat our Q3 guidance as a result of strong business fundamentals."

56. Luckin's stock price continued to climb, closing at an all-time high of USD \$50.02 per ADS on January 17, 2020—an increase of nearly 200% from its IPO just eight months prior. Analysts continued to issue positive reports and increase their target prices.

Luckin's Inadequate System of Internal Accounting Controls and Inaccurate Books and Records

57. Luckin failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit the preparation of accurate financial statements or to maintain accountability for assets in accordance with required accounting principles. Luckin's lack of adequate internal controls allowed the scheme to continue, without detection, for at least nine months. For example, Luckin's inadequate internal accounting controls enabled the alteration, without detection, of source data to include fabricated transactions. In addition, Luckin lacked controls to provide reasonable assurance that transactions with third parties were properly disclosed and that payments made were for legitimate services.

58. As a consequence of Luckin's inadequate internal accounting controls, Luckin's books and records inaccurately reflected the company's transactions and dispositions of assets. The

company's books and records included fabricated sales and expense transactions as well as altered bank records. As a result, the company's financial statements materially overstated revenue and expenses and materially understated net operating loss.

Luckin's Disclosure of the Fraudulent Schemes

59. Luckin's fraud came to light in early 2020 in the course of the annual external audit of the company's financial statements.

60. On April 2, 2020, Luckin announced that it had fabricated over USD \$300 million in sales transactions in the last three quarters of 2019. Luckin warned investors that they should no longer rely upon its 2019 quarterly reports or its fourth quarter earnings guidance. Luckin's disclosure also stated that several officers and employees had been suspended.

61. Luckin's stock, which closed at USD \$27.19 per ADS on March 31, 2020, closed at USD \$3.39 per ADS on April 6, 2020.

Luckin's Cooperation and Remedial Efforts

62. After Luckin's misconduct was discovered, Luckin self-reported the fabricated sales and expenses to the Commission's staff, cooperated with the staff's investigation, and promptly undertook significant remedial efforts. Those efforts included initiating an internal investigation, terminating certain personnel, terminating its relationships with third parties involved in the fraudulent conduct, and reorganizing the Finance Department and adding internal accounting controls.

CLAIMS

FIRST CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

63. Paragraphs 1 through 62 alleging that Luckin intentionally fabricated sales and expenses to materially falsify revenue and reduce net losses in its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

64. Luckin, knowingly or recklessly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities, directly or indirectly:

(a) employed devices, schemes, or artifices to defraud;

(b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

65. By reason of the foregoing, Luckin violated and, unless enjoined, is reasonably likely to continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a), (b), and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b), (c)].

SECOND CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act

66. Paragraphs 1 through 62 alleging that Luckin intentionally fabricated sales and expenses to materially falsify revenue and reduce net losses in its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

67. Luckin, in the offer or sale of securities, by the use of the means or instruments of communication in interstate commerce or by use of the mails, directly or indirectly:

(a) knowingly or recklessly employed any devices, schemes, or artifices to defraud;

(b) knowingly, recklessly or negligently obtained money or property by means of an untrue statement of a material fact or an omission to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading; and/or

(c) knowingly, recklessly or negligently engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

68. By reason of the foregoing, Luckin violated and, unless enjoined, is reasonably likely to continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF
Violations of Section 13(a) of the Exchange Act
and Rules 12b-20 and 13a-16 Thereunder

69. Paragraphs 1 through 62 alleging that Luckin fabricated sales and expenses to materially falsify revenue and reduce net losses in its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

70. By reason of the conduct described above, Defendant filed or furnished the following reports and/or statements which either made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading: (a) Luckin's Form 6-K, disclosing its earnings for the second quarter of 2019, furnished to the Commission on August 14, 2019; (b) Luckin's Form 6-K, disclosing its earnings for the third quarter of 2019, furnished to the

Commission on November 20, 2019; and (c) the offering documents for Luckin's January 2020 follow-on equity offering and convertible bond issuance.

71. By engaging in the conduct described above, Defendant violated, and unless enjoined, will again violate Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-16 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-16].

FOURTH CLAIM FOR RELIEF
Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

72. Paragraphs 1 through 62 alleging that Luckin fabricated sales and expenses to materially falsify revenue and reduce net losses in its books and records used to prepare its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

73. By reason of the conduct described above, Defendant failed to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the assets of the issuer. Further, Defendant failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets.

74. By engaging in the conduct described above, Defendant violated, and unless restrained and enjoined will again violate, Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A) and (b)(2)(B)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Permanently enjoining Defendant Luckin, and all persons in active concert or participation with Defendant Luckin, from violating the federal securities laws alleged in this Complaint;

II.

Ordering Defendant Luckin to pay civil monetary penalties pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]; and

III.

Granting any other and further relief this Court may deem just and proper.

Dated: December 16, 2020

Respectfully submitted,

SECURITIES AND
EXCHANGE COMMISSION

S/ Melissa J. Armstrong

Melissa J. Armstrong*

Jan M. Folena*

*Application for admission *pro hac vice*
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