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12 **UNITED STATES DISTRICT COURT**  
13 **CENTRAL DISTRICT OF CALIFORNIA**

14 BRANDEN HAYES, Individually  
15 and On Behalf of All Others  
16 Similarly Situated,

17 Plaintiff,

18 v.

19 HUAZHU GROUP LTD., and MIN  
20 (JENNY) ZHANG,

21 Defendants.

Case No.:

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

**JURY TRIAL DEMANDED**

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1 Plaintiff Branden Hayes (“Plaintiff”), individually and on behalf of all others  
2 similarly situated, by and through his attorneys, alleges the following upon  
3 information and belief, except as to those allegations concerning Plaintiff, which are  
4 alleged upon personal knowledge. Plaintiff’s information and belief is based upon,  
5 among other things, his counsel’s investigation, which includes without limitation:  
6 (a) review and analysis of regulatory filings made by Huazhu Group Ltd. (“Huazhu”  
7 or the “Company”) with the United States (“U.S.”) Securities and Exchange  
8 Commission (“SEC”); (b) review and analysis of press releases and media reports  
9 issued by and disseminated by Huazhu; and (c) review of other publicly available  
10 information concerning Huazhu.

11 **NATURE OF THE ACTION AND OVERVIEW**

12 1. This is a class action on behalf of persons and entities that acquired  
13 Huazhu securities between May 14, 2018 and August 28, 2018, inclusive (the “Class  
14 Period”), seeking to pursue remedies under the Securities Exchange Act of 1934  
15 (the “Exchange Act”).

16 2. Huazhu operates hotels in China. It was formerly called China Lodging  
17 Group Ltd. and changed its name to Huazhu, effective June 1, 2018.

18 3. On August 28, 2018, media outlets reported that Chinese police were  
19 investigating a possible leak of client information from Huazhu, stating that nearly  
20 500 million pieces of customer-related information, including registration  
21 information, personal data, and booking records, had emerged in an online post.

22 4. On this news, the Company’s share price fell \$1.55 per share, or  
23 approximately 4.36%, to close at \$33.98 per share on August 28, 2018.<sup>1</sup> The news  
24 was absorbed by the market over the next several trading sessions, with shares  
25 dropping \$1.09 per share on August 30, 2018, \$0.67 per share on September 4,

26 <sup>1</sup> The Company announced a ratio change from 1 ADS representing 4 ordinary  
27 shares, to 1 ADS representing 1 ordinary share, for shareholders as of May 21, 2018,  
28 effective May 25, 2018. All references to the share price herein reflect the post-split  
price.

1 2018, \$2.46 per share on September 5, 2018, and \$0.26 on September 6, 2018, to  
2 close at \$31.03 on September 6, 2018.

3 5. Throughout the Class Period, Defendants made materially false and/or  
4 misleading statements, as well as failed to disclose material adverse facts about the  
5 Company's business, operations, and prospects. Specifically, Defendants failed to  
6 disclose to investors: (1) that the Company lacked adequate security measures to  
7 protect customer information; (2) that, as a result of the foregoing, the Company  
8 would be susceptible to increased litigation risk and higher expenses; (3) that, as a  
9 result of the foregoing, the Company's goodwill would potentially suffer, leading to  
10 lower revenues; and (4) that, as a result of the foregoing, Defendants' positive  
11 statements about the Company's business, operations, and prospects were materially  
12 false and/or misleading and/or lacked a reasonable basis.

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

16 **JURISDICTION AND VENUE**

17 7. The claims asserted herein arise under Sections 10(b) and 20(a) of the  
18 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated  
19 thereunder by the SEC (17 C.F.R. § 240.10b-5).

20 8. This Court has jurisdiction over the subject matter of this action  
21 pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. §  
22 78aa).

23 9. Venue is proper in this Judicial District pursuant to 28 U.S.C. §  
24 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts  
25 in furtherance of the alleged fraud or the effects of the fraud have occurred in this  
26 Judicial District. Many of the acts charged herein, including the dissemination of  
27 materially false and/or misleading information, occurred in substantial part in this  
28 Judicial District, and the Company's securities are traded within this Judicial

1 District.

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

6 **PARTIES**

7 11. Plaintiff Branden Hayes, as set forth in the accompanying certification,  
8 incorporated by reference herein, purchased Huazhu securities during the Class  
9 Period, and suffered damages as a result of the federal securities law violations and  
10 false and/or misleading statements and/or material omissions alleged herein.

