

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

TOMMIE ZAKER, Individually and On  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

EBANG INTERNATIONAL HOLDINGS  
INC., DONG HU, and LEI CHEN,

Defendants.

Case No.

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

**JURY TRIAL DEMANDED**

Plaintiff Tommie Zaker (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Ebang International Holdings Inc. (“Ebang” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Ebang; and (c) review of other publicly available information concerning Ebang.

### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired Ebang securities between June 26, 2020 and April 5, 2021, inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Ebang purports to be a leading application-specific integrated circuit (“ASIC”) chip design company and a leading manufacturer of Bitcoin mining machines.

3. On April 6, 2021, before the market opened, Hindenburg Research published a report alleging, among other things, that Ebang is directing proceeds from its IPO last year into a “series of opaque deals with insiders and questionable counterparties.” According to the report, Ebang raised \$21 million in November 2020, claiming the proceeds would go “primarily for development,” and that instead the funds were directed to repay related-party loans to a relative of the Ebang’s Chief Executive Officer, Dong Hu. The report also noted that Ebang’s earlier efforts to go public on the Hong Kong Stock Exchange had failed due to widespread media coverage of a

sales inflation scheme with Yindou, a Chinese peer-to-peer online lending platform that defrauded 20,000 retail investors in 2018, with \$655 million “vanish[ing] into thin air.”

4. On this news, the Company’s share price fell \$0.82, or approximately 13%, to close at \$5.53 per share on April 6, 2021, on unusually heavy trading volume.

5. On April 6, 2021, after the market closed, Ebang issued a statement stating that, though it believed the report “contain[ed] many errors, unsupported speculations and inaccurate interpretations of events,” the “Board, together with its Audit Committee, intends to further review and examine the allegations and misinformation therein and will take whatever necessary and appropriate actions may be required to protect the interest of its shareholders.”

6. On this news, the Company’s share price fell \$0.12, or 2.17%, to close at \$5.41 per share on April 7, 2021. The stock price continued to decline over the next trading session by \$0.38, or 7%, to close at \$5.03 per share on April 8, 2021, on unusually heavy trading volume.

7. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the proceeds from Ebang’s public offerings had been directed to an low yield, long term bonds to an underwriter and to related parties rather than used to develop the Company’s operations; (2) that Ebang’s sales were declining and the Company had inflated reported sales, including through the sale of defective units; (3) that Ebang’s attempts to go public in Hong Kong had failed due to allegations of embezzling investor funds and inflated sales figures; (4) that Ebang’s purported cryptocurrency exchange was merely the purchase of an out-of-the-box crypto exchange; and (5) that, as a result of the foregoing, Defendants’ positive statements about the Company’s business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

8. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's shares, Plaintiff and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

9. The claims asserted herein arise under Sections 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).

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

11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District.

12. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

13. Plaintiff Tommie Zaker, as set forth in the accompanying certification, incorporated by reference herein, purchased Ebang shares during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

14. Defendant Ebang is incorporated under the laws of the Cayman Islands with its principal executive offices located in China. Ebang's Class A ordinary shares trade on the NASDAQ exchange under the symbol "EBON."

15. Defendant Dong Hu ("Hu") was the Company's Chief Executive Officer ("CEO") at all relevant times.

16. Defendant Lei Chen ("Chen") was the Company's Chief Financial Officer ("CFO") at all relevant times.

17. Defendants Hu and Chen (together, the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, 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 which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

18. Ebang purports to be a leading ASIC chip design company and a leading manufacturer of Bitcoin mining machines.

**Materially False and Misleading  
Statements Issued During the Class Period**

19. The Class Period begins on June 26, 2020. On that day, Ebang filed its prospectus in connection with its initial public offering (the “IPO Prospectus”). Regarding the use of capital, the IPO Prospectus stated:

The primary purposes of this offering are to create a public market for our Class A ordinary shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives and obtain additional capital. We plan to use the net proceeds of this offering as follows, assuming no exercise of the underwriters’ option to purchase additional Class A ordinary shares:

- approximately 35.0%, or US\$31.8 million, for expansion of overseas business and new businesses, including establishing research and development centers and taking selling and marketing initiatives overseas;
- approximately 20.0%, or US\$18.2 million, for our development and introduction of new mining machines;
- approximately 15.0%, or US\$13.6 million, for corporate branding and marketing activities; and
- the remainder of the net proceeds for general corporate purposes, which may include working capital needs and other corporate uses.

20. As to Ebang’s operations, the IPO Prospectus further stated:

In recent years, sales of Bitcoin mining machines have increased as a result of the increasing adoption of blockchain technology and interest in cryptocurrencies, particularly when cryptocurrency prices increased. Global sales of Bitcoin computing hardware, the majority of which comprise sales of Bitcoin mining machines, have surged at a compound annual growth rate, or CAGR, of 61.3% from approximately US\$0.2 billion in 2015 to approximately US\$1.4 billion in 2019 and are expected to further increase at a CAGR of 24.8% to approximately US\$4.3 billion in 2024, according to the F&S report.

\* \* \*

Our blockchain products business primarily comprises sales of Bitcoin mining machines and mining machine hosting services. In 2018 and 2019, our revenues from sales of Bitcoin mining machine and related accessories were US\$307.1 million and US\$89.9 million, respectively, and our revenue from provision of mining machine hosting services was US\$7.7 million and US\$15.7 million, respectively.

21. Moreover, regarding product defects, the IPO Prospectus went on to state:

***Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation***

We manufacture products in accordance with internationally accepted quality standards and specifications provided by our customers. However, we cannot assure you that all products produced by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns and large-scale product recalls or product liability claims against us for substantial damages. For example, we are currently involved in an ongoing lawsuit against us in relation to our sales of mining machines to an individual customer who alleged that, among other things, our products did not meet advertised performance and product quality specifications. See “Business—Legal Proceedings.” Such claims, irrespective of the outcomes or the merits, would likely be time-consuming and costly to defend and could divert significant resources and management attention. Furthermore, even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products or that our future relationships with our customers will not be damaged. As a result, our business, results of operations, reputation and brand image could be materially and adversely affected by any product defects.

22. On August 14, 2020, Ebang issued a press release announcing that it was preparing to establish a cryptocurrency exchange. Specifically, the Company stated:

Ebang International Holdings Inc. (Nasdaq: EBON, the “Company,” “we” or “our”), a leading application-specific integrated circuit (“ASIC”) chip design company and a leading manufacturer of high-performance Bitcoin mining machines, today announced that on August 13, 2020, it has established a wholly-owned subsidiary in Singapore in preparation for establishing a cryptocurrency exchange.

