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

\_\_\_\_\_, Individually and on  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

GIGACLOUD TECHNOLOGY INC.,  
LARRY LEI WU, KWOK HEI DAVID  
LAU, XIN WAN, FRANK LIN, XING  
HUANG, and AEGIS CAPITAL  
CORP.,

Defendants.

Case No. DRAFT

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

1 Plaintiff \_\_\_\_\_ (“Plaintiff”), individually and on behalf of  
2 all others 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 GigaCloud Technology Inc.  
7 (“GigaCloud” or the “Company”) with the United States (“U.S.”) Securities and  
8 Exchange Commission (“SEC”); (b) review and analysis of press releases and media  
9 reports issued by and disseminated by GigaCloud; and (c) review of other publicly  
10 available information concerning GigaCloud.

11 **NATURE OF THE ACTION AND OVERVIEW**

12 1. This is a class action on behalf of persons and entities that purchased or  
13 otherwise acquired GigaCloud: (a) Class A ordinary shares pursuant and/or traceable  
14 to the registration statement and prospectus (collectively, the “Registration  
15 Statement”) issued in connection with the Company’s August 2022 initial public  
16 offering (“IPO” or the “Offering”); and/or (b) securities between August 18, 2022 and  
17 September 27, 2023, inclusive (the “Class Period”). Plaintiff pursues claims under the  
18 Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934  
19 (the “Exchange Act”).

20 2. GigaCloud is a holding company which, through its subsidiaries, offers  
21 a an end-to-end ecommerce platform for global trade services of heavy and large  
22 products, primarily furniture. The Company’s ecommerce platform, which it refers to  
23 as the “GigaCloud Marketplace,” integrates discovery, payments and logistics tools  
24 to connect manufacturers, primarily in Asia, with resellers, primarily in the U.S., Asia  
25 and Europe, to execute cross-border transactions, then executes delivery and sale  
26 through a network of warehouses up to and including last-mile delivery to the  
27 customer.

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1           3.       On August 19, 2022, the Company filed its prospectus on Form 424B4  
2 with the SEC, which forms part of the Registration Statement. In the IPO, the  
3 Company sold 3,381,000 Class A ordinary shares at \$12.25 per share. The Company  
4 received net proceeds of approximately \$34.2 million from their IPO. The proceeds from  
5 the IPO were purportedly to be used for general corporate purposes, including  
6 working capital, operating expenses, and capital expenditures.

7           4.       On September 28, 2023, before the market opened, Culper Research  
8 published a report entitled “GigaCloud Technology Inc (NASDAQ:GCT): If It’s Too  
9 Good To Be True...” (the “Report”), alleging “numerous glaring flaws” in  
10 GigaCloud’s public reporting. For example, the Report stated that while GigaCloud  
11 “claims to run 14 U.S. warehouses,” the Company “discloses just 73 employees in the  
12 entire U.S., implying just 5 employees per warehouse.” The Report also alleged that  
13 “GigaCloud’s marketing materials utilize photoshopped stock photos to portray itself  
14 as a highly efficient, growing operation,” but that Culper Research’s investigators  
15 visited some of the Company’s warehouses and discovered little activity.

16           5.       On this news, , the Company’s share price fell \$1.78, or 18%, to close at  
17 \$7.69 per share on September 28, 2023, on unusually heavy trading volume.

18           6.       By the commencement of this action, GigaCloud’s shares have traded as  
19 low as \$7.68 per share, a 37% decline from the \$12.25 per share the IPO price.

20           7.       In the Registration Statement and throughout the Class Period,  
21 Defendants made materially false and/or misleading statements, as well as failed to  
22 disclose material adverse facts about the Company’s business, operations, and  
23 prospects. Specifically, Defendants failed to disclose to investors: (1) that the  
24 Company’s warehouse, product sources and last-mile delivery services were not  
25 experiencing customer growth at the level represented; (2) that GigaCloud’s actual  
26 annualized U.S. last-mile revenues represent a fraction of reported revenue; (3) that  
27 GigaCloud’s claims of efficiency were illusory; (4) that, as a result of the foregoing,  
28

1 Defendants' positive statements about the Company's business, operations, and  
2 prospects were materially misleading and/or lacked a reasonable basis.

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

### 6 **JURISDICTION AND VENUE**

7 9. The claims asserted herein arise under and pursuant to Sections 11 and  
8 15 of the Securities Act (15 U.S.C. §§ 77k and 77o), Sections 10(b) and 20(a) of the  
9 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated  
10 thereunder by the SEC (17 C.F.R. § 240.10b-5).

11 10. This Court has jurisdiction over the subject matter of this action pursuant  
12 to 28 U.S.C. § 1331, Section 22 of the Securities Act (15 U.S.C. § 77v) and Section  
13 27 of the Exchange Act (15 U.S.C. § 78aa).

