UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Plaintiff,

v.

GDS HOLDINGS LIMITED, WILLIAM WEI HUANG, AND DANIEL NEWMAN

Defendants.

VIOLATIONS OF THE FEDERAL SECURITIES LAWS

JURY TRIAL DEMANDED

P l

knowledge as to himself, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the "SEC"), conference call transcripts, news reports, press releases issued by Defendants, and other publicly available documents, as follows:

NATURE AND SUMMARY OF THE ACTION

1. This is a federal securities class action on behalf of all persons or entities who purchased or otherwise acquired GDS Holdings Limited ("GDS" or the "Company") American Depositary Shares (ADSs) during the period from November 2, 2016 through July 31, 2018, inclusive (the "Class Period").

2. GDS purports to be a leading developer and operator of high-performance data centers in China.

3. According to the Company, its facilities are strategically located in China's primary economic hubs where demand for high-performance data center services is concentrated

and its data centers have large net floor area, high power capacity, density and efficiency, and multiple redundancy across all critical systems.

4. The Company is based in Shanghai, China.

5. On November 2, 2016, GDS conducted an initial public offering of American depository shares (ADSs) on the NASDAQ Global Market under ticker symbol "GDS".

6. Since the Company's IPO, it has raised high levels of equity and debt, despite its strong cash position.

7. GDS has also expanded quickly and has touted substantial operational success.

8. For example, GDS claims that its Guangzhou 1 Data Center fully occupies six floors of the G6 data center building in the Guangzhou Innovation Park, and that 100% of the space in the building is "committed" and 94% is currently utilized.

9. The Company has also acquired several other, supposedly third party, data centers for several hundreds of millions RMB each.

10. On July 31, 2018, Blue Orca Capital released a report alleging that GDS is borrowing crippling amounts of debt to enrich insiders by acquiring data centers from undisclosed related parties which are not nearly as valuable as the Company claims.

11. The report further claims that since becoming a public Company, GDS has borrowed recklessly to siphon off at least RMB 696 million to insiders by inflating the purchase price of undisclosed related party acquisitions.

12. The Blue Orca report also alleges suspect accounts receivable and payable practices.

13. On this news, the Company's ADS price fell $13.42 per share, or over 38%, to close at $21.83 per share on July 31, 2018.

JURISDICTION AND VENUE

14. The federal law claims asserted herein arise under §§ 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.

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

16. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual or corporation who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

17. In its 2016 ADS registration, the Company disclosed that it "[has] appointed Law Debenture Corporate Services Inc. as [its] agent to receive service of process with respect to any action brought against [the Company] in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any state in the United States or any action brought against [it] in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York."

18. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1931(b), as the Company's common shares are listed on the NASDAQ.

19. In connection with the acts, omissions, conduct and other wrongs in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce including but not limited to the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

20. [redacted] forth in the accompanying certification, incorporated by reference herein, Plaintiff acquired GDS ADSs on May 23, 2018 and purchased, acquired, and held ADSs of the Company at artificially inflated prices during the Class Period and has been damaged by the revelation of the Company's material misrepresentations and material omissions.

21. Defendant GDS Holdings Limited is incorporated in the Cayman Islands and its principal executive offices are in Shanghai, China.

22. GDS's ADSs trade on the NASDAQ Stock Market ("NASDAQ") under the symbol "GDS."

23. Defendant William Wei Huang ("Huang") was the Chief Executive Officer ("CEO") and Chairman of GDS at all relevant times.

