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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10 WESTERN DIVISION - LOS ANGELES

11 DAN KATZ, PETER VAN NUIS AND
12 JULIUS SHAPIRO, INDIVIDUALLY
13 AND ON BEHALF OF ALL OTHERS
14 SIMILARLY SITUATED,

15 Plaintiffs,

16 vs.

17 CHINA CENTURY DRAGON MEDIA,
18 INC., HAIMING FU, DAPENG DUAN,
19 HUHUA LI, ZHIFENG YAN, DAVID DE
20 CAMPO, YUE LU, FANG YUAN,
21 WESTPARK CAPITAL, INC., JOSEPH
22 GUNNAR & CO, LLC, I-BANKERS
23 SECURITIES, INC., AEGIS CAPITAL
24 CORPORATION, RICHARD
25 RAPPAPORT, AND MALONEBAILEY
26 LLP,

27 Defendants.

CASE No.: 11-CV-2769 (JAK) (SSx)

FIRST
AMENDED COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

CLASS ACTION

JURY TRIAL DEMANDED

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1 Commission (“SEC”) filings, wire and press releases published by and regarding
2 China Century Dragon Media, Inc., (“China Dragon”, or the “Company”),
3 securities analysts’ reports and advisories about the Company, China Dragon’s
4 filings with the State Administration for Industry and Commerce (the “SAIC”) in
5 the People’s Republic of China (the “PRC”), and information readily obtainable on
6 the Internet. Plaintiffs believe that substantial evidentiary support will exist for the
7 allegations set forth herein after a reasonable opportunity for discovery.

8
9 **NATURE OF THE ACTION**

10 1. This is a federal securities class action on behalf of a class consisting
11 of all persons other than defendants who purchased China Dragon common stock in
12 the Company’s public offering (the “Offering”) on February 7, 2011 or purchased
13 China Dragon stock in the aftermarket