14 11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b)  
15 and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in  
16 furtherance of the alleged fraud or the effects of the fraud have occurred in this  
17 Judicial District. Many of the acts charged herein, including the dissemination of  
18 materially false and/or misleading information, occurred in substantial part in this  
19 Judicial District. In addition, the Company's principal executive offices are in this  
20 District.

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

### 25 **PARTIES**

26 13. Plaintiff \_\_\_\_\_, as set forth in the accompanying  
27 certification, incorporated by reference herein, purchased or otherwise acquired  
28 GigaCloud Class A common stock pursuant and/or traceable to the Registration

1 Statement issued in connection with the Company’s IPO and/or GigaCloud securities  
2 during the Class Period, and suffered damages as a result of the federal securities law  
3 violations and false and/or misleading statements and/or material omissions alleged  
4 herein.

5 14. Defendant GigaCloud is a Hong Kong based company, incorporated  
6 under the laws of the Cayman Islands, with its principal executive offices located in  
7 Walnut, California. GigaCloud’s Class A common stock trades on the NASDAQ  
8 (“NASDAQ”) under the symbol “GCT.”

9 15. Defendant Larry Lei Wu (“Wu”) was, at all relevant times, the Chief  
10 Executive Officer (“CEO”) and Chairman of the Board of Directors of the Company,  
11 and signed or authorized the signing of the Company’s Registration Statement filed  
12 with the SEC.

13 16. Defendant Kwok Hei David Lau (“Lau”) was, at all relevant times, the  
14 Chief Financial Officer (“CFO”) of the Company and signed or authorized the signing  
15 of the Company’s Registration Statement filed with the SEC.

16 17. Defendants Wu and Lau (collectively, the “Individual Defendants”),  
17 because of their positions with the Company, possessed the power and authority to  
18 control the contents of the Company’s reports to the SEC, press releases and  
19 presentations to securities analysts, money and portfolio managers and institutional  
20 investors, i.e., the market. The Individual Defendants were provided with copies of  
21 the Company’s reports and press releases alleged herein to be misleading prior to, or  
22 shortly after, their issuance and had the ability and opportunity to prevent their  
23 issuance or cause them to be corrected. Because of their positions and access to  
24 material non-public information available to them, the Individual Defendants knew  
25 that the adverse facts specified herein had not been disclosed to, and were being  
26 concealed from, the public, and that the positive representations which were being  
27 made were then materially false and/or misleading. The Individual Defendants are  
28 liable for the false statements pleaded herein.

1 18. Defendant Xin Wan (“Wan”) was, at all relevant times, Chief  
2 Technology Officer (“CTO”) of the Company and signed or authorized the signing of  
3 the Company’s Registration Statement filed with the SEC. Defendant Wan also  
4 served as the Company’s Executive Director from November 2020 until August 16,  
5 2023.

6 19. Defendant Frank Lin (“Lin”) was the Director of the Company from and  
7 signed or authorized the signing of the Company’s Registration Statement filed with  
8 the SEC.

9 20. Defendant Xing Huang (“Huang”) was the Director of the Company and  
10 signed or authorized the signing of the Company’s Registration Statement filed with  
11 the SEC.

12 21. Defendants Wu, Lau, Wan, Lin, and Huang are collectively referred to  
13 hereinafter as the “Securities Act Individual Defendants.”

14 22. Defendant Aegis Capital Corp. (“Aegis Capital ” or “Underwriter  
15 Defendant”) served as an underwriter for the Company’s IPO. In the IPO,  
16 Aegis Capital Corp agreed to purchase 2,940,000 shares of the Company’s common  
17 stock, exclusive of the over-allotment option.

## 18 **SUBSTANTIVE ALLEGATIONS**

### 19 **Background**

20 23. GigaCloud is a holding company which, through its subsidiaries, offers  
21 a an end-to-end ecommerce platform for global trade services of heavy and large  
22 products, primarily furniture. The Company’s ecommerce platform, which it refers to  
23 as the “GigaCloud Marketplace,” integrates discovery, payments and logistics tools  
24 to connect manufacturers, primarily in Asia, with resellers, primarily in the U.S., Asia  
25 and Europe, to execute cross-border transactions, then executes delivery and sale  
26 through a network of warehouses up to and including last-mile delivery to the  
27 customer.

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1 additional space that is suitable for our needs will be available as needed  
2 to accommodate any such expansion of our operations.

3 30. The Registration Statement asserts that, despite the Covid-19 pandemic,  
4 they have seen increased revenue and order activities such that “*to serve the increased*  
5 *orders, we have hired and are continuing to hire additional warehouse staff and*  
6 *sales and marketing staff.*”

7 31. The Registration Statement sets out that “[w]e expect to continue to  
8 procure inventories *and invest in additional warehouses and logistics infrastructure*  
9 to further expand our business” and describes how their business model is  
10 “[u]nderpinned by a network of strategically-placed warehouses and supply chain  
11 *capabilities[.]*”

12 32. The Registration Statement describes how the close connection between  
13 their warehousing and revenue:

14 We operate warehouses in four countries across North America, Europe  
15 and Asia, with the U.S. being our largest market. *Our international*  
16 *activities are significant to our revenues and profits*, and we plan to  
17 further expand internationally.