Mr. Dong Hu, Chairman and CEO of the Company, commented, “With our newly established subsidiary in Singapore, we expect to expand our industry chain layout from providing equipment to offering trading services. We plan to establish a robust risk control system and develop an optimal transaction system, with the support from our dedicated professional team and industry experts, in order to provide investors with safe, fast and stable digital asset transaction services through blockchain technology. We look forward to providing systematic support to the development of blockchain and maximizing the values for our shareholders.”

23. On September 25, 2020, Ebang reported its financial results for the first six months of fiscal 2020:

**Operational and Financial Highlights for the First Six Months of Fiscal Year 2020**

**Total computing power sold** in the first six months of 2020 was 0.25 million Thash/s, representing a year-over-year decrease of 86.02% from 1.82 million Thash/s in the same period of 2019.

**Total net revenues** in the first six months of 2020 were US\$11.04 million, representing a 50.60% year-over-year decrease from US\$22.35 million in the same period of 2019.

**Gross loss** in the first six months of 2020 was US\$0.97 million, representing a 94.59% year-over-year decrease from US\$17.87 million in the same period of 2019.

**Net loss** in the first six months of 2020 was US\$6.96 million compared to US\$19.07 million in the same period of 2019.

\* \* \*

Mr. Hu continued, “With the preparatory work we have initiated in Singapore and Canada, we are at an initial preparatory stage of executing our plan to launch blockchain-enabled financial business by establishing cryptocurrency exchange(s) and online brokerage(s) and by combining the blockchain-enabled financial businesses with the traditional ones to capture the entire value chain of the blockchain industry. Marching into these new fields, we are staying true to our mission in strengthening the technological innovation in our products and services to ensure their competitiveness in the market.”

24. On October 23, 2020, Ebang filed its registration statement on Form F-1 for an offering of Class A ordinary shares and warrants to purchase Class A ordinary shares. It was subsequently amended on October 26, 2020, November 6, 2020, and November 16, 2020 before the Company filed a related prospectus on Form 424b4 on November 20, 2020 (collectively, and together with October 23, 2020 registration statement, the “November Prospectus”). Regarding the use of capital, the November Prospectus stated:

The primary purposes of this offering are to create a public market for our Class A ordinary shares for the benefit of all shareholders, retain talented employees by

providing them with equity incentives and obtain additional capital. We plan to use the net proceeds of this offering as follows:

- approximately 30%, or US\$5.8 million assuming sales of all 4,000,000 Units at the initial closing, no sales of Additional Units and no exercise of the related warrants, or approximately US\$11.7 million, assuming sales of all of the Units we are offering and no exercise of the related warrants, for development and application of blockchain technology into financial services;
- approximately 30 %, or US\$5.8 million assuming sales of all 4,000,000 Units at the initial closing, no sales of Additional Units and no exercise of the related warrants, or approximately US\$11.7 million, assuming sales of all of the Units we are offering and no exercise of the related warrants, for sourcing core intellectual properties relating to our businesses;
- approximately 20%, or US\$3.9 million assuming sales of all 4,000,000 Units at the initial closing, no sales of Additional Units and no exercise of the related warrants, or approximately US\$7.8 million, assuming sales of all of the Units we are offering and no exercise of the related warrants, for corporate branding and marketing activities; and
- the remainder of the net proceeds for general corporate purposes, which may include working capital needs and other corporate uses.

25. As to Ebang’s operations, the November Prospectus further stated:

In recent years, sales of Bitcoin mining machines have increased as a result of the increasing adoption of blockchain technology and interest in cryptocurrencies, particularly when cryptocurrency prices increased. Global sales of Bitcoin computing hardware, the majority of which comprise sales of Bitcoin mining machines, have surged at a compound annual growth rate, or CAGR, of 61.3% from approximately US\$0.2 billion in 2015 to approximately US\$1.4 billion in 2019 and are expected to further increase at a CAGR of 24.8% to approximately US\$4.3 billion in 2024, according to the F&S report.

\* \* \*

Our blockchain products business primarily comprises sales of Bitcoin mining machines and mining machine hosting services. In 2018, 2019 and the six months ended June 30, 2019 and 2020, our revenues from sales of Bitcoin mining machine and related accessories were US\$307.1 million, US\$89.9 million, US\$12.6 million and US\$4.5 million respectively, and our revenue from provision of mining machine hosting services was US\$7.7 million, US\$15.7 million, US\$7.2 million and US\$6.1 million, respectively.

26. Moreover, regarding product defects, the November Prospectus went on to state:

***Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation***

We manufacture products in accordance with internationally accepted quality standards and specifications provided by our customers. However, we cannot assure you that all products produced by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns and large-scale product recalls or product liability claims against us for substantial damages. For example, we are currently involved in an ongoing lawsuit against us in relation to our sales of mining machines to an individual customer who alleged that, among other things, our products did not meet advertised performance and product quality specifications. See “Business—Legal Proceedings.” Such claims, irrespective of the outcomes or the merits, would likely be time-consuming and costly to defend and could divert significant resources and management attention. Furthermore, even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products or that our future relationships with our customers will not be damaged. As a result, our business, results of operations, reputation and brand image could be materially and adversely affected by any product defects.

27. Regarding Ebang’s cryptocurrency exchange, the November Prospectus stated:

***We may not successfully develop, market or launch any cryptocurrency exchanges or online brokerages***

We have established wholly-owned subsidiaries in Singapore, Canada and Australia in preparation for establishing cryptocurrency exchanges since August 2020. . . . Additionally, as we have limited experience in operating the proposed business, we will need to obtain additional management, regulatory compliance technical expertise and devote substantial time and effort to these initiatives, which may not be as profitable as we expected or at all. ***We also need to obtain additional capital resources to pursue development of cryptocurrency exchanges or online brokerages, and we may not be successful in raising that capital. In addition, we may face relevant restrictions from existing and future regulations in connection with our expansion into this new line of business.*** While we have been closely monitoring the development of the relevant regulations and have been in communication with regulatory authorities, this new business initiative may not be viable due to regulatory concerns. Our plan to develop, market or launch any cryptocurrency exchanges or online brokerages may suffer significant delays in our efforts and may ultimately not be successful. ***It is possible that the launch of our cryptocurrency exchanges and/or online brokerages may never occur, and even if the proposed business is successfully developed, it is possible that it will not be***

*accessed or utilized by a sufficient number of users or will otherwise not achieve viable business scale or market acceptance..*

[Second and third emphases added.]