24. Defendant Daniel Newman ("Newman") was the Chief Financial Officer ("CFO") of GDS at all relevant times.

25. Defendants Huang and Newman (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of GDS'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

26. On November 2, 2016, the day of its IPO, GDS filed its Prospectus on Form 424B4 with the SEC.

27. In its Prospectus, GDS stressed the importance of its facilities' "utilization" rates:

> **Our net revenue and results of operations are largely determined by the degree to which data center space is committed or pre-committed as well as its utilization.** We had commitment rates of 76.3%, 87.5% and 93.8% as of December 31, 2014 and 2015 and September 30, 2016, respectively. We had utilization rates of 57.7%, 59.1% and 70.4% as of December 31, 2014 and 2015 and September 30, 2016, respectively. The difference between commitment rate and utilization rate is primarily attributable to customers who have entered into agreements but have not yet started to use revenue generating services.
>
> ***Ability to Secure Commitments for Data Center Services from Our Customers and Minimize Move-in Periods***
>
> Due to the lengthy time period required to build data centers and the long-term nature of these investments, **if we overestimate market demand for data center resources, our utilization rates, which is the ratio of area utilized to area in service would be reduced, which would adversely affect our results of operations. Our revenue growth depends on our ability to secure commitments for our data center services.** We focus on obtaining these commitments during the construction phase by entering into pre-commitment agreements with customers and endeavor to maximize total area committed . . . We strive to optimize our customer mix to achieve high commitment rates and utilization rates and a high proportion of long-term relationships.

28. The Prospectus displayed a relatively strong cash position:

	As of December 31,			As of June 30,					
	2014	2015		2016					
	Actual	Actual		Actual		Pro Forma[(1)]		Pro Forma as Adjusted[(2)]	
	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
					(in thousands)				
Consolidated Balance Sheet Data:									
Cash	606,758	924,498	139,108	834,477	125,563	834,477	125,563	1,769,008	266,180
Accounts receivable, net	73,366	111,013	16,704	170,149	25,602	170,149	25,602	170,149	25,602
Total current assets	745,831	1,186,699	178,561	1,183,231	178,039	1,183,231	178,039	2,117,762	318,657
Property and equipment, net	1,694,944	2,512,687	378,081	3,591,456	540,402	3,591,456	540,402	3,591,456	540,402
Goodwill and intangible assets	1,350,524	1,341,599	201,869	1,442,125	216,995	1,442,125	216,995	1,442,125	216,995
Total assets	3,854,074	5,128,272	771,645	6,334,066	953,079	6,334,066	953,079	7,268,597	1,093,696
Total current liabilities	897,630	925,049	139,191	1,478,315	222,440	1,772,578	266,718	1,478,315	222,440
Total liabilities	1,706,600	3,073,463	462,460	4,380,909	659,189	4,675,172	703,467	4,241,677	638,239
Redeemable preferred shares	2,164,039	2,395,314	360,420	2,499,117	376,039	—	—	—	—
Total shareholders' (deficit) equity	(16,565)	(340,505)	(51,235)	(545,960)	(82,149)	1,658,894	249,612	3,026,920	455,458

29. At the time of the IPO, management explained the strength of its cash position in favorable terms:

> Based on our current level of operations and available cash, **we believe our available cash, cash flows from operations, committed funding from the issuance of convertible bonds due 2019 will provide sufficient liquidity to fund our current obligations, projected working capital requirements, debt service requirements and capital spending requirements at least for the next 12 months.** However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we were unable to obtain additional equity or debt financing as required, our business, operations and prospects and our ability to maintain our desired level of revenue growth may suffer materially.

30. On April 19, 2017, the Company filed its 2016 annual report, year ended December 31, 2016, with the SEC. The Company showed a strong cash position:

	2014 Actual RMB	2015 Actual RMB	2016 Actual RMB	2016 Actual US$
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash	606,758	924,498	1,811,319	260,884
Accounts receivable, net	73,366	111,013	198,851	28,640
Total current assets	745,831	1,186,699	2,210,313	318,351
Property and equipment, net	1,694,944	2,512,687	4,322,891	622,626
Goodwill and intangible assets	1,350,524	1,341,599	1,433,656	206,489
Total assets	3,854,074	5,128,272	8,203,866	1,181,603
Total current liabilities	897,630	925,049	1,479,221	213,053
Total liabilities	1,706,600	3,073,463	5,217,392	751,461
Redeemable preferred shares	2,164,039	2,395,314	—	—
Total shareholders' (deficit) equity	(16,565)	(340,505)	2,986,474	430,142