11 12. Defendant Huazhu is incorporated in the Cayman Islands and its  
12 principal executive offices are in Shanghai, China. Huazhu's ADSs trade on the  
13 NASDAQ exchange under the symbol "HTHT."

14 13. Defendant Min (Jenny) Zhang ("Zhang") was the Chief Executive  
15 Officer of the Company at all relevant times.

16 14. Defendant Zhang is also referred to hereinafter as the "Individual  
17 Defendant." Defendant Zhang because of her position with the Company, possessed  
18 the power and authority to control the contents of the Company's reports to the  
19 SEC, press releases and presentations to securities analysts, money and portfolio  
20 managers and institutional investors, *i.e.*, the market. The Individual Defendant was  
21 provided with copies of the Company's reports and press releases alleged herein to  
22 be misleading prior to, or shortly after, their issuance and had the ability and  
23 opportunity to prevent their issuance or cause them to be corrected. Because of her  
24 position and access to material non-public information available to her, the  
25 Individual Defendant knew that the adverse facts specified herein had not been  
26 disclosed to, and were being concealed from, the public, and that the positive  
27 representations which were being made were then materially false and/or  
28 misleading. The Individual Defendant is liable for the false statements pleaded

1 herein.

2 **SUBSTANTIVE ALLEGATIONS**

3 **Background**

4 15. Huazhu operates hotels in China. It was formerly called China Lodging  
5 Group Ltd. and changed its name to Huazhu, effective June 1, 2018.

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

8 16. The Class Period begins on May 14, 2018. On that day, the Company  
9 published a press release announcing its financial results for first quarter 2018,  
10 stating in relevant part:

11 • A total of 3,817 hotels or 384,959 hotel rooms in operation as of  
12 March 31, 2018.

13 • Net revenues increased 29.6% year-over-year from RMB1,614.1  
14 million to RMB2,091.2 million (US\$333.4 million) [1] for the first  
15 quarter of 2018, exceeding the higher end of our Q1 Guidance. Net  
16 revenues in 2018Q1 and the comparative for 2017 has reflected the  
17 changes in the accounting for revenue recognition in the US GAAP  
18 effective from January 1, 2018. Excluding the impact of such  
19 accounting changes, the revenue growth in Q1 under the previous  
20 accounting standards on revenue recognition would have been 30.3%.

21 • Excluding unrealized loss from fair value changes of equity securities  
22 of RMB136.7 million and share based compensation, adjusted  
23 EBITDA (non-GAAP) increased 47.5% year-over-year from  
24 RMB379.5 million to RMB559.7 million (US\$89.2 million) for the  
25 first quarter of 2018.

26 • Net income attributable to China Lodging Group, Limited was  
27 RMB128.5 million (US\$20.5 million) for the first quarter of 2018,  
28 compared with RMB152.6 million for the first quarter of 2017.  
Excluding unrealized loss from fair value changes of equity securities  
of RMB136.7 million and share based compensation, adjusted net  
income (non-GAAP) increased 67.6% year over year from RMB168.4  
million to RMB282.3 million (US\$45.0 million) for the first quarter of  
2018.

• To strengthen our partnership with AccorHotels, Huazhu had made a  
strategic investment of about 4.5% in AccorHotels and suggested a  
representation on the board of AccorHotels accordingly. This  
suggestion has been positively received by AccorHotels and shall be  
discussed further in the coming weeks.

• The Company provides guidance for Q2 2018 net revenues growth of  
24%-26% year over year, and revises upward the full year net revenues  
growth estimate ranges from 16%-19% to 18%-22% accordingly.

1 \* \* \*

2 As of March 31, 2018, the Company's loyalty program had  
3 approximately 108 million members, who contributed approximately  
4 76% of room nights sold during the first quarter of 2018 and  
approximately 87% of room nights were sold through the Company's  
own direct channels.

5 "We are excited to report a great start to the year. In the first quarter,  
6 same-hotel RevPAR grew by 6.5%, exceeding our expectation and  
7 reflecting the solid economic growth. Our fast expansion in mid- and  
8 upscale hotels are well on track. In the first quarter of 2018, our mid-  
9 and up-scale room count increased by 92% year-over-year, and  
accounted for approximately 32% and 80% in total rooms in operation  
and in pipeline, respectively." commented Ms. Jenny Zhang, Chief  
Executive Officer of China Lodging Group.