28. On December 31, 2020, Ebang announced that it would launch a cryptocurrency exchange, stating in a press release:

Ebang International Holdings Inc. (Nasdaq: EBON, the “Company,” “we” or “our”), a blockchain technology company in the global market, today announced that the Company expects to commence public testing of its cryptocurrency exchange and officially launch the exchange in the first quarter of 2021. Currently, the Company has completed the internal testing of its cryptocurrency exchange.

Mr. Dong Hu, Chairman and CEO of the Company, commented, “The completion of the internal testing of our cryptocurrency exchange is another step forward in expanding our blockchain financial services business. Meanwhile, we will also explore other business opportunities in the blockchain and cryptocurrency industry such as establishing mining farms and cryptocurrency mining to optimize the structure of our offerings in the blockchain industry value chain.”

29. On February 5, 2021, Ebang filed its registration statement on Form F-1 for an offering of Class A ordinary shares and warrants to purchase Class A ordinary shares. On February 11, 2021, Ebang filed a related prospectus on Form 424b4 (together with the February 5, 2021 registration statement, the “February Prospectus”). Regarding the use of capital, the February Prospectus stated:

The primary purposes of this offering are to obtain additional capital to further expand our operations. We plan to use the net proceeds of this offering as follows:

- approximately 55%, or US\$41.2 million, for research, development, production and sales of ASICs and equipment related to cryptocurrencies;
- approximately 25%, or US\$18.7 million, for expansion of our cryptocurrency mining business as well as establishment and operation of cryptocurrency mining farms; and
- the remainder of the net proceeds for general corporate purposes, which may include working capital needs and other corporate uses.

30. As to Ebang’s operations, the February Prospectus further stated:

In recent years, sales of Bitcoin mining machines have increased as a result of the increasing adoption of blockchain technology and interest in cryptocurrencies, particularly when cryptocurrency prices increased. Global sales of Bitcoin computing hardware, the majority of which comprise sales of Bitcoin mining machines, have surged at a compound annual growth rate, or CAGR, of 61.3% from approximately US\$0.2 billion in 2015 to approximately US\$1.4 billion in 2019 and are expected to further increase at a CAGR of 24.8% to approximately US\$4.3 billion in 2024, according to the F&S report.

\* \* \*

Our blockchain products business primarily comprises sales of Bitcoin mining machines and mining machine hosting services. In 2018, 2019 and the six months ended June 30, 2019 and 2020, our revenues from sales of Bitcoin mining machine and related accessories were US\$307.1 million, US\$89.9 million, US\$12.6 million and US\$4.5 million respectively, and our revenue from provision of mining machine hosting services was US\$7.7 million, US\$15.7 million, US\$7.2 million and US\$6.1 million, respectively.

31. Moreover, regarding product defects, the February Prospectus went on to state:

***Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation***

We manufacture products in accordance with internationally accepted quality standards and specifications provided by our customers. However, we cannot assure you that all products produced by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns and large-scale product recalls or product liability claims against us for substantial damages. For example, we are currently involved in an ongoing lawsuit against us in relation to our sales of mining machines to an individual customer who alleged that, among other things, our products did not meet advertised performance and product quality specifications. See “Business—Legal Proceedings.” Such claims, irrespective of the outcomes or the merits, would likely be time-consuming and costly to defend and could divert significant resources and management attention. Furthermore, even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products or that our future relationships with our customers will not be damaged. As a result, our business, results of operations, reputation and brand image could be materially and adversely affected by any product defects.

32. Regarding Ebang’s cryptocurrency exchange, the February Prospectus stated:

***We may not successfully develop, market or launch any cryptocurrency exchanges or online brokerages***

We have established wholly-owned subsidiaries in Singapore, Canada and Australia in preparation for establishing cryptocurrency exchanges since August 2020. . . . Additionally, as we have limited experience in operating the proposed business, we will need to obtain additional management, regulatory compliance technical expertise and devote substantial time and effort to these initiatives, which may not be as profitable as we expected or at all. ***We also need to obtain additional capital resources to pursue development of cryptocurrency exchanges or online brokerages, and we may not be successful in raising that capital. In addition, we may face relevant restrictions from existing and future regulations in connection with our expansion into this new line of business.*** While we have been closely monitoring the development of the relevant regulations and have been in communication with regulatory authorities, this new business initiative may not be viable due to regulatory concerns. Our plan to develop, market or launch any cryptocurrency exchanges or online brokerages may suffer significant delays in our efforts and may ultimately not be successful. ***It is possible that the launch of our cryptocurrency exchanges and/or online brokerages may never occur, and even if the proposed business is successfully developed, it is possible that it will not be accessed or utilized by a sufficient number of users or will otherwise not achieve viable business scale or market acceptance.***

[Second and third emphases added.]

33. On February 17, 2021, Ebang announced that it would launch a Bitcoin mining business. In a press release, the Company stated, in relevant part:

Ebang International Holdings Inc. (Nasdaq: EBON, the “Company,” “we” or “our”), a blockchain technology company in the global market, today held a board meeting and passed a resolution (the “Resolution”) to launch Bitcoin mining business. According to the Resolution, the Company plans to operate its Bitcoin mining business by adopting a combination of deploying self-manufactured mining machines and mining machines purchased from other manufacturers as well as leasing computing powers from other mining farms. At the same time, the Company also expects to invest in data center constructions to provide support for Bitcoin mining activities.

Mr. Dong Hu, Chairman and CEO of the Company, commented, “With the development of Bitcoin mining business, the Company will not only just continue to position itself as a Bitcoin mining machine producer. This move will increase our revenue in cryptocurrency business and optimize our product offering structure. We believe it will help the Company’s transformation from a hardware

manufacturer to a blockchain company with comprehensive involvements in its industry chain.”

34. On March 2, 2021, Ebang filed its registration statement on Form F-1 for an offering of warrants to purchase Class A ordinary shares. On March 12, 2021, Ebang filed a related prospectus on Form 424b4 (together with the March 2, 2021 registration statement, the “March Prospectus”). Regarding the use of capital, the March Prospectus stated:

We will not receive any of the proceeds from the sale of the Warrant Shares by the Selling Shareholders pursuant to this prospectus. We may receive up to approximately US\$150 million in aggregate gross proceeds from cash exercises of the Warrants, based on the per share exercise price of the Warrants. Any proceeds we receive from the exercise of the Warrants will be used to for working capital and general corporate purposes.