18 33. The Registration Statement further states that GigaCloud revenue is  
19 primarily derived from “product sales and services.”

20 Our revenues, which consisted of service revenue generated from  
21 GigaCloud 3P and *product revenue generated from GigaCloud 1P* and  
22 off-platform ecommerce sales, increased by 19.0% from \$94.5 million  
23 in the three months ended March 31, 2021 to \$112.4 million in the three  
24 months ended March 31, 2022. This increase was primarily due to  
25 continued increase in market demand for large parcel merchandise,  
26 leading to increased number of sellers who listed merchandise and  
27 numbers of buyers who procured large parcel merchandise in our  
28 GigaCloud Marketplace.

29 34. Specifically, GigaCloud’s “1P” revenue is derived from direct product  
30 sales when “we [the Company] sell our merchandise to our customers, who are the  
31 buyers of the GigaCloud Marketplace.”

32 35. The Registration Statement sets this out more fully, asserting that the  
33 Company from 2019-2021 and the three months ended March 31, 2021 and 2022:

1 • We generated total revenues of \$122.3 million, \$275.5 million, \$414.2  
2 million, \$94.5 million and \$112.4 million, respectively, representing  
3 125.3% and 50.4% year-over-year growth in 2020 and 2021,  
respectively, and 19.0% period-over-period growth in the three months  
ended March 31, 2022;

4 • We generated gross profit of \$22.2 million, \$75.1 million, \$89.6  
5 million, \$20.9 million and \$16.9 million, respectively, representing  
18.1%, 27.3%, 21.6%, 22.1% and 15.0% of total revenues, respectively;

6 • Our net income was \$2.9 million, \$37.5 million (restated), \$29.3  
7 million, \$8.0 million (restated) and \$4.7 million, respectively; and

8 • Our Adjusted EBITDA was \$4.9 million, \$45.5 million, \$48.0 million,  
\$10.0 million and \$6.9 million, respectively.

9 36. Finally, the Registration Statement asserts the Company maintains a  
10 competitive advantage because:

11 *We have artificial intelligence software, or AI, that generates seller*  
12 *ratings and credit profiles through volume data.* Additionally, *our AI*  
13 *optimizes routing* by organizing incoming orders and rebalancing  
14 inventory levels within our warehousing network. Our software platform  
includes flexible trading tools with which sellers can set prices based on  
quantities, delivery dates and fulfillment methods, and buyers have the  
option to purchase merchandise individually or in bulk.

15 37. The Registration Statement was materially false and misleading and  
16 omitted to state: (1) that the Company’s warehouse, product sources and last-mile  
17 delivery services were not experiencing customer growth at the level represented (2)  
18 that GigaCloud’s actual annualized U.S. last-mile revenues represent a fraction of  
19 reported revenue (3) that GigaCloud’s claims of efficiency were illusory (4) that, as a  
20 result of the foregoing, Defendants’ positive statements about the Company’s  
21 business, operations, and prospects were materially misleading and/or lacked a  
22 reasonable basis., operations, and prospects were materially misleading and/or lacked  
23 a reasonable basis.

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

26 38. The Class Period begins on August 18, 2022. On that day, GigaCloud’s  
27 common stock began publicly trading pursuant to the Registration Statement,  
28 including the statements identified in ¶¶28-36.

1 39. On September 30, 2022 GigaCloud announced its unaudited financial  
2 results for the quarter and six months ended June 30, 2022 in a press release submitted  
3 to the SEC as part of a Form 6-K, Report of Foreign Issuer (“2Q22 Financial  
4 Results”). The 2Q22 Financial Results stated in relevant part:

5 Second Quarter 2022 Financial Highlights

6 • **Total revenues were \$124.0 million in the second quarter of 2022, an  
7 increase of 11.0% from \$111.8 million in the second quarter of 2021.**

8 • Net income was \$6.1 million in the second quarter of 2022, compared  
9 to \$13.6 million in the second quarter of 2021.

10 • Adjusted EBITDA1 was \$7.8 million in the second quarter of 2022,  
11 compared to \$16.6 million in the second quarter of 2021

12 \* \* \*

13 Operational Highlights

14 • **GigaCloud Marketplace GMV was \$458.8 million in the 12 months  
15 ended June 30, 2022, an increase of 43.8% from \$319.2 million in the  
16 12 months ended June 30, 2021.**

17 • Active 3P sellers were 452 in the 12 months ended June 30, 2022, an  
18 increase of 67.4% from 270 in the 12 months ended June 30, 2021.

19 • **Active buyers were 4,061 in the 12 months ended June 30, 2022, an  
20 increase of 58.9% from 2,555 in the 12 months ended June 30, 2021.**

21 • Spend per active buyer was \$112,987 in the 12 months ended June 30,  
22 2022, a decrease of 9.5% from \$124,915 in the 12 months ended June  
23 30, 2021.