10 17. On August 22, 2018, the Company announced its financial results for  
11 the second quarter 2018, stating in relevant part:

- 12 • A total of 3,903 hotels or 393,417 hotel rooms in operation as of June  
13 30, 2018.
- 14 • Net revenues increased 25.9% year-over-year from RMB2,002.4  
15 million to RMB2,521.3 million (US\$381.0 million)<sup>[1]</sup> for the second  
16 quarter of 2018, hitting high-end of Q2 revenue guidance.
- 17 • Income from operations increased 53.2% year-over-year from  
18 RMB438.0 million to RMB671.0 million (US\$101.4 million) for the  
19 second quarter of 2018. The operating margin improved from 21.9% to  
20 26.6%.
- 21 • Net income attributable to Huazhu Group Limited was  
22 RMB338.4 million (US\$51.1 million) for the second quarter of 2018,  
23 compared with RMB386.1 million for the second quarter of 2017.  
24 Excluding unrealized losses from fair value changes of equity securities  
25 and share based compensation, adjusted net income attributable to  
26 Huazhu Group Limited (non-GAAP) increased 38.7% year over year  
from RMB402.1 million to RMB557.8 million (US\$84.3 million) for  
the second quarter of 2018.
- Excluding unrealized losses from fair value changes of equity securities  
and share based compensation, adjusted EBITDA (non-GAAP)  
increased 35.1% year-over-year from RMB714.4 million to RMB965.0  
million (US\$145.8 million) for the second quarter of 2018.
- The Company provides guidance for Q3 2018 net revenues growth of  
10.5%-12.5% year over year, and maintains the full year net revenues  
growth estimate range of 18%-22%.

27 \* \* \*

- 28 • As of June 30, 2018, the Company's loyalty program had  
approximately 113 million members, who contributed approximately

1 75% of room nights sold during the second quarter of 2018 and  
2 approximately 86% of room nights were sold through the Company's  
own direct channels.

3 "We are excited about the strong performance in the second quarter.  
4 Our same-hotel RevPAR grew by 7.9% year-over-year despite a high  
5 comparison base during the same period in 2017. The strong demand  
6 allowed us to drive higher room rates while maintaining occupancy rate  
7 as high as 92.2% for our mature hotels. Our hotel expansion is also well  
on track. In the first half of 2018, we opened a total of 274 hotels (gross  
opening) with 65% under mid- and up-scale brands. The number of  
hotels in pipeline reached 839, a record high number," commented Ms.  
Jenny Zhang, Chief Executive Officer of Huazhu.

8 18. The above statements identified in ¶¶ 16-17 were materially false  
9 and/or misleading, and failed to disclose material adverse facts about the Company's  
10 business, operations, and prospects. Specifically, Defendants failed to disclose to  
11 investors: (1) that the Company lacked adequate security measures to protect  
12 customer information; (2) that, as a result of the foregoing, the Company would be  
13 susceptible to increased litigation risk and higher expenses; (3) that, as a result of  
14 the foregoing, the Company's goodwill would potentially suffer, leading to lower  
15 revenues; and (4) that, as a result of the foregoing, Defendants' positive statements  
16 about the Company's business, operations, and prospects were materially false  
17 and/or misleading and/or lacked a reasonable basis.

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

19 19. On August 28, 2018, media outlets reported that Chinese police were  
20 investigating a possible leak of client information from Huazhu. An article by  
21 Reuters stated:

22 AUGUST 28, 2018 / 11:02 PM /

23 **China police investigate possible data breach at hotel operator  
24 Huazhu**

25 SHANGHAI (Reuters) - Chinese police are investigating a possible  
26 leak of client information from Huazhu Group, after state media said  
nearly 500 million pieces of customer-related information from the  
hotel operator had emerged in an online post.

27 Shanghai's Changning District police said, on their official Weibo  
28 account late on Tuesday, that they had been alerted to the possible data  
breach by the company.

1 Huazhu operates 18 brands in China including that of French hotel  
2 group AccorHotel's Mercure and Ibis hotels. The company's  
headquarters are in Shanghai's Changning district.

3 Xinhua reported on Wednesday that nearly 500 million pieces of  
4 information related to the hotel group's customers had emerged on an  
online post on Tuesday, which included customer registration  
5 information, personal data and booking records.