35. As to Ebang’s operations, the March Prospectus further stated:

In recent years, sales of Bitcoin mining machines have increased as a result of the increasing adoption of blockchain technology and interest in cryptocurrencies, particularly when cryptocurrency prices increased. Global sales of Bitcoin computing hardware, the majority of which comprise sales of Bitcoin mining machines, have surged at a compound annual growth rate, or CAGR, of 61.3% from approximately US\$0.2 billion in 2015 to approximately US\$1.4 billion in 2019 and are expected to further increase at a CAGR of 24.8% to approximately US\$4.3 billion in 2024, according to the F&S report.

\* \* \*

Our blockchain products business primarily comprises sales of Bitcoin mining machines and mining machine hosting services. In 2018, 2019 and the six months ended June 30, 2019 and 2020, our revenues from sales of Bitcoin mining machine and related accessories were US\$307.1 million, US\$89.9 million, US\$12.6 million and US\$4.5 million respectively, and our revenue from provision of mining machine hosting services was US\$7.7 million, US\$15.7 million, US\$7.2 million and US\$6.1 million, respectively.

36. Moreover, regarding product defects, the March Prospectus went on to state:

***Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation***

We manufacture products in accordance with internationally accepted quality standards and specifications provided by our customers. However, we cannot

assure you that all products produced by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns and large-scale product recalls or product liability claims against us for substantial damages. For example, we are currently involved in an ongoing lawsuit against us in relation to our sales of mining machines to an individual customer who alleged that, among other things, our products did not meet advertised performance and product quality specifications. See “Business—Legal Proceedings.” Such claims, irrespective of the outcomes or the merits, would likely be time-consuming and costly to defend and could divert significant resources and management attention. Furthermore, even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products or that our future relationships with our customers will not be damaged. As a result, our business, results of operations, reputation and brand image could be materially and adversely affected by any product defects.

37. Regarding Ebang’s cryptocurrency exchange, the March Prospectus stated:

***We may not successfully develop, market or launch any cryptocurrency exchanges or online brokerages***

We have established wholly-owned subsidiaries in Singapore, Canada and Australia in preparation for establishing cryptocurrency exchanges since August 2020. . . . Additionally, as we have limited experience in operating the proposed business, we will need to obtain additional management, regulatory compliance technical expertise and devote substantial time and effort to these initiatives, which may not be as profitable as we expected or at all. ***We also need to obtain additional capital resources to pursue development of cryptocurrency exchanges or online brokerages, and we may not be successful in raising that capital. In addition, we may face relevant restrictions from existing and future regulations in connection with our expansion into this new line of business.*** While we have been closely monitoring the development of the relevant regulations and have been in communication with regulatory authorities, this new business initiative may not be viable due to regulatory concerns. Our plan to develop, market or launch any cryptocurrency exchanges or online brokerages may suffer significant delays in our efforts and may ultimately not be successful. ***It is possible that the launch of our cryptocurrency exchanges and/or online brokerages may never occur, and even if the proposed business is successfully developed, it is possible that it will not be accessed or utilized by a sufficient number of users or will otherwise not achieve viable business scale or market acceptance.***

[Second and third emphases added.]

38. On March 11, 2021, Ebang issued a press release announcing beta testing for its cryptocurrency exchange. In a press release, the Company stated, in relevant part:

Ebang International Holdings Inc. (Nasdaq: EBON, the “Company,” “we” or “our”), a blockchain technology company in the global market, today announced that the Company will commence beta testing of its cryptocurrency exchange by invitation only on March 15, 2021 and plans to officially launch the exchange by the end of March 2021.

Mr. Dong Hu, Chairman and CEO of the Company, commented, “Our upcoming cryptocurrency exchange will accelerate the Company’s development in the financial technology industry. In addition to establishing a digital asset financial service platform, the Company will also explore other business opportunities in establishing mining farms and cryptocurrency mining to optimize the structure of the global cryptocurrency platform as well as our offerings in the blockchain industry value chain.”

39. On March 26, 2021, Ebang filed its registration statement on Form F-1 for an offering of Class A ordinary shares and warrants to purchase Class A ordinary shares. On April 2, 2021, Ebang filed a related prospectus on Form 424b4 (together with the March 26, 2021 registration statement, the “April Prospectus”). Regarding the use of capital, the April Prospectus stated:

The primary purposes of this offering are to obtain additional capital to further expand our operations. We plan to use the net proceeds of this offering as follows:

- approximately 55%, or US\$64.4 million, for expansion of our cryptocurrency mining business as well as establishment and operation of cryptocurrency mining farms;
- approximately 25%, or US\$29.3 million, for establishment and operation of cryptocurrency exchange platforms; and
- the remainder of the net proceeds for general corporate purposes, which may include working capital needs and other corporate uses.

40. As to Ebang’s operations, the April Prospectus further stated:

In recent years, sales of Bitcoin mining machines have increased as a result of the increasing adoption of blockchain technology and interest in cryptocurrencies, particularly when cryptocurrency prices increased. Global sales of Bitcoin computing hardware, the majority of which comprise sales of Bitcoin mining machines, have surged at a compound annual growth rate, or CAGR, of 61.3% from approximately US\$0.2 billion in 2015 to approximately US\$1.4 billion in 2019 and are expected to further increase at a CAGR of 24.8% to approximately US\$4.3 billion in 2024, according to the F&S report.

\* \* \*

Our blockchain products business primarily comprises sales of Bitcoin mining machines and mining machine hosting services. In 2018, 2019 and the six months ended June 30, 2019 and 2020, our revenues from sales of Bitcoin mining machine and related accessories were US\$307.1 million, US\$89.9 million, US\$12.6 million and US\$4.5 million respectively, and our revenue from provision of mining machine hosting services was US\$7.7 million, US\$15.7 million, US\$7.2 million and US\$6.1 million, respectively.

41. Moreover, regarding product defects, the April Prospectus went on to state:

***Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation***

We manufacture products in accordance with internationally accepted quality standards and specifications provided by our customers. However, we cannot assure you that all products produced by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns and large-scale product recalls or product liability claims against us for substantial damages. For example, we are currently involved in an ongoing lawsuit against us in relation to our sales of mining machines to an individual customer who alleged that, among other things, our products did not meet advertised performance and product quality specifications. See “Business—Legal Proceedings.” Such claims, irrespective of the outcomes or the merits, would likely be time-consuming and costly to defend and could divert significant resources and management attention. Furthermore, even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our products or that our future relationships with our customers will not be damaged. As a result, our business, results of operations, reputation and brand image could be materially and adversely affected by any product defects.