24 • **3P seller GigaCloud Marketplace GMV was \$196.7 million in the 12  
25 months ended June 30, 2022, an increase of 71.1% from  
26 \$114.9 million in the 12 months ended June 30, 2021**

27 Second Quarter 2022 Financial Results

28 **Revenues**

**Total revenues were \$124.0 million in the second quarter of 2022,  
increased by 11.0% from \$111.8 million in the second quarter of 2021.**  
The increase was primarily due to an increase in service revenue from  
GigaCloud 3P and product revenue from GigaCloud 1P, partially offset  
by the decrease in product revenue from off-platform ecommerce.

• Service revenue from GigaCloud 3P was \$32.8 million in the second  
quarter of 2022, increased by 39.4% from \$23.6 million in the second  
quarter of 2021. The increase was primarily due to an increase in

1 revenues from last-mile delivery fees and fulfillment fees for other  
2 freight services such as delivery of products via ocean transportation.

3 • **Product revenue from GigaCloud 1P was \$60.7 million in the second**  
4 **quarter of 2022, increased by 15.4% from \$52.6 million in the second**  
5 **quarter of 2021. The increase was primarily due to an increase in**  
6 **number of active buyers and better selection of products catering to**  
7 **buyers' preference.**

8 • Product revenue from off-platform ecommerce was \$30.5 million in the  
9 second quarter of 2022, decreased by 14.4% from \$35.6 million in the  
10 second quarter of 2021. The decrease was primarily due to an overall  
11 decrease in sales on certain third-party off-platform ecommerce as  
12 consumer demand slowed down on such third-party off-platform  
13 ecommerce.

14 40. On September 30, 2022 in a separate press release, GigaCloud also  
15 announced it was partnering with an unnamed “high-quality last-mile and white glove  
16 provider to better service customers in the contiguous United States” stating:

17 This move consolidates multiple carriers into one and **leverages the**  
18 **company's economical rates for marketplace users.** Combined with the  
19 Giga Cloud Logistics fleet that services California and the Tri-State area,  
20 the company is confident in its ability to serve white glove delivery  
21 anywhere in the contiguous United States.

22 41. On November 30, 2022 GigaCloud announced its unaudited financial  
23 results for the quarter and nine months ended September 30, 2022 in a press release  
24 submitted to the SEC as part of a Form 6-K, Report of Foreign Issuer (“3Q22  
25 Financial Results”). The 3Q22 Financial Results stated in relevant part:

26 **We leverage our technology and ecommerce platform to reach**  
27 **continuing growth in our revenue, GMV and positive operating cash**  
28 **flows. Our revenue grew by approximately 23% in the third quarter of**  
29 **2022, compared to the third quarter of 2021. During the third quarter of**  
30 **2022, our GigaCloud 3P GMV continued to increase as a percentage of**  
31 **total GigaCloud Marketplace GMV, demonstrating an increased**  
32 **economies of scale and user base achieved through our current**  
33 **marketplace model.** Coupled with our successful IPO and improvement  
34 in operating cash flows in the third quarter, our liquidity and capital  
35 resources also saw an increase, providing sufficient capital for us to  
36 pursue our business objectives. Going forward, we will continue to  
37 leverage our data driven solutions, technological capability and  
38 resources to expand and optimize our marketplace, gain market share and  
39 better serve our global customers with a stable and efficient B2B  
40 ecommerce platform.

41 42. The 3Q22 Financial Results continues, representing that

1 *Active buyers were 4,198 in the 12 months ended September 30, 2022,*  
2 *an increase of 36.2% from 3,082 in the 12 months ended September 30,*  
3 *2021.*

3 \* \* \*

4 *Total revenues were \$128.0 million in the third quarter of 2022, an*  
5 *increase of 23.4% from \$103.7 million in the third quarter of 2021. The*  
6 *increase was primarily due to an increase in service revenue from*  
7 *GigaCloud 3P and product revenue from GigaCloud 1P, partially offset*  
8 *by the decrease in product revenue from off-platform ecommerce.*

7 \* \* \*

8 *Product revenue from GigaCloud 1P was \$58.2 million in the third*  
9 *quarter of 2022, increased by 30.5% from \$44.6 million in the third*  
10 *quarter of 2021. The increase was primarily due to an increase in*  
11 *number of active buyers and better selection of products catering to*  
12 *buyers' preference.*

11 43. On March 17, 2023 GigaCloud announced its unaudited financial results  
12 for the quarter and fiscal year ended December 31, 2022 in a press release submitted  
13 to the SEC as part of a Form 6-K, Report of Foreign Issuer (“4Q22 Financial  
14 Results”). The 4Q22 Financial Results stated in relevant part:

15 **Total revenues** were \$125.6 million in the fourth quarter of 2022, an  
16 increase of 20.5% from \$104.2 million in the fourth quarter of 2021.  
17 **Total revenues** were \$490.1 million for the full year of 2022, an increase  
18 of 18.3% from \$414.2 million for the full year of 2021.