6 20. On this news, the Company's share price fell \$1.55 per share, or  
7 approximately 4.36%, to close at \$33.98 per share on August 28, 2018. The news  
8 was absorbed by the market over the next several trading sessions, with shares  
9 dropping \$1.09 per share on August 30, 2018, \$0.67 per share on September 4,  
10 2018, \$2.46 per share on September 5, 2018, and \$0.26 on September 6, 2018, to  
11 close at \$31.03 on September 6, 2018.

### 12 CLASS ACTION ALLEGATIONS

13 21. Plaintiff brings this action as a class action pursuant to Federal Rule of  
14 Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and  
15 entities that acquired Huazhu securities between May 14, 2018 and August 28,  
16 2018, inclusive, and who were damaged thereby (the "Class"). Excluded from the  
17 Class are Defendants, the officers and directors of the Company, at all relevant  
18 times, members of their immediate families and their legal representatives, heirs,  
19 successors, or assigns, and any entity in which Defendants have or had a controlling  
20 interest.

21 22. The members of the Class are so numerous that joinder of all members  
22 is impracticable. Throughout the Class Period, Huazhu's ADSs actively traded on  
23 the NASDAQ. While the exact number of Class members is unknown to Plaintiff at  
24 this time and can only be ascertained through appropriate discovery, Plaintiff  
25 believes that there are at least hundreds or thousands of members in the proposed  
26 Class. Millions of Huazhu ADSs were traded publicly during the Class Period on  
27 the NASDAQ. Record owners and other members of the Class may be identified  
28 from records maintained by Huazhu or its transfer agent and may be notified of the

1 pendency of this action by mail, using the form of notice similar to that customarily  
2 used in securities class actions.

3 23. Plaintiff's claims are typical of the claims of the members of the Class  
4 as all members of the Class are similarly affected by Defendants' wrongful conduct  
5 in violation of federal law that is complained of herein.

6 24. Plaintiff will fairly and adequately protect the interests of the members  
7 of the Class and has retained counsel competent and experienced in class and  
8 securities litigation.

9 25. Common questions of law and fact exist as to all members of the Class  
10 and predominate over any questions solely affecting individual members of the  
11 Class. Among the questions of law and fact common to the Class are:

12 (a) whether the federal securities laws were violated by Defendants' acts as  
13 alleged herein;

14 (b) whether statements made by Defendants to the investing public during  
15 the Class Period omitted and/or misrepresented material facts about the business,  
16 operations, and prospects of Huazhu; and

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

19 26. A class action is superior to all other available methods for the fair and  
20 efficient adjudication of this controversy since joinder of all members is  
21 impracticable. Furthermore, as the damages suffered by individual Class members  
22 may be relatively small, the expense and burden of individual litigation makes it  
23 impossible for members of the Class to individually redress the wrongs done to  
24 them. There will be no difficulty in the management of this action as a class action.

25 **UNDISCLOSED ADVERSE FACTS**

26 27. The market for Huazhu's securities was open, well-developed and  
27 efficient at all relevant times. As a result of these materially false and/or misleading  
28 statements, and/or failures to disclose, Huazhu's securities traded at artificially

1 inflated prices during the Class Period. Plaintiff and other members of the Class  
2 purchased or otherwise acquired Huazhu's securities relying upon the integrity of  
3 the market price of the Company's securities and market information relating to  
4 Huazhu, and have been damaged thereby.

5 28. During the Class Period, Defendants materially misled the investing  
6 public, thereby inflating the price of Huazhu's securities, by publicly issuing false  
7 and/or misleading statements and/or omitting to disclose material facts necessary to  
8 make Defendants' statements, as set forth herein, not false and/or misleading. The  
9 statements and omissions were materially false and/or misleading because they  
10 failed to disclose material adverse information and/or misrepresented the truth about  
11 Huazhu's business, operations, and prospects as alleged herein.

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

25 **LOSS CAUSATION**

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

28 31. During the Class Period, Plaintiff and the Class purchased Huazhu's

1 securities at artificially inflated prices and were damaged thereby. The price of the  
2 Company's securities significantly declined when the misrepresentations made to  
3 the market, and/or the information alleged herein to have been concealed from the  
4 market, and/or the effects thereof, were revealed, causing investors' losses.