31. In its 2016 annual report, the Company described its high debt level:

> We have substantial indebtedness. As of December 31, 2016, we had total consolidated indebtedness of RMB 4,290.3 million (US $617.9 million), including borrowings, capital lease and other financing obligations and convertible bonds**. Our substantial level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.**

32. In its 2016 annual report, the Company showed a significantly high "interest expense", which was nearly equal in value to the Company's *gross profit*:

	Note	Years ended December 31, 2014	2015	2016
Net revenue	19	468,337	703,636	1,055,960
Cost of revenue		(388,171)	(514,997)	(790,286)
Gross profit		80,166	188,639	265,674
Operating expenses				
Selling and marketing expenses		(40,556)	(57,588)	(71,578)
General and administrative expenses		(113,711)	(128,714)	(227,370)
Research and development expenses		(1,597)	(3,554)	(9,100)
Loss from operations		(75,698)	(1,217)	(42,374)
Other income (expenses):				
Interest income		6,935	1,355	2,070
Interest expenses		(131,908)	(126,901)	(265,234)
Foreign currency exchange (loss) gain, net		(875)	11,107	18,310
Government grants		4,870	3,915	2,217
Gain on remeasurement of equity investment		62,506	—	—
Others, net		(412)	1,174	284
Loss before income taxes		(134,582)	(110,567)	(284,727)
Income tax benefits	20	4,583	11,983	8,315
Net loss		(129,999)	(98,584)	(276,412)
Net loss		(129,999)	(98,584)	(276,412)
Extinguishment of redeemable preferred shares	15	(106,515)	—	—
Change in redemption value of redeemable preferred shares	15	(69,116)	(110,926)	205,670
(Cumulative) Dividend on preferred shares	22	(3,509)	(7,127)	(332,660)
Net loss attributable to ordinary shareholders		(309,139)	(216,637)	(403,402)
Loss per ordinary share				
Basic and diluted	22	(1.91)	(0.99)	(1.35)
Weighted average number of ordinary share outstanding				
Basic and diluted	22	162,070,745	217,987,922	299,093,937

33. In its 2016 annual report, the Company purported that its Guangzhou 1 data center ("GZ1") had a 64% utilization rate and **100% commitment rate**.

	Shanghai				Shenzhen			Guangzhou	Beijing	Chengdu
	KS1	**SH1**	**SH2**	**SH3**	**SZ1**	**SZ2**	**SZ3**	**GZ1**	**BJ1**	**CD1 (Phase 1 &2) (3)**
Date ready for service (HHYY)	2H10	2H11	2H15	2H16	2H14	1H16	2H16	1H16	2H15	1H11 for Phase 1 2H16 for Phase 2
Type	Purpose-built	Purpose-built	Purpose-built	Purpose-built	Converted	Converted	Converted	Converted	Converted	Purpose-built
Tenure	Owned	Leased	Leased	Leased	Leased	Leased	Leased	Leased	Leased	Owned
Area in service	6,546	6,432	7,712	7,879	4,281	4,308	2,678	6,608	2,344	3,100
Area committed	6,531	6,299	7,378	6,716	4,281	3,446	622	6,608	2,344	3,037
Commitment rate	100%	98%	96%	85%	100%	80%	23%	**100%**	100%	98%
Area utilized	6,337	5,857	4,770	0	4,281	1,679	151	4,238	1,860	1,078
Utilization rate (2)	97%	91%	62%	0%	100%	39%	6%	64%	79%	35%

34. The Company's 2016 annual report, submitted on Form 20-F, was signed by Defendants Huang and Newman.

35. On March 29, 2018, the Company filed its 2017 annual report, year ended December 31, 2017, with the SEC. The Company showed a strong cash position:

	As of December 31,				
	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	US$
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash	606,758	924,498	1,811,319	1,873,446	287,943
Accounts receivable, net	73,366	111,013	198,851	364,654	56,046
Total current assets	745,831	1,186,699	2,210,313	2,454,028	377,176
Property and equipment, net	1,694,944	2,512,687	4,322,891	8,165,601	1,255,030
Goodwill and intangible assets	1,350,524	1,341,599	1,433,656	1,919,221	294,979
Total assets	3,854,074	5,128,272	8,203,866	13,144,567	2,020,283
Total current liabilities	897,630	925,049	1,479,221	2,423,071	372,419
Total liabilities	1,706,600	3,073,463	5,217,392	8,669,055	1,332,409
Redeemable preferred shares	2,164,039	2,395,314	—	—	—
Total shareholders' (deficit) equity	(16,565)	(340,505)	2,986,474	4,475,512	687,874

36. In its 2017 annual report, the Company described its increasing debt level:

> We have substantial indebtedness. As of December 31, 2017, we had total consolidated indebtedness of RMB 6,651.2 million (US$1,022.3 million), including borrowings, capital lease and other financing obligations. **We recently received the Registration Certificate of the Filing of Foreign Debt Borrowed by Enterprises, or the Foreign Debt Registration Certificate, issued by the National Development and Reform Commission, or the NDRC, permitting us to issue foreign currency denominated bonds of up to US$300 million**, or the equivalent thereof in other foreign currencies, subject to certain conditions. We applied for and have received NDRC approval of certain amendments to the conditions of the Foreign Debt Registration Certificate, and such approval is effective until the end of December 2018. Our substantial level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.

37. In its 2017 annual report, the Company showed a significantly high "interest expense", which *exceeded* the Company's *gross profit*:

	Note	Years ended December 31, 2015	2016	2017
Net revenue	19	703,636	1,055,960	1,616,166
Cost of revenue		(514,997)	(790,286)	(1,207,694)
Gross profit		188,639	265,674	408,472
Operating expenses				
Selling and marketing expenses		(57,588)	(71,578)	(90,118)
General and administrative expenses		(128,714)	(227,370)	(228,864)
Research and development expenses		(3,554)	(9,100)	(7,261)
(Loss) Income from operations		(1,217)	(42,374)	82,229
Other income (expenses):				
Interest income		1,355	2,070	5,600
Interest expenses		(126,901)	(265,234)	(412,003)
Foreign currency exchange gain (loss), net		11,107	18,310	(12,299)
Government grants		3,915	2,217	3,062
Others, net		1,174	284	435
Loss before income taxes		(110,567)	(284,727)	(332,976)
Income tax benefits	20	11,983	8,315	6,076
Net loss		(98,584)	(276,412)	(326,900)
Net loss		(98,584)	(276,412)	(326,900)
Change in redemption value of redeemable preferred shares	15	(110,926)	205,670	—
(Cumulative) Dividend on preferred shares	22	(7,127)	(332,660)	—
Net loss attributable to ordinary shareholders		(216,637)	(403,402)	(326,900)
Loss per ordinary share				
Basic and diluted	22	(0.99)	(1.35)	(0.42)
Weighted average number of ordinary share outstanding				
Basic and diluted	22	217,987,922	299,093,937	784,566,371

38. In its 2017 annual report, the Company purported that its Guangzhou 1 data center ("GZ1") had a **90% utilization rate** and **100% commitment rate**.