17 \* \* \*

18 **Net income** was \$12.5 million in the fourth quarter of 2022, an increase  
19 of 34.2% from \$9.3 million in the fourth quarter of 2021. **Net income**  
20 was \$24.0 million for the full year of 2022, a decrease of 18.1% from  
21 \$29.3 million for the full year of 2021.

21 \* \* \*

22 **Active buyers** were 4,156 in the 12 months ended December 31, 2022,  
23 an increase of 16.5% from 3,566 in the 12 months ended December 31,  
24 2021.

24 44. The 4Q22 Financial Results continue to state:

25 Total revenues were \$125.6 million in the fourth quarter of 2022,  
26 increased by 20.5% from \$104.2 million in the fourth quarter of 2021.  
27 The increase was primarily due to an increase in service revenue from  
28 GigaCloud 3P and product revenue from both GigaCloud 1P and off-  
platform ecommerce.

1 • *Service revenue from GigaCloud 3P was \$36.1 million in the fourth*  
2 *quarter of 2022, increased by 35.7% from \$26.6 million in the fourth*  
3 *quarter of 2021. The increase was primarily due to provision of third-*  
4 *party logistics services to certain existing and new customers.*

45. On April 24, 2023 GigaCloud submitted its Annual and transition report  
of foreign private issuers as part of Form 20-F (“2023 20-F”). The 2023 20-F stated  
in relevant part:

6 In 2020, 2021 and 2022, *we continued to increase the use of self-owned*  
7 *and operated, cost-efficient high capacity trucks* to replace some, but  
8 not all, of our third-party outsourced trucks to further enhance  
9 transportation efficiency.

46. The 2023 20-F continued to describe the Company’s revenue:

11 To enhance our marketplace experience, we sell our own inventory, or  
12 IP, through the GigaCloud Marketplace and to and through third-party  
13 ecommerce websites, such as Rakuten in Japan, Amazon and Walmart  
14 in the U.S. and Wayfair in the U.K. *These IP revenues expand our*  
15 *market presence, reduce inventory and logistics risk for sellers, create*  
16 *more products for buyers, drive volume-based cost efficiencies for*  
17 *sourcing products, provide us with proprietary data and increase the*  
18 *velocity of sales on our marketplace. IP revenues through the*  
19 *GigaCloud Marketplace and to and through third-party ecommerce*  
20 *websites represented 78.2%, 76.3% and 71.3% of total revenues in*  
21 *2020, 2021 and 2022, respectively.* As our GigaCloud Marketplace  
continues to grow, we expect IP revenues as a percentage of total  
revenues to decline over time.

18 \* \* \*

19 We leverage *our proprietary data and AI to accelerate the network*  
20 *effects in our marketplace.* As our marketplace grows, we accumulate  
21 user and product data to develop analytical and predicative tools such as  
product sales forecasts. This information is valuable to our sellers as it  
allows them to efficiently manage inventory and pricing.

47. The 2023 20-F identifies 88 employees in “Operations” worldwide,  
compared to 341 employees in Sales and Marketing worldwide, and 73 employees  
working in the United States total.

48. On May 24, 2023 GigaCloud announced its unaudited financial results  
for the quarter ended March 31, 2023 in a press release submitted to the SEC as part  
of a Form 6-K, Report of Foreign Issuer (“1Q23 Financial Results”). The 1Q23  
Financial Results described the quarter as providing “record breaking financial and

1 operation results through our relentless focus on execution.” The 1Q23 Financial  
2 Results reported:

3 •Total revenues were \$127.8 million in the first quarter of 2023, an  
4 increase of 13.7% from \$112.4 million in the first quarter of 2022.

5 •Gross profit was \$29.6 million in the first quarter of 2023, an increase  
6 of 75.3% from \$16.9 million in the first quarter of 2022. Gross margin  
7 increased to 23.1% in the first quarter of 2023, compared to 15.0% in the  
8 first quarter of 2022.

9 • Net income was \$15.9 million in the first quarter of 2023, an increase  
10 of 236.4% from \$4.7 million in the first quarter of 2022.

11 49. The 1Q23 Financial Results represents that the Company had **4,255**  
12 **“Active buyers” in the 12 months ended March 31, 2023**, “an increase of 12.5% from  
13 3,782 in the 12 months ended March 31, 2022”. The 1Q23 Financial Results  
14 represents

15 Product revenue from GigaCloud 1P was \$61.4 million in the first  
16 quarter of 2023, increased by 13.2% from \$54.3 million in the first  
17 quarter of 2022. The increase was primarily due to an increase in spend  
18 per active buyer.