42. Regarding Ebang’s cryptocurrency exchange, the April Prospectus stated:

***We may not successfully develop, market or launch any cryptocurrency exchanges or online brokerages***

We have established wholly-owned subsidiaries in Singapore, Canada and Australia in preparation for establishing cryptocurrency exchanges since August 2020. . . . Additionally, as we have limited experience in operating the proposed business, we will need to obtain additional management, regulatory compliance technical expertise and devote substantial time and effort to these initiatives, which may not be as profitable as we expected or at all. ***We also need to obtain additional capital resources to pursue development of cryptocurrency exchanges or online***

***brokerages, and we may not be successful in raising that capital.*** In addition, we may face relevant restrictions from existing and future regulations in connection with our expansion into this new line of business. While we have been closely monitoring the development of the relevant regulations and have been in communication with regulatory authorities, this new business initiative may not be viable due to regulatory concerns. Our plan to develop, market or launch any cryptocurrency exchanges or online brokerages may suffer significant delays in our efforts and may ultimately not be successful. ***It is possible that the launch of our cryptocurrency exchanges and/or online brokerages may never occur, and even if the proposed business is successfully developed, it is possible that it will not be accessed or utilized by a sufficient number of users or will otherwise not achieve viable business scale or market acceptance.***

[Second and third emphases added.]

43. On April 5, 2021, Ebang announced the launch of its cryptocurrency exchange. The Company's press release stated, in relevant part:

Ebang International Holdings Inc. (Nasdaq: EBON, the "Company," "we" or "our"), a blockchain technology company in the global market, today announced the official launch of its cryptocurrency exchange. Qualified investors will be able to register and trade by visiting the official website at [www.ebonex.io](http://www.ebonex.io).

Mr. Dong Hu, Chairman and CEO of the Company, commented, "The official launch of our cryptocurrency exchange is the result of our continuing investment in research and development. In recent years we have made a considerable investment in R&D talent recruiting, as well as product innovation and iteration. The launch of our cryptocurrency exchange business will not only expand the revenue sources from our cryptocurrency business, but also optimize the development of our blockchain industry chain."

44. The above statements identified in ¶¶ 19-43 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the proceeds from Ebang's public offerings had been directed to an low yield, long term bonds to an underwriter and to related parties rather than used to develop the Company's operations; (2) that Ebang's sales were declining and the Company had inflated reported sales, including through the sale of defective units; (3) that Ebang's attempts to go public in Hong Kong had failed due to allegations of embezzling investor funds and inflated sales figures; (4) that Ebang's purported cryptocurrency

exchange was merely the purchase of an out-of-the-box crypto exchange; and (5) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

**Disclosures at the End of the Class Period**

45. On April 6, 2021, before the market opened, Hindenburg Research published a report alleging, among other things, that Ebang is directing proceeds from its IPO last year into a "series of opaque deals with insiders and questionable counterparties." According to the report, Ebang raised \$21 million in November 2020, claiming the proceeds would go "primarily for development," and that instead the funds were directed to repay related-party loans to a relative of the Ebang's Chief Executive Officer, Dong Hu. The report also noted that Ebang's earlier efforts to go public on the Hong Kong Stock Exchange had failed due to widespread media coverage of a sales inflation scheme with Yindou, a Chinese peer-to-peer online lending platform that defrauded 20,000 retail investors in 2018, with \$655 million "vanish[ing] into thin air." The report summarized its findings as follows:

- Ebang is a China-based crypto company that has raised ~\$374 million from U.S. investors in 4 offerings since going public in June 2020.
- While the company represented that it would use the majority of its numerous capital proceeds to develop its business operations, our research discovered it instead directed much of the cash out of the company through a series of opaque deals with insiders and questionable counterparties.
- For example, the company directed \$103 million, representing ~\$11 million more than its entire IPO proceeds, into bond purchases linked to its U.S. underwriter, AMTD, which has a track record including (a) fraud and self-dealing allegations levied against it by one of the largest private equity firms in China and (b) listings that have subsequently imploded.
- AMTD entered into similar bond transactions with another company it recently took public in January 2020 called Molecular Data. That company is down 70% since then, has seen 6 board members and its co-founder resign, and had its auditor decline to stand for re-election.

- In November 2020, Ebang tapped the market for its first secondary offering, announcing a \$21 million raise. It claimed proceeds would go “primarily for development”. Around the same time, the company directed \$21 million to repay related-party loans to Ebang Chairman/CEO Dong Hu’s relative.
- Before going public on NASDAQ in June of 2020, Ebang twice applied for a listing on the Hong Kong Stock Exchange, attempting to raise as much as \$1 billion. Multiple media outlets reported that Ebang’s Hong Kong IPO plans were suspended following involvement in an alleged sales inflation scheme with a company called Yindou.
- Yindou was a massive Chinese peer-to-peer online lending scheme that defaulted on its 20,000 retail investors in 2018, with \$655 million “vanish(ing) into thin air”. Its ultimate beneficial owner “fled the country”, and Chinese prosecutors have been pursuing a criminal case against other suspects associated with Yindou.
- Ebang claims to be a “leading bitcoin mining machine producer”, yet our research indicates this extraordinary claim is backed by no evidence. Ebang released its final miner in May 2019 and has since seen its sales dwindle to near-zero, delivering only 6,000 total miners in 1H20.
- With its mining machine business failing, Ebang pivoted the story to a cryptocurrency exchange launch called “Ebonex”. Announcements about the exchange added as much as \$922 million market capitalization to Ebang.
- We found that Ebang’s exchange appears to be purchased from a white-label crypto exchange provider called Blue Helix that offers out-of-the-box exchanges for as little as no money up-front.
- Ebonex reports what appears to be fictitious volumes. Despite just launching and having virtually no online presence, Ebonex volume data implies it is one of the largest spot exchanges in the world. Its trading metrics are absent from crypto exchange trackers such as FTX and CoinMarketCap.

