

2. NQ is a global provider of mobile Internet services. NQ's portfolio includes mobile security and mobile games as well as advertising for the consumer market and consulting, mobile platforms and mobility services for the enterprise market. As of June 30, 2013, NQ published that it had a global user base of 372 million registered user accounts and 122 million monthly active user accounts through its consumer mobile security business, 87 million registered user accounts and 16 million monthly active user accounts through its mobile games and advertising business and over 1,250 enterprise customers. NQ maintains dual headquarters in Dallas, Texas, USA and Beijing, China.

3. NQ's initial public offering was on or about May 5, 2011.

4. On September 20, 2013, NQ announced that its third quarter 2013 profits would be between \$50-\$51 million.

5. On October 7, 2013, NQ announced that it granted up to \$150,000,000 in convertible senior notes due in 2018 to Morgan Stanley & Co. International PLC and Deutsche Bank Securities, Inc., who was closely monitoring them.

6. On October 24, 2013, it was reported by a securities brokerage firm (Muddy Waters) that:

a) NQ is a massive fraud. At least 72% of NQ's purported 2012 China security revenue is factitious. NQ's largest customer by far is really NQ. Their research estimates that NQ's real market share in China is only about 1.5% versus the approximately 55% it reports. It did estimate that its China paying user base is less than 250,000 versus the six million NQ claims.

b) NQ's Antivirus 7.0 is unsafe to sale to consumers and its spyware makes users

phone vulnerable to cyber attack. NQ makes a weak attempt to protect users private data as it's uploaded through the Chinese government's firewall to NQ's server. Phones vulnerable to MITM attacks because NQ fails to adhere to basic security protocols. NW engaged top-flight security software engineers to analyze this product.

c) NQ's purported international revenue of \$36.5 million is likely less than its PRC revenue. NQ claims to generate international revenue in obscure markets and through mysterious counterparts that seem to seldom pay.

d) NQ's future is as bleak as its past. The recent pivot to advertising and gaming is merely an attempt to change to a fraud that NQ hopes will be less obvious. NQ cannot monetize users that it does not have.

e) NQ's acquisitions are highly likely to be corrupt.

f) NO's cash balance are generally fictitious. In NQ's 2012 20-F, PwC classified all cash and term deposits as Level 2 assets. NQ's purported movements of cash from its IPO almost certainly did not occur due to PRC FX controls. Therefore, the term deposits are likely forgeries.

7. On October 24, 2013, NQ, which is listed on the NYSE, opened at \$23.00 and closed at \$12.09. Stock trading had been halted.

8. As a result of Defendants' wrongful acts and omissions and the precipitous decline in the market value of the NQ securities, the plaintiff and other Class Members have suffered significant losses and damages.

JURISDICTION AND VENUE

9. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

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

11. Venue is proper in this Judicial District pursuant to Section 27 of the exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §1391(b). Some of the acts and transactions alleged herein, including the preparation and dissemination and of materially false and misleading information, occurred in this Judicial District.

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

13. The Plaintiff, [REDACTED] purchased NQ's securities at an artificially inflated price during the Cass Period and has been damaged thereby.

14. The defendant, NQ, was incorporated in the Peoples Republic of China and maintains executive offices at No. 4 Building, 11 Heping Li East Street, Dongchong _____ B _____, Republic of China and 4514 Tra _____ Street, Suite 2000, Dallas, State of Texas.

15. The Defendant, Morgan Stanley & Co. International, PLC ("MS"), is a duly registered PLC in the United Kingdom, with executive offices located at 25 Cabot Square, Canary Wharf, London, England MS is duly qualified to and does business in Massachusetts.

16. The defendant, Deutsche Bank Securities, Inc., is a corporation with its executive offices located at 60 Wall Street, New York, New York, and it does business in Massachusetts.

SUBSTANTIATED ALLEGATIONS

17. NQ is a massive fraud. At least 72% of NQ's purported 2012 China security revenue is fictitious. NQ's largest customer by far is really NQ. Their research estimates that NQ's real market share in China is only about 1.5% versus the approximately 55% it reports. It did estimate that its China paying user base is less than 250,000 versus the six million NQ claims.

18. NQ's Antivirus 7.0 is unsafe to sale to consumers and its spyware makes users phone vulnerable to cyber attack. NQ makes a weak attempt to protect users private data as it's uploaded through the Chinese government's firewall to NQ's server. Phones vulnerable to MITM attacks because NQ fails to adhere to basic security protocols. NW engaged top-flight security software engineers to analyze this product.

19. NQ's purported international revenue of \$36.5 million is likely less than its PRC revenue. NQ claims to generate international revenue in obscure markets and through mysterious counterparts that seem to seldom pay.

20. NQ's future is as bleak as its past. The recent pivot to advertising and gaming is merely an attempt to change to a fraud that NQ hopes will be less obvious. NQ cannot monetize users that it does not have.