19 50. On August 15, 2023 GigaCloud announced its unaudited financial results  
20 for the quarter and six months ended June 30, 2023 in a press release submitted to the  
21 SEC as part of a Form 6-K, Report of Foreign Issuer (“2Q23 Financial Results”). The  
22 2Q23 states

23 • Total revenues were \$153.1 million in the second quarter of 2023, an  
24 increase of 23.5% from \$124.0 million in the second quarter of 2022.

25 • Gross profit was \$40.4 million in the second quarter of 2023, an  
26 increase of 137.1% from \$17.0 million in the second quarter of 2022.  
27 Gross margin increased to 26.4% in the second quarter of 2023 from  
28 13.7% in the second quarter of 2022.

•Net income was \$18.4 million in the second quarter of 2023, an increase  
of 201.5% from \$6.1 million in the second quarter of 2022.

*Active buyers were 4,351 in the 12 months ended June 30, 2023*, an  
increase of 7.1% from 4,061 in the 12 months ended June 30, 2022.

51. The 2Q23 Financial Results quotes Larry Wu, Founder, Chairman of the  
Board of Director, and Chief Executive Officer of GigaCloud, who commented, “We

1 are thrilled with our results for the first half of 2023, especially our tremendous  
2 period-over-period net income growth of over 200% and another consecutive quarter  
3 of generating record profitability.”

4 52. The 2Q23 Financial Results goes on to state:

5 Total revenues were \$153.1 million in the second quarter of 2023,  
6 increased by 23.5% from \$124.0 million in the second quarter of 2022.  
7 The increase was primarily due to an increase in market demand for large  
8 parcel merchandise, leading to increases in our GigaCloud Marketplace  
9 GMV, sales volume and number of sellers and buyers.

10 Service revenue from GigaCloud 3P was \$43.3 million in the second  
11 quarter of 2023, increased by 31.9% from \$32.8 million in the second  
12 quarter of 2022. *The increase was primarily due to an increase in  
13 revenue from last-mile delivery services by 69.2% from \$13.5 million  
14 in the second quarter of 2022 to \$22.9 million in the second quarter of  
15 2023 and an increase in revenue from warehouse services by 62.1%  
16 from \$3.3 million in the second quarter of 2022 to \$5.3 million in the  
17 second quarter of 2023.* These increases were partially offset by a  
18 decrease in revenue from ocean transportation services by 61.8% from  
19 \$10.2 million in the second quarter of 2022 to \$3.9 million in the second  
20 quarter of 2023, primarily due to the decrease in ocean freight costs  
21 which drove down our prices.

22 53. The above statements identified in ¶¶ 38-52 were materially false and/or  
23 misleading, and failed to disclose material adverse facts about the Company’s  
24 business, operations, and prospects. Specifically, Defendants failed to disclose to  
25 investors: (1) that the Company’s warehouse, product sources and last-mile delivery  
26 services were not experiencing customer growth at the level represented; (2) that  
27 GigaCloud’s actual annualized U.S. last-mile revenues represent a fraction of reported  
28 revenue; (3) that GigaCloud’s claims of efficiency were illusory; (4) 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**

54. On September 28, 2023, before the market opened, Culper Research  
published the Report alleging that “the Company’s business is a fraction of what it  
has claimed.” Specifically, the Report identifies a number of indications that

1 GigaCloud is grossly overstating its total market of product sourcing, warehousing  
2 and last-mile delivery.

3 55. Concluding that there is a high probability that GigaCloud is overstating  
4 the effectiveness, staffing and revenue derived from its warehouses, the Report stated:

5 **GigaCloud claims to run 14 U.S. warehouses yet *the Company discloses***  
6 ***just 73 employees in the entire U.S., implying just 5 employees per***  
7 ***warehouse. Simply put, we don't think it's at all possible to profitably***  
8 ***run 14 warehouses with over 3.7 million square feet which supposedly***  
9 ***distribute hundreds of millions of dollars of furniture with this few***  
10 ***people. Comparable warehousing and fulfillment operations we***  
11 ***reviewed typically hire hundreds if not thousands of employees at each***  
12 ***warehouse. Sat side by side, GigaCloud's claims imply that the***  
13 ***Company is 10x to 100x more efficient than both furniture distribution***  
14 ***and e-commerce peers such as Amazon, Walmart, Wayfair, and Ashley***  
15 ***Furniture.***

16 \* \* \*

17 However, **our September 2023 visits to the Company's actual**  
18 **warehouses revealed a much different picture: we staked out**  
19 **GigaCloud's 9 warehouses in its two main east coast (New Jersey) and**  
20 **west coast (California) regions and saw laughably sparse activity.** For  
21 example, at one warehouse in New Jersey, our investigator sat for 3 hours  
22 – during weekday business hours – and saw only a single GigaCloud  
23 delivery truck. At another location in California, our investigators did  
24 see a handful of overseas shipping containers being unloaded, but the  
25 unloaded cardboard boxes then sat strewn in the loading bay for hours  
26 without being sorted.