46. The report detailed that Ebang’s plans to go public in Hong Kong prior to June 2020 had been suspended due to allegations of sales inflation and involvement with a Ponzi scheme. Specifically, Hindenburg stated:

Multiple media outlets reported that Ebang’s Hong Kong IPO plans were suspended following involvement in an alleged sales inflation scheme involving a company called Yindou. []

Yindou 银豆网[] was a Chinese peer-to-peer online lending platform. According to media reports, Yindou's platform offered short-term investments, usually with a one-year term, promising a 13% return. Below is a screenshot of its website, from February 24th, 2018 advertising 13% returns for 376 days.

[image omitted]

In July 2018, Yindou reportedly defaulted on its 20,000 retail investors, failing to pay back amounts totaling as much as RMB 4.4 billion (USD \$676 million). Its ultimate beneficial owner then "fled the country". Chinese prosecutors have been pursuing the case against other suspects associated with Yindou.

[image omitted]

Prior to its implosion, Yindou's principals allegedly engaged in wash sales transactions with Ebang ahead of its IPO in order to create the false appearance of sales.

Local media reported that the spouse of Yindou's CFO, Cui Hongwei 崔宏伟, transferred ~RMB 520 million (USD \$79.9 million) to Ebang between December 2017 and February 2018. Ebang then transferred RMB ~380 million (USD \$58.4 million) back to Cui Hongwei several months later, between March and April 2018.

It is unclear when the transactions began, but Yindou's CFO's wife was listed on Ebang's IPO prospectus published in December 2018 as a customer who generated 12.1% of Ebang's 2017 sales revenue.

[image omitted]

### **Yindou Had Directed \$79.9 Million To Ebang, Via Accounts Linked To Yindou's CFO's Wife, According To Chinese Media**

### **The Funds Were Alleged To Have Been Used To Inflate Ebang's Sales Ahead of Its IPO**

Yindou investors, looking to recover their investments, went to Ebang headquarters in Hangzhou to demand that Ebang return the money owed to them.

[image omitted]

Ebang subsequently stated that Cui Hongwei was a customer and claimed (a) that the RMB 520 million (USD ~\$79.9 million) was payment for its products (mining rigs), (b) that it had returned RMB 380 million (USD ~\$58.4 million) of the initial payment, and (c) that it would not return the remaining part (RMB 140 million or USD ~\$21.5 million) because the products had been delivered.

### **Yindou Investors Asked Hong Kong Regulators To Refuse Ebang's Listing Application Due To The Alleged Embezzlement**

Yindou's investors were angered to see Ebang's subsequent attempt at going public in Hong Kong.

Below is an October 12, 2018 screenshot from a letter sent to the Listing Department of the Hong Kong exchange asking authorities not to accept Ebang's listing application.

The letter is titled "Application to request the Hong Kong Stock Exchange deny Ebang's IPO application". It states that there is evidence that capital used in Ebang's transactions or investment activities were provided from Yindou, a beneficiary of "illegal fundraising".

[image omitted]

Around 3 months later, Ebang's Hong Kong IPO listing lapsed for the first time. Ebang reapplied in December 2018, but its application suffered a similar fate to its first, lapsing again.

47. The report further alleged that Ebang had completed four offerings of its shares to U.S. investors since June 2020 but directed the funds to an underwriter and related parties rather than using the capital for the Company's operations. Specifically, it stated:

Less than a week after Ebang's June 2020 IPO, it loaned \$40 million directly to the controlling shareholder of AMTD, LR. Capital Property Investment.

Days later, it began directing what would amount to \$63.6 million into two bond purchases from a Cayman-based entity linked to AMTD, called International Merchants Holdings. [Pg. F-49][3]

The original \$40 million bond was redeemed as of an undisclosed date, while the other \$63.6 million seems to remain outstanding. Based on the company's last available balance sheet, this sum would represent its single largest balance sheet asset. [Pg. 74]

Note that the bonds have maturities ranging from 2023-2025, which could tie the capital up for years at interest rates ranging from only 4.0%-6.8%. In other words, rather than using the capital to expand its business, as originally claimed, Ebang has apparently tied it up in low yielding, long-term bonds backed by an opaque Cayman-based issuer.

\* \* \*

**With Its IPO Cash Gone, Ebang Raised \$21 Million Through A Secondary Offering To Be Used "Primarily for Development"**

**Around the Same Time, \$21 Million Went to Pay Back Related Party Loans to the Chairman/CEO's Relative**

With essentially all cash proceeds from its IPO directed back to its underwriter, Ebang was almost immediately short on cash.

In November 2020 it tapped the market for its first secondary offering, announcing a raise of \$21 million.[] In the press release, the company provided the following explanation for how it would use the proceeds:

“The Company intends to use the net proceeds from the offering primarily for development and application of blockchain technology into financial services, sourcing core intellectual properties relating to its businesses, corporate branding and marketing activities, and general corporate purposes, which may include working capital needs and other corporate uses.”

Despite these representations, we see from a prospectus filed just weeks earlier that the company used \$21 million to repay related-party loans to its Chairman/CEO Dong Hu's relative.[]

48. The report also disputed Ebang's claim that it is the leading bitcoin mining producer globally. Specifically, Hindenburg stated:

**Ebang Is Not The World's Leading Bitcoin Mining Machine Producer. In Fact, It Has Sold A Pittance Compared To Other Large Chinese Producers.**

A far larger competitor called Bitmain controls around 65% of the bitcoin miner market in terms of hash rate in 2019. Bitmain is currently private and doesn't disclose its precise numbers.

However, Ebang's prospectus discloses a breakdown of its annual sales and makes clear that it isn't even #2. Terahashes per second (TH/s) is a key measure of a mining machine's processing power. [Pg. 86]

For 2019, the company sold total computer power of 5.97 million TH/s in 2019, at an average price of \$15 per TH/s.

	Years Ended December 31,					
	2018			2019		
	<u>Revenue</u> (US\$ in thousands)	<u>Total computing power sold</u> (TH/s)	<u>Average selling price per TH/s</u> (US\$)	<u>Revenue</u> (US\$ in thousands)	<u>Total computing power sold</u> (TH/s)	<u>Average selling price per TH/s</u> (US\$)
<b>Mining machines:</b>						
Ebit E9+	100,756	1,257,876	80	204	18,000	11
Ebit E9						
Series <sup>(1)</sup>	41,198	2,996,713	14	11,124	2,015,935	6
Ebit E10						
Series <sup>(2)</sup>	164,749	806,670	204	29,799	1,763,727	17
Ebit E12	-	-	-	46,879	2,174,788	22
<b>Total<sup>(3)</sup></b>	<b>306,703</b>	<b>5,061,259</b>	<b>61</b>	<b>88,007</b>	<b>5,972,450</b>	<b>15</b>

From these disclosures it is evident that Ebang is not the leading mining machine producer in terms of hash rate sales. Chinese competitor MicroBT sold 6x what Ebang sold in 2019, 600 thousand units, at an average of 60 Th/s per unit at almost double the price per TH/s.