21. NQ's acquisitions are highly likely to be corrupt.

22. NO's cash balance are generally fictitious. In NQ's 2012 20-F, PwC classified all cash and term deposits as Level 2 assets. NQ's purported movements of cash from its IPO almost certainly did not occur due to PRC FX controls. The term deposits are also fictitious and non-

genuine.

CLASS ACTION ALLEGATIONS

23. The Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased NQ securities between May 5, 2011 and October 24, 2013, inclusive, and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the NQ, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

24. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, NQ's securities were actively traded on the New York Stock Exchange ("NYSE"). While the exact number of Class members is unknown to the Plaintiff at this time and can only be ascertained through appropriate discovery, and the Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Millions of NQ shares were traded publicly during the Class Period on the NYSE and on October 24, 2013 over 29 million shares of common stock were traded. Record owners and other members of the Class may be identified from records maintained by NQ 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.

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

26. The Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class actions and securities litigation.

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

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

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

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

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

UNDISCLOSED ADVERSE FACTS

29. During the Class Period, the Defendants materially misled the investing public, thereby inflating the price of NQ's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information and/or misrepresented the truth about the NQ, its operations, and prospects as alleged herein.

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

LOSS CAUSATION

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

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

SCIENTER ALLEGATIONS

33. As alleged herein, the Defendants acted with scienter in that Defendants knew, or should have known, public documents and statements issued or disseminated in the name of NQ were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing

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

Applicability of Presumption of Reliance
Fraud On The Market Doctrine

34. The market for NQ's securities was open, developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, NQ's securities traded at artificially inflated prices during the Class Period. On October 24, 2013, NQ's common stock closed at \$12.09 per share, down from \$23.00 earlier on that day. Plaintiff and other members of the Class purchased or otherwise acquired NQ's securities relying upon the integrity of the market price of NQ's securities and market information relating to NQ and have been damaged thereby.

35. During the Class Period, the artificial inflation of NQ's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint, which in turn caused the damages sustained by the Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about NQ's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of NQ and its business, operations, and prospects, thus causing the price of NQ's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of NQ's stock. Defendants' materially false and/or misleading statements during the Class Period resulted in the Plaintiff and other members of the Class

purchasing the NQ's securities at such artificially inflated prices, and each of them has been damaged as a result.

36. At all relevant times, the market for NQ's securities was an efficient market for the following reasons, among others:

(a) NQ stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, NQ filed periodic public reports with the SEC and the NYSE;

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

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

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

NO SAFE HARBOR

54. The statutory safe harbor provided for forward-looking statements and out right fraud under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of NQ who knew that the statement was false when made.

FIRST CLAIM

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

39. The Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

40. During the Class Period, Defendants, individually and in concert, directly and/or indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, made untrue statements of material fact and/or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

41. Defendants' misrepresentations and omissions operated as a fraud and deceit upon the purchasers of NQ's securities in an effort to maintain artificially high market prices for NQ's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. Defendants' misrepresentations and omissions caused the Plaintiff and other members of the Class to purchase NQ's securities at artificially inflated prices. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

42. Each of the Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants made misrepresentations and/or omissions of material fact during the Class Period, (ii) the Individual Defendants were high-level executives and/or directors at NQ during the Class Period and members of the NQ's management team or had control thereof; (iii) each of the Defendants were privy to and participated in the creation, development and reporting of NQ's internal budgets, plans, projections and/or reports; (iv) each of the Individual Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of, and had access to, other members of NQ's management team, internal reports and other data and information about the NQ's finances, operations, and sales at all relevant times; and (v) each of the Defendants were aware, or should have been aware, of NQ's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

43. The defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing NQ's true business results and/or prospects from the investing public, and

supporting the artificially inflated price of its securities. If Defendants did not have actual knowledge of the misrepresentations and/or omissions alleged, they were at the very least reckless in failing to obtain such knowledge by, *inter alia*, deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

44. As a result of the dissemination of the information set forth above that was either materially false and/or misleading by virtue of Defendants' misrepresentations and/or omissions, the market price of NQ's securities was artificially inflated during the Class Period.

45. In ignorance of the fact that market prices of NQ's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, the Plaintiff and the other members of the Class acquired NQ's securities during the Class Period at artificially high prices and were damaged thereby.

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

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

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

SECOND CLAIM

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

49. The plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

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

51. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of NQ 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.

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

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

(A) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(B) Awarding compensatory damages in favor of the Plaintiff and the other Class Members against all Defendants, jointly and severally, for all damages sustained as a result of the defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(C) Awarding the Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(D) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

The Plaintiff hereby demands a trial by jury.

Dated: October 25, 2013

MICHAEL KOSTUK, JR., Plaintiff
By his Attorney

/s/ Evans J. Carter

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