27 56. The Report compares GigaCloud's warehouse employment numbers to  
28 other companies. "[I]ndustry sources suggest that a typical warehouse or fulfillment  
center ***employs one employee for every 1,000-1,500 square feet of warehouse space,***  
or 1,000 employees for every million square feet of warehouse space" Meanwhile,  
"[t]he Company's Form 20-F discloses ***just 88 employees in operations worldwide,***  
***and just 73 in the U.S. across all departments.***" The Report states:

GigaCloud baldly claims to operate 14 distribution centers in the U.S.  
totaling over ***3.7M million square feet using a maximum of just 73***  
***employees.*** Similarly, we believe the Company's global operational staff  
of just 88 is wholly insufficient to operate 21 total warehouses globally.

57. The Report describes investigating these warehouses and finding a  
paucity of activity. As the Report describes:

1 As such, in September 2023, we sent investigators to each of  
2 GigaCloud’s 9 warehouses concentrated in New Jersey (4 sites) and  
3 California (5 sites). ***Our investigators sat at each location for 3 hours  
4 during normal business hours over the course of several business days,  
5 and found that in contrast to GigaCloud’s portrayal of its operations  
6 as large and growing, the locations held sparse activity.***

58. The Report describes in detail each warehouse which was surveilled for  
6 a number of hours over a period of days and weeks, such that “the activity levels we  
7 witnessed were *nowhere near commensurate* with the Company’s reported  
8 financials.”

59. Further, the Report alleged that GigaCloud’s last-mile delivery business,  
9 which GigaCloud reported to have grown to over \$80 million in LTM revenue, is in  
10 fact a “meager operation” which “has just 5 vehicles registered with the Department  
11 of Transportation (“DOT”)”.

GigaCloud’s Department of Transportation registration information  
13 discloses that the Company’s GigaCloud’s logistics subsidiary (a VIE  
14 owned by Kunming Xu) ***held just 7 trucks (“power units”) and 5 drivers  
15 which travelled a collective 30,000 miles in 2021.***

16 \* \* \*

17 While the Company ***has at times claimed that it also partners with  
18 third-party last-mile delivery operators, a former GCT executive told  
19 us that as of Q2 2022 (the last quarter they were at the Company), GCT  
20 used only its own trucks and drivers, stating, “Everything was their  
21 [GCT’s] own employees on their own trucks.”***

60. The Report goes on to describe how, even assuming GCT’s Last-mile  
22 claims are accurate, they fall short of the reported \$80 million in revenue.

Assuming GCT's Last-mile Claims are Accurate...	
Annual last-mile revenues (2022)	\$62,745,000
Monthly last-mile revenues	\$5,228,750
Estimated fees earned per delivery	\$150
<b>Implied deliveries per month</b>	<b>34,858</b>
<b>Implied deliveries per day</b>	<b>1,162</b>

\* \* \*

Last Mile Delivery (est. as of Q2 2022)	California	New Jersey	Total
Average fees per delivery	\$150	\$150	\$150
Deliveries per month	600	300	900
Monthly revenues	\$90,000	\$45,000	\$135,000
<b>Annual revenues</b>	<b>\$1,080,000</b>	<b>\$540,000</b>	<b>\$1,620,000</b>

61. This reporting is further bolstered GigaCloud’s own employees, including a former executive, who were interviewed for the Report.

One former executive estimated that as of mid-2022, GCT’s last mile business was completing *just 900 deliveries per month using 9 trucks*. Using GCT’s own pricing sheets at an estimated \$150 per delivery, *this implies annualized revenues of just \$1.6 million*. A second former employee told us that by year-end 2022, *GCT was completing just 100 to 150 deliveries per day from its California base, which we estimate implies just \$20 to \$30 million in annualized U.S. last-mile revenues, again a fraction of GCT’s reported numbers*.

62. The Report goes on to describe interviews with GigaCloud former employees who claimed “GigaCloud lost money in last-mile, given the relative lack of scale of its distribution network and the Company’s promises to deliver anywhere for a flat rate.” As described in the Report:

Former employees we spoke with also portrayed GCT’s last-mile operation as *incredibly inefficient*, despite the Company’s claims to the contrary. For example, a shipment might arrive from China at a GigaCloud warehouse in California, but this order requires final delivery in Michigan, requiring a cross-country trip at GigaCloud’s promised flat rate. *One former employee opined, “they had to be losing money... on average, they’re losing to \$50 to \$100 per delivery.”*

63. The Report further alleges that GigaCloud’s “supposed artificial intelligence technology” which President Iman Schrock stated managed to “transform the entire supply chain” by “continuously optimiz[ing] economies of scale” is likely highly exaggerated, if it exists at all. As the Report states:

GCT itself *doesn’t even disclose software development expenses or capitalized software costs* in its financial statements, and *we couldn’t*





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

5 73. During the Class Period, Defendants materially misled the investing  
6 public, thereby inflating the price of GigaCloud'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 failed  
10 to disclose material adverse information and/or misrepresented the truth about  
11 GigaCloud's business, operations, and prospects as alleged herein.