	Shanghai					Shenzhen					Guangzhou
	KS1	SH1	SH2	SH3	SH4	SZ1	SZ2	SZ3	SZ4 (Phase 1) (3)	SZ5 (Phase 1) (3)	GZ1
Date ready for service (HHYY)	2H10	2H11	2H15	2H16	2H17	2H14	1H16	2H16	2H17	1H17	1H16
Type	Purpose-built	Purpose-built	Purpose-built	Purpose-built	Purpose-built	Converted	Converted	Converted	Converted	Converted	Converted
Tenure	Owned	Leased	Leased	Leased	Leased	Leased	Leased	Leased	Leased	Leased	Leased
Area in service	6,546	6,432	7,712	7,950	8,394	4,286	4,308	2,678	4,677	5,000	6,521
Area committed	6,490	6,369	7,643	7,816	4,925	4,278	4,038	1,601	4,555	5,000	6,521
Commitment rate (1)	99%	99%	99%	98%	59%	100%	94%	60%	97%	100%	100%
Area utilized	6,296	5,911	6,949	4,611	0	4,278	3,310	1,534	0	3,710	5,889

Utilization rate	96%	92%	90%	58%	0%	100%	77%	57%	0%	74%	**90%**

39. In 2017, the Company made a series of acquisitions. In its 2017 annual report, the Company, in relevant part, described the following acquisitions:

> **Effect of Acquisition of SZ5**
>
> On June 29, 2017, we consummated an acquisition of all the equity interests in a target group **from a third party** for an aggregate contingent purchase price of **RMB 312.0 million** (US $48.0 million), of which RMB 69.8 (US $10.7 million) was paid as of December 31, 2017. As of December 31, 2017, we expected that all specified conditions would be met and we would be obligated to settle the full amount of the purchase price under the share purchase agreement of RMB 312.0 million (US$ 48.0 million). The target group owns a data center project in Shenzhen, China. As of the date of the acquisition, the data center had just commenced its operations. After the acquisition, this target group had a net revenue of RMB 42.1 million (US $6.5 million) and a net loss of RMB 23.9 million (US $3.7 million) for the period from June 30, 2017 to December 31, 2017, which is included in our results of operations for the year ended December 31, 2017.
>
> **Effect of Acquisition of GZ2**
>
> On October 9, 2017, we consummated an acquisition of all the equity interests in a target group **from a third party** for an aggregate cash consideration of **RMB 234.0 million** (US$ 36.0 million), of which RMB 184.2 (US$ 28.3 million) was paid as of December 31, 2017. The target group owns a data center project in Guangzhou, China. As of the date of the acquisition, the data center was fully operational. After the acquisition, this target group had a net revenue of RMB 26.6 million (US$ 4.1 million) and a net income of RMB 2.7 million (US$ 0.4 million) for the period from October 10, 2017 to December 31, 2017, which is included in our results of operations for the year ended December 31, 2017.

40. On January 26, 2018, the Company issued a new round of ADSs to the investing public. GDS filed its Form 424B5 with the SEC, stating, in relevant part:

> We are offering 8,000,000 American depositary shares, or ADSs, in this offering and the selling shareholders identified in this

> prospectus supplement are offering 3,000,000 ADSs. Each ADS represents eight of our Class A ordinary shares, par value US$0.00005 per share. We will not receive any proceeds from the sale of the ADSs to be offered by the selling shareholders.

	Per ADS	Total
Public offering price	US $26.00	US $286,000,000
Underwriting discounts and commissions [(1)]	US $1.105	US $12,155,000
Proceeds to us (before expenses)	US $24.895	US $199,160,000
Proceeds to selling shareholders (before expenses)	US $24.895	US $74,685,000

41. The Company's 2017 annual report, submitted on Form 20-F, was signed by Defendants Huang and Newman.

42. The above statements in paragraphs 26 – 41 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 that: (1) the Company has overstated its utilization and occupancy rates; (2) it has made acquisitions with related parties at inflated prices; (3) it has used suspect capital and debt raisings despite large off-shore cash reserves; (4) it has adopted unorthodox accounts receivable and payable practices; and (5) that, as a result of the foregoing, Defendant's statements about GDS' business, operations, and prospects were materially false and/or misleading and/or lacked a reasonable basis.