### **In An Industry Scorching Hot With Growth, Ebang’s Miner Sales Have Been In Decline Since 2018 And Are Now Close To Zero**

Ebang notes in its prospectus that from 2015, to 2019 the mining machine market has grown at a 61.3% CAGR.

“Sales of Bitcoin computing hardware, the majority of which comprise sales of Bitcoin mining machines, have surged at a CAGR of 61.3% from approximately US\$0.2 billion in 2015 to approximately US\$1.4 billion in 2019 and are expected to further increase at a CAGR of 24.8% to approximately US\$4.3 billion in 2024, according to the F&S report.” [Pg. 1]

Yet Ebang doesn’t seem to be participating in this fast-paced growth.

Ebang had its best year in 2018, when it sold 415,930 units at an average selling price of \$737. Ebang’s first half 2020 numbers imply it is on track to sell 11,588 units, a ~97% decline. Ebang’s average selling price per unit during the first half of 2020 was \$775.

49. Furthermore, Hindenburg alleged that some of Ebang’s reported sales appeared to be “defective units or just fabricated altogether.” Specifically, the Company stated:

**Example 1: In 2018, a customer called Beijing Mobcolor Alleged in a Lawsuit that an Ebang Director Asked Them to Fake a \$15 Million Purchase Through a ‘Round-Trip’ Transaction**

Ebang was alleged to have engaged in yet another scheme to book fake sales in the run up to its Hong Kong IPO, according to a Chinese court judgment.[8]

Customer Beijing Mobcolor asserted that a director of Ebang, Zhang Hao (章昊), called an executive of Beijing Mobcolor, Gu Hongliang (谷红亮), in November 2018 and told Gu Hongliang that Ebang was listing in Hong Kong and needed USD \$1.5 million to “balance its books.” The two individuals had been classmates, according to local media reports.

Beijing Mobcolor asserted in its lawsuit that Ebang would arrange the payment of USD \$1.5 million through a third party, which it would then use it to pay Ebang. The Ebang director asked Beijing Mobcolor to sign a “Letter to Apply for Delayed Payment (延期付款申请函)” for around USD \$15 million, which would represent a remaining payment for a purchase order of 100,000 mining rigs.[]

**Example 2: In the lead up to its NASDAQ IPO, Ebang claimed in a press release that it had a \$100 million order from a company called Madison Holdings. Madison Holdings only had ~\$5.9 million in available cash around the time and mainly sold alcohol products.**

In October 2019, Ebang publicized a \$100 million dollar order from Madison Holdings (8057 HK), a company that “retails and wholesales alcohol products”, mainly red wine, but recently got into blockchain last year when it purchased part of exchange Diginex Limited.

[image omitted]

At the time of the announcement, Madison Holdings was a penny stock trading on the Hong Kong Exchange at ~24 cents. It had unsegregated bank balances of US ~\$5.9 million on September 30th 2019, according to its financials. [Pg. 6]. Madison’s Hong Kong filings stressed that the deal was “non-legally binding”. Madison ultimately sold its crypto currency business 3 months later in January 2020. [Pg. 13]

**Ebang Had a Reputation For Delivering Defective Products**

**Example: Chinese Media Reported That An Order of 500 E10 Miners Needed 873 Repairs In Three Months**

While not well covered in the US media, extensive product issues at Ebang have been covered in Chinese media.

A slew of lawsuits against Ebang’s Chinese subsidiary suggest that the machines Ebang was able to deliver resulted in disputes. Chinese corporate information site QCC references at least 10 different judgement documents

As one example, according to a 2019 lawsuit by miner Ma Xiaoyun, 500 E10 Ebang miners he purchased were so defective that they started malfunctioning immediately, and ultimately required 873 repairs in just three months. That lawsuit presented a live recording of Ebang Vice President Zhang Hao admitting the E10 miners had a high failure and repair rate.

\* \* \*

We interviewed former employees that corroborated the quality issues. A former employee in Zhejiang who was with the company for 3 years told our local investigator that the brand had declined significantly:

“Now Ebang equipment is basically famous for being awful. The reputation is completely gone. Sales of miners are really bad.”

50. Finally, the report alleged that the Company’s recent launch of a cryptocurrency exchange was merely the “purchase[ of] a white label out-of-the box crypto exchange [with] minor modifications.” Specifically, Hindenburg stated, in relevant part:

Our review of Ebang’s “Ebonex” crypto exchange immediately turned up irregularities. In particular, Ebonex’s source code repeatedly references “Bhex”, an exchange closely affiliated with Blue Helix.

Blue Helix is an Asia based Crypto Exchange and provider of white label crypto exchange software. The company counts a large exchange called Houbi as an investor and reports having over 270 clients.

Blue Helix has advertised white-label exchange solutions for as little as zero upfront cost.

\* \* \*

In fact, when reviewing the Ebonex exchange, we see the logos on the top right of the page are the exact same as Blue Helix’s.

Ebonex’s source code even reveals that the logos are literally labeled Bhex, which is the Blue Helix-affiliated exchange. We found a total of 40 references to Bhex on just one spot trading page shown below.

\* \* \*

**Ebang’s Ebonex Exchange Reports Incredibly Suspicious Volume Metrics, Suggesting That the Day-Old, Relatively-Unknown Platform is Already on Par With the Largest Crypto Exchanges in the World**

Already we are seeing red flags with Ebonex’s platform, including massive 24-hour trading volume Ebonex displayed on the day of its launch.

For instance, Ebonex shows 24h volume of the ETH/BTC pair at \$243 million (115319 ETH at \$2,114 each). Around the same time, Coin Marketcap showed a total ETH/BTC volume of only \$60 million at Huobi Global, the second largest crypto exchange globally. Coinbase Pro only transacted around \$28 million for the same pair.

We don’t think there is any way that Ebonex is trading this volume itself given its limited web and social media footprint. Ebonex currently only has around 1.8 thousand Twitter followers, 1.3 thousand Facebook followers and 14 Telegram members. Google Trends displays near-zero search interest. Compared to other exchanges, Ebonex’s volume does not reconcile.[]

Ebonex is also absent from all major crypto exchange trackers we reviewed, including FTX and CoinMarketCap. This is a major red flag.