12 74. 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 GigaCloud'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 Company's  
23 securities at artificially inflated prices, thus causing the damages complained of herein  
24 when the truth was revealed.

25 **LOSS CAUSATION**

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



1 GigaCloud's securities and market information relating to GigaCloud, and have been  
2 damaged thereby.

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

16       81. At all relevant times, the market for GigaCloud's securities was an  
17 efficient market for the following reasons, among others:

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

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

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

27           (d) GigaCloud was followed by securities analysts employed by  
28 brokerage firms who wrote reports about the Company, and these reports were

1 distributed to the sales force and certain customers of their respective brokerage firms.  
2 Each of these reports was publicly available and entered the public marketplace.

3 82. As a result of the foregoing, the market for GigaCloud’s securities  
4 promptly digested current information regarding GigaCloud from all publicly  
5 available sources and reflected such information in GigaCloud’s share price. Under  
6 these circumstances, all purchasers of GigaCloud’s securities during the Class Period  
7 suffered similar injury through their purchase of GigaCloud’s securities at artificially  
8 inflated prices and a presumption of reliance applies.

9 83. A Class-wide presumption of reliance is also appropriate in this action  
10 under the Supreme Court’s holding in *Affiliated Ute Citizens of Utah v. United States*,  
11 406 U.S. 128 (1972), because the Class’s claims are, in large part, grounded on  
12 Defendants’ material misstatements and/or omissions. Because this action involves  
13 Defendants’ failure to disclose material adverse information regarding the Company’s  
14 business operations and financial prospects—information that Defendants were  
15 obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All  
16 that is necessary is that the facts withheld be material in the sense that a reasonable  
17 investor might have considered them important in making investment decisions.  
18 Given the importance of the Class Period material misstatements and omissions set  
19 forth above, that requirement is satisfied here.

20 **NO SAFE HARBOR**

21 84. The statutory safe harbor provided for forward-looking statements under  
22 certain circumstances does not apply to any of the allegedly false statements pleaded  
23 in this Complaint. The statements alleged to be false and misleading herein all relate  
24 to then-existing facts and conditions. In addition, to the extent certain of the  
25 statements alleged to be false may be characterized as forward looking, they were not  
26 identified as “forward-looking statements” when made and there were no meaningful  
27 cautionary statements identifying important factors that could cause actual results to  
28 differ materially from those in the purportedly forward-looking statements. In the

1 alternative, to the extent that the statutory safe harbor is determined to apply to any  
2 forward-looking statements pleaded herein, Defendants are liable for those false  
3 forward-looking statements because at the time each of those forward-looking  
4 statements was made, the speaker had actual knowledge that the forward-looking  
5 statement was materially false or misleading, and/or the forward-looking statement  
6 was authorized or approved by an executive officer of GigaCloud who knew that the  
7 statement was false when made.

8 **FIRST CLAIM**

9 **Violation of Section 11 of the Securities Act**

10 **(Against All Defendants)**

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

13 86. This Count is brought pursuant to Section 11 of the Securities Act, 15  
14 U.S.C. § 77k, on behalf of the Class, against the Defendants.

15 87. The Registration Statement for the IPO was inaccurate and misleading,  
16 contained untrue statements of material facts, omitted to state other facts necessary to  
17 make the statements made not misleading, and omitted to state material facts required  
18 to be stated therein.

19 88. GigaCloud is the registrant for the IPO. The Defendants named herein  
20 were responsible for the contents and dissemination of the Registration Statement.

21 89. As issuer of the shares, GigaCloud is strictly liable to Plaintiff and the  
22 Class for the misstatements and omissions.

23 90. None of the Defendants named herein made a reasonable investigation  
24 or possessed reasonable grounds for the belief that the statements contained in the  
25 Registration Statement was true and without omissions of any material facts and were  
26 not misleading.

27 91. By reasons of the conduct herein alleged, each Defendant violated,  
28 and/or controlled a person who violated Section 11 of the Securities Act.



1 **THIRD CLAIM**

2 **Violation of Section 10(b) of The Exchange Act and**

3 **Rule 10b-5 Promulgated Thereunder**

4 **Against GigaCloud and the Individual Defendants**

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

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

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

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

27 103. Defendants employed devices, schemes and artifices to defraud, while in  
28 possession of material adverse non-public information and engaged in acts, practices,

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

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

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

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

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

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

28

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

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

7 **FOURTH CLAIM**

8 **Violation of Section 20(a) of The Exchange Act**

9 **Against the Individual Defendants**

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

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

25 112. In particular, Individual Defendants had direct and supervisory  
26 involvement in the day-to-day operations of the Company and, therefore, had the  
27 power to control or influence the particular transactions giving rise to the securities  
28 violations as alleged herein, and exercised the same.



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DATED: \_\_\_\_\_, 2023

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