THE TRUTH EMERGES

43. On July 31, 2018, Blue Orca Capital released a report alleging that GDS is borrowing crippling amounts of debt to enrich insiders by acquiring data centers from undisclosed related parties, which are not nearly as valuable as the Company claims.

44. The report further claimed that since becoming a public company, GDS has borrowed recklessly to siphon off at least RMB 696 million to insiders by inflating the purchase price of undisclosed related party acquisitions. The Blue Orca report also alleged suspect receivables and payables practices.

45. The Blue Orca report exposed four distinct categories of GDS' alleged fraudulent practices.

Overstating Area in Service and Utilization of a Flagship Data Center

46. According to Blue Orca, GDS has misled the investing public with respect to one of its key operating center's occupancy and utilization rates:

> We decided to test the Company's claims in a market where it purports to be strongest. GDS claims that its Guangzhou 1 data center ("GZ1") fully occupies the entire six floors of the G6 data center building in the Guangzhou Innovation Park. **GDS claims that 100% of the space in the G6 building is "committed" and 94% is currently utilized, making it one of GDS's flagship data centers in one of GDS's strongest markets.**
>
> **Yet we spoke with two different independent companies which claim to be operating data centers (and making cabinets available for lease) in the same building, which would be impossible if GDS's claims were accurate.** One operator, GZIDC told us over a recorded phone call that it leased out 1.5 floors of the G6 building and operated at ~60% utilization. **GZIDC followed up our inquiry by sending a quote offering to rent us a significant amount of space in the very same data center GDS claims to exclusively operate at 94% utilization.** GZIDC also, at our request, sent us **pictures of rows of empty cabinets in the G6 building.** This would be impossible if GDS's representations regarding the data center were true. We think such evidence shows that GDS is overstating the area in service and utilization rates of

> one of its flagship data centers, which in turn suggests it is overstating reported revenues and profits across its portfolio.
>
> **Put simply, GZIDC is advertising to rent us a significant amount of space in the same data center that GDS tells US investors is 100% committed and 94% utilized.**

47. The Blue Orca report presents ample correspondences with independent companies regarding leasing availability of the same space that GDS purports to occupy in the GZ1 center.

Inflating the Purchase Price of Undisclosed Related Party Acquisitions

48. The Blue Orca report further alleges that GDS paid **inflated purchase prices** for **related party transactions**:

> Our due diligence of SAIC filings and other publicly available information databases in the PRC indicates (in our opinion) that in **3 of GDS's 4 major post-IPO transactions, GDS not only acquired data centers from undisclosed related parties, but overstated the purchase price of such acquisitions in its SEC filings.**
>
> **We note that such transactions took place only months after GDS's IPO, indicating, in our opinion, that GDS was eager to transfer newly raised public money to insiders.** This behavior is reminiscent of the worst offenders of the China-Hustle era of 2010-2011.
>
> **a. Shenzhen 5 Data Center Acquisition**
>
> In June 2017, GDS supposedly purchased Shenzhen Yaode Data Services ("Shenzhen Yaode"), which operates a Shenzhen datacenter **("SZ5"), for RMB 312 million from a "third party." However, publicly available SAIC filings show that two GDS employees also served as the acquisition target's (Shenzhen Yaode's) director and supervisor prior to the acquisition.** Put simply, we found the same individuals on both sides of the transaction, indicating that this was an undisclosed related party acquisition from sellers secretly connected to GDS. **Furthermore, publicly available SAIC filings in China state that the true purchase price of the transaction was only RMB 500,000, not RMB 312 million as the Company stated in its SEC filings.** We believe that GDS **overstated the**

purchase price by 624x and presume that insiders likely looted part or all of the difference.