5 **SCIENTER ALLEGATIONS**

6 32. As alleged herein, Defendants acted with scienter since Defendants  
7 knew that the public documents and statements issued or disseminated in the name  
8 of the Company were materially false and/or misleading; knew that such statements  
9 or documents would be issued or disseminated to the investing public; and  
10 knowingly and substantially participated or acquiesced in the issuance or  
11 dissemination of such statements or documents as primary violations of the federal  
12 securities laws. As set forth elsewhere herein in detail, the Individual Defendant, by  
13 virtue of her receipt of information reflecting the true facts regarding Huazhu, her  
14 control over, and/or receipt and/or modification of Huazhu's allegedly materially  
15 misleading misstatements and/or her associations with the Company which made  
16 them privy to confidential proprietary information concerning Huazhu, participated  
17 in the fraudulent scheme alleged herein.

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

20 33. The market for Huazhu's securities was open, well-developed and  
21 efficient at all relevant times. As a result of the materially false and/or misleading  
22 statements and/or failures to disclose, Huazhu's securities traded at artificially  
23 inflated prices during the Class Period. On June 18, 2018, the Company's share  
24 price closed at a Class Period high of \$49.48 per share. Plaintiff and other members  
25 of the Class purchased or otherwise acquired the Company's securities relying upon  
26 the integrity of the market price of Huazhu's securities and market information  
27 relating to Huazhu, and have been damaged thereby.

1           34. During the Class Period, the artificial inflation of Huazhu's shares was  
2 caused by the material misrepresentations and/or omissions particularized in this  
3 Complaint causing the damages sustained by Plaintiff and other members of the  
4 Class. As described herein, during the Class Period, Defendants made or caused to  
5 be made a series of materially false and/or misleading statements about Huazhu's  
6 business, prospects, and operations. These material misstatements and/or omissions  
7 created an unrealistically positive assessment of Huazhu and its business,  
8 operations, and prospects, thus causing the price of the Company's securities to be  
9 artificially inflated at all relevant times, and when disclosed, negatively affected the  
10 value of the Company shares. Defendants' materially false and/or misleading  
11 statements during the Class Period resulted in Plaintiff and other members of the  
12 Class purchasing the Company's securities at such artificially inflated prices, and  
13 each of them has been damaged as a result.

14           35. At all relevant times, the market for Huazhu's securities was an  
15 efficient market for the following reasons, among others:

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

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

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

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



1 are liable for those false forward-looking statements because at the time each of  
2 those forward-looking statements was made, the speaker had actual knowledge that  
3 the forward-looking statement was materially false or misleading, and/or the  
4 forward-looking statement was authorized or approved by an executive officer of  
5 Huazhu who knew that the statement was false when made.

6 **FIRST CLAIM**  
7 **Violation of Section 10(b) of The Exchange Act and**  
8 **Rule 10b-5 Promulgated Thereunder**  
9 **Against All Defendants**

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

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

19 41. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)  
20 made untrue statements of material fact and/or omitted to state material facts  
21 necessary to make the statements not misleading; and (iii) engaged in acts, practices,  
22 and a course of business which operated as a fraud and deceit upon the purchasers of  
23 the Company's securities in an effort to maintain artificially high market prices for  
24 Huazhu's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-  
25 5. All Defendants are sued either as primary participants in the wrongful and illegal  
26 conduct charged herein or as controlling persons as alleged below.

27 42. Defendants, individually and in concert, directly and indirectly, by the  
28 use, means or instrumentalities of interstate commerce and/or of the mails, engaged

1 and participated in a continuous course of conduct to conceal adverse material  
2 information about Huazhu's financial well-being and prospects, as specified herein.

3 43. Defendants employed devices, schemes and artifices to defraud, while  
4 in possession of material adverse non-public information and engaged in acts,  
5 practices, and a course of conduct as alleged herein in an effort to assure investors of  
6 Huazhu's value and performance and continued substantial growth, which included  
7 the making of, or the participation in the making of, untrue statements of material  
8 facts and/or omitting to state material facts necessary in order to make the  
9 statements made about Huazhu and its business operations and future prospects in  
10 light of the circumstances under which they were made, not misleading, as set forth  
11 more particularly herein, and engaged in transactions, practices and a course of  
12 business which operated as a fraud and deceit upon the purchasers of the Company's  
13 securities during the Class Period.