51. On this news, the Company’s share price fell \$0.82, or approximately 13%, to close at \$5.53 per share on April 6, 2021, on unusually heavy trading volume.

52. On April 6, 2021, after the market closed, Ebang issued a statement stating that, though it believed the report “contain[ed] many errors, unsupported speculations and inaccurate interpretations of events,” the “Board, together with its Audit Committee, intends to further review and examine the allegations and misinformation therein and will take whatever necessary and appropriate actions may be required to protect the interest of its shareholders.”

53. On this news, the Company’s share price fell \$0.12, or 2.17%, to close at \$5.41 per share on April 7, 2021. The stock price continued to decline over the next trading session by \$0.38, or 7%, to close at \$5.03 per share on April 8, 2021, on unusually heavy trading volume.

**CLASS ACTION ALLEGATIONS**

54. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased

or otherwise acquired Ebang securities between June 26, 2020 and April 5, 2021, inclusive, 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.

55. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Ebang’s shares actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of Ebang shares were traded publicly during the Class Period on the NASDAQ. Record owners and other members of the Class may be identified from records maintained by Ebang 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.

56. Plaintiff’s claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

57. 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.

58. 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 statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Ebang; and

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

59. 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 makes 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.

#### **UNDISCLOSED ADVERSE FACTS**

60. The market for Ebang's shares was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, Ebang's shares traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Ebang's shares relying upon the integrity of the market price of the Company's shares and market information relating to Ebang, and have been damaged thereby.

61. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Ebang's shares, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading

because they failed to disclose material adverse information and/or misrepresented the truth about Ebang's business, operations, and prospects as alleged herein.

62. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Ebang's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's shares to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's shares at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

#### **LOSS CAUSATION**

63. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

64. During the Class Period, Plaintiff and the Class purchased Ebang's shares at artificially inflated prices and were damaged thereby. The price of the Company's shares significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

#### **SCIENTER ALLEGATIONS**

65. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were

materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Ebang, their control over, and/or receipt and/or modification of Ebang's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Ebang, participated in the fraudulent scheme alleged herein.

**APPLICABILITY OF PRESUMPTION OF RELIANCE  
(FRAUD-ON-THE-MARKET DOCTRINE)**

66. The market for Ebang's shares was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Ebang's shares traded at artificially inflated prices during the Class Period. On March 17, 2021, the Company's share price closed at a Class Period high of \$11.78 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's shares relying upon the integrity of the market price of Ebang's shares and market information relating to Ebang, and have been damaged thereby.

67. During the Class Period, the artificial inflation of Ebang's shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Ebang's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Ebang and its business, operations, and prospects, thus causing the price of the Company's shares to be artificially inflated

at all relevant times, and when disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's shares at such artificially inflated prices, and each of them has been damaged as a result.

68. At all relevant times, the market for Ebang's shares was an efficient market for the following reasons, among others:

(a) Ebang shares met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Ebang filed periodic public reports with the SEC and/or the NASDAQ;

(c) Ebang regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) Ebang was followed by shares analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

69. As a result of the foregoing, the market for Ebang's shares promptly digested current information regarding Ebang from all publicly available sources and reflected such information in Ebang's share price. Under these circumstances, all purchasers of Ebang's shares during the Class Period suffered similar injury through their purchase of Ebang's shares at artificially inflated prices and a presumption of reliance applies.

70. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court’s holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class’s claims are, in large part, grounded on Defendants’ material misstatements and/or omissions. Because this action involves Defendants’ failure to disclose material adverse information regarding the Company’s business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

**NO SAFE HARBOR**

71. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and 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. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Ebang who knew that the statement was false when made.

**FIRST CLAIM**

**Violation of Section 10(b) of The Exchange Act and  
Rule 10b-5 Promulgated Thereunder  
Against All Defendants**

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

73. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Ebang's shares at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

74. Defendants (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 the purchasers of the Company's shares in an effort to maintain artificially high market prices for Ebang's shares in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

75. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Ebang's financial well-being and prospects, as specified herein.

76. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course

of conduct as alleged herein in an effort to assure investors of Ebang's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Ebang and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's shares during the Class Period.

77. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

78. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and

for the purpose and effect of concealing Ebang's financial well-being and prospects from the investing public and supporting the artificially inflated price of its shares. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

79. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Ebang's shares was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's shares were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the shares trade, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Ebang's shares during the Class Period at artificially high prices and were damaged thereby.

80. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Ebang was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Ebang shares, or, if they had acquired such shares during the Class Period, they would not have done so at the artificially inflated prices which they paid.

81. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

82. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's shares during the Class Period.

## **SECOND CLAIM**

### **Violation of Section 20(a) of The Exchange Act Against the Individual Defendants**

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

84. Individual Defendants acted as controlling persons of Ebang within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

85. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the

particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

86. As set forth above, Ebang and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's shares during the Class Period.

**PRAYER FOR RELIEF**

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

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory 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 interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: April 8, 2021

By: /s/ Gregory B. Linkh  
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*Attorneys for Plaintiff Tommie Zaker*

**SWORN CERTIFICATION OF PLAINTIFF**

**EBANG INTERNATIONAL HOLDINGS SECURITIES LITIGATION**

I, Tommie Zaker, certify that:

1. I have reviewed the Complaint and authorize its filing and/or the filing of a Lead Plaintiff motion on my behalf.
2. I did not purchase the Ebang International Holdings securities that are the subject of this action at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in Ebang International Holdings securities during the Class Period set forth in the Complaint are as follows:

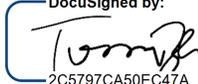
(See attached transactions)

5. I have not sought to serve, nor served, as a representative party on behalf of a class under this title during the last three years, except for the following:
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

4/8/2021

\_\_\_\_\_  
Date

DocuSigned by:  
  
2C5797CA50EC47A...

\_\_\_\_\_  
Tommie Zaker

**Tommie Zaker's Transactions in Ebang International Holdings Inc. (EBON)**

<b>Date</b>	<b>Transaction Type</b>	<b>Quantity</b>	<b>Unit Price</b>
2/18/2021	Bought	50	\$12.9000
2/18/2021	Bought	800	\$12.0999
2/18/2021	Bought	40	\$12.2100