b. **Weiteng Network (Guangzhou 2) Data Center Acquisition**

In October 2017, **GDS acquired** Guangzhou Weiteng Network Technology, which owned a data center in Guangzhou **("GZ2"), supposedly for RMB 234 million. Yet Weiteng Network's SAIC filings state that it was sold to GDS for only RMB 72 million, indicating that GDS inflated the reported value of the acquisition in its SEC filings by 3.25x!** Furthermore, GDS failed to disclose that Weitang Network and its datacenter (GZ2) was built and owned by Shenzhen Ningguanghong Technology ("SNT"). SNT's filings, available in the PRC, stated that the fair value of Weiteng Network and its data center was only RMB 70.4 million and that the PP&E value of the project was only RMB 168 million, not RMB 320 million as GDS claimed in its SEC filings. Such filings indicate, in our opinion, that GDS not only overstated the purchase price of the acquisition, but also inflated the value of the acquired PP&E.

Furthermore, **we found a number of overlapping connections prior to the acquisition between GDS, the acquisition target and its sellers, including common registered phone numbers and email addresses.** Entities with the same registered email addresses and phone numbers, in our view, are likely connected through common ownership or control; and such connections indicate that the acquisition was an undisclosed related party transaction.

c. Weiteng Data (Guangzhou 3) Data Center Acquisition

In May 2018, GDS consummated the acquisition of another data center (GZ3), purportedly for RMB 262 million. Although GDS is coy about the name of the acquired entity and the seller, **we think SAIC filings clearly show that the acquired entity was Weiteng Data. Yet Weiteng Data's SAIC files state that GDS purchased it for only RMB 40 million, indicating that the Company overstated the purchase price by RMB 220 million, or 6.6x!** In addition, online corporate records indicate that prior to the acquisition, Weiteng Data shared the same registered phone number as a GDS subsidiary and another related party seller. The web of common registered email addresses and phone numbers between GDS, the acquisition target and the sellers, indicate, in our opinion, that this was yet another undisclosed related party acquisition.

Serial Capital Raising and Crushing Debts for Offshore Cash

49. The report also questions the Company's relatively active equity and debt raisings, notwithstanding a strong cash position – most of which is held outside China, the sole territory in which the Company operates:

> Since its IPO, GDS has been a serial capital raiser, issuing equity and debt despite ample cash on its balance sheet. GDS claims to need such money to grow. **Yet GDS discloses that it keeps over 65% of its cash balance off-shore (and only 24% of its total cash in RMB), where it would be essentially useless if the purpose of raising such cash was to buy and build data centers in China. Why does a business that operates exclusively in China keep 65% of its cash off-shore?** Why does GDS borrow at interest rates up to 9.7% in China, only to have most of its cash sit in foreign currencies earning less than 0.6% interest? Cash held offshore is easily looted by insiders but useless for building a data center in China or operating its business. The Company's debt levels are so crushing that its interest costs now exceed its gross profits in Q1 2018.

Mounting Balance of Unbilled Receivables and Payables

50. In addition, the Blue Orca report also alleges suspect accounts receivable and payable practices:

> **In FY 2017, GDS reported that "unbilled receivables" comprised 70% of its accounts receivables and 16% of total sales.** In our years of experience, we have never seen a Company claim that such a significant portion of revenues are not even papered by an invoice to customers. It is inexplicable, given that GDS's proportion of unbilled receivables has almost doubled since its IPO. To our knowledge, no other publicly traded IDC comp discloses such material balances of unbilled receivables in the ordinary course of business, making GDS a significant outlier. In our opinion, this mounting balance corroborates other evidence of overstated revenues, because such unbilled receivables are more difficult to audit and verify.
>
> **Mounting Balance of Payables. Since going public, the Company's reported days payable outstanding have ballooned from 205 to 470 days.** To put that in context, if GDS's financials

> are true, on average it takes the Company almost 16 months to pay its suppliers. This strains credulity. Strip out acquisition related payables, and GDS's DPOs are still 353. We believe that inflated payables are a tell-tale sign of fabricated profits, and support evidence that the Company overstates the utilization rates of its data centers.