14 44. The Individual Defendant's primary liability and controlling person  
15 liability arises from the following facts: (i) the Individual Defendant was a high-  
16 level executive and/or director at the Company during the Class Period and member  
17 of the Company's management team or had control thereof; (ii) the Individual  
18 Defendant by virtue of her responsibilities and activities as a senior officer and/or  
19 director of the Company, was privy to and participated in the creation, development  
20 and reporting of the Company's internal budgets, plans, projections and/or reports;  
21 (iii) the Individual Defendant enjoyed significant personal contact and familiarity  
22 with the other defendants and was advised of, and had access to, other members of  
23 the Company's management team, internal reports and other data and information  
24 about the Company's finances, operations, and sales at all relevant times; and (iv)  
25 the Individual Defendant was aware of the Company's dissemination of information  
26 to the investing public which they knew and/or recklessly disregarded was  
27 materially false and misleading.

28 45. Defendants had actual knowledge of the misrepresentations and/or

1 omissions of material facts set forth herein, or acted with reckless disregard for the  
2 truth in that they failed to ascertain and to disclose such facts, even though such  
3 facts were available to them. Such defendants' material misrepresentations and/or  
4 omissions were done knowingly or recklessly and for the purpose and effect of  
5 concealing Huazhu's financial well-being and prospects from the investing public  
6 and supporting the artificially inflated price of its securities. As demonstrated by  
7 Defendants' overstatements and/or misstatements of the Company's business,  
8 operations, financial well-being, and prospects throughout the Class Period,  
9 Defendants, if they did not have actual knowledge of the misrepresentations and/or  
10 omissions alleged, were reckless in failing to obtain such knowledge by deliberately  
11 refraining from taking those steps necessary to discover whether those statements  
12 were false or misleading.

13         46. As a result of the dissemination of the materially false and/or  
14 misleading information and/or failure to disclose material facts, as set forth above,  
15 the market price of Huazhu's securities was artificially inflated during the Class  
16 Period. In ignorance of the fact that market prices of the Company's securities were  
17 artificially inflated, and relying directly or indirectly on the false and misleading  
18 statements made by Defendants, or upon the integrity of the market in which the  
19 securities trades, and/or in the absence of material adverse information that was  
20 known to or recklessly disregarded by Defendants, but not disclosed in public  
21 statements by Defendants during the Class Period, Plaintiff and the other members  
22 of the Class acquired Huazhu's securities during the Class Period at artificially high  
23 prices and were damaged thereby.

24         47. At the time of said misrepresentations and/or omissions, Plaintiff and  
25 other members of the Class were ignorant of their falsity, and believed them to be  
26 true. Had Plaintiff and the other members of the Class and the marketplace known  
27 the truth regarding the problems that Huazhu was experiencing, which were not  
28 disclosed by Defendants, Plaintiff and other members of the Class would not have

1 purchased or otherwise acquired their Huazhu securities, or, if they had acquired  
2 such securities during the Class Period, they would not have done so at the  
3 artificially inflated prices which they paid.

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

6 49. As a direct and proximate result of Defendants' wrongful conduct,  
7 Plaintiff and the other members of the Class suffered damages in connection with  
8 their respective purchases and sales of the Company's securities during the Class  
9 Period.

10 **SECOND CLAIM**  
11 **Violation of Section 20(a) of The Exchange Act**  
12 **Against the Individual Defendant**

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

15 51. The Individual Defendant acted as a controlling person of Huazhu  
16 within the meaning of Section 20(a) of the Exchange Act as alleged herein. By  
17 virtue of their high-level positions and their ownership and contractual rights,  
18 participation in, and/or awareness of the Company's operations and intimate  
19 knowledge of the false financial statements filed by the Company with the SEC and  
20 disseminated to the investing public, Individual Defendant had the power to  
21 influence and control and did influence and control, directly or indirectly, the  
22 decision-making of the Company, including the content and dissemination of the  
23 various statements which Plaintiff contends are false and misleading. Individual  
24 Defendant was provided with or had unlimited access to copies of the Company's  
25 reports, press releases, public filings, and other statements alleged by Plaintiff to be  
26 misleading prior to and/or shortly after these statements were issued and had the  
27 ability to prevent the issuance of the statements or cause the statements to be  
28 corrected.



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Dated: October 8, 2018

**GLANCY PRONGAY & MURRAY LLP**

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