CLASS ACTION ALLEGATIONS

51. With respect to all Counts alleged in this Complaint, Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of himself and all persons or entities who purchased or otherwise acquired GDS during the period from November 2, 2016 through July 31, 2018 (the "Class Period").

52. Excluded from the Class are Defendants, directors and officers of the Company, as well as their families and affiliates.

53. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, GDS ADSs were 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 hundreds or thousands of members in the proposed Class. As of July 31, 2018, the Company had 125,880,000 ADSs outstanding. Record owners and other members of the Class may be identified from records maintained by GDS 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.

54. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

a. Whether the Securities Exchange Act was violated by Defendants;

b. Whether Defendants omitted and/or misrepresented material facts;

c. Whether Defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

d. Whether Defendants knew or recklessly disregarded that their statements were false and misleading;

e. Whether the price of the Company's stock was artificially inflated; and

f. The extent of damage sustained by Class members and the appropriate measure of damages.

55. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct alleged herein.

56. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests that conflict with those of the Class.

57. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. 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.

LOSS CAUSATION

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

59. During the Class Period, Plaintiff and the Class purchased and/or acquired GDS securities at artificially inflated prices and were damaged thereby.

60. On July 31, 2018, Blue Orca Capital released a report alleging that GDS is borrowing crippling amounts of debt to enrich insiders by acquiring data centers from undisclosed related parties which are not nearly as valuable as the Company claims.

61. The report further claimed that since becoming a public company, GDS has borrowed recklessly to siphon off at least RMB 696 million to insiders by inflating the purchase price of undisclosed related party acquisitions.

62. The Blue Orca report also alleged suspect accounts receivable and payable practices.

63. On this news, the Company's ADS price fell $13.42 per share, or over 38%, to close at $21.83 per share on July 31, 2018.

64. The declines in GDS ADS price are attributable to the information provided by the July 31, 2018 Blue Orca report.

FRAUD ON THE MARKET

65. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things:

a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

b. The omissions and misrepresentations were material;

c. The Company's common stock traded in efficient markets;

d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's common stock; and

e. Plaintiff and other members of the class purchased the Company's common stock between the time Defendants misrepresented or failed to disclose material facts and the time that the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

66. At all relevant times, the markets for the Company's stock were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services. Plaintiff and the Class relied on the price of the Company's common stock, which reflected all information in the market, including the misstatements by Defendants.

NO SAFE HARBOR

67. The statutory safe harbor provided for forward-looking statements under certain conditions do not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

68. To the extent there were any forward-looking statements, 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.

CAUSES OF ACTION

COUNT I

Violation of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)

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

70. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

71. Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in that they (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 those who purchased or otherwise acquired the Company's securities during the Class Period.

72. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for the Company's common stock. Plaintiff and the Class would not have purchased the Company's common stock at the price paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

COUNT II

Violation of § 20(a) of the Exchange Act
(Against Individual Defendants)

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

74. The Individual Defendants acted as controlling persons of the Company within the meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions at the Company, the Individual Defendants had the power and authority to cause or prevent the Company from engaging in the wrongful conduct complained of herein. The Individual Defendants were provided with or had unlimited access to the Company's reports, press releases,

public filings and other statements alleged by Plaintiffs to be false or misleading both prior to and immediately after their publication, and had the ability to prevent the issuance of those materials or to cause them to be corrected so as not to be misleading.

75. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

76. As set forth above, GDS and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the 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 securities 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 pursuant to Rule 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the Class as defined herein, and a certification of Plaintiff as class representative pursuant to Rule 23 of the Federal Rules of Civil Procedure and appointment of Plaintiff's counsel as Lead Counsel;

B. awarding compensatory and punitive 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 pre-judgment and post-judgment interest thereon.

C. awarding Plaintiff and other members of the Class their costs and expenses in this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

D. awarding Plaintiff and the other Class members such other relief as this Court may deem just and proper.

DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury in this action of all issues so triable.

Dated: August 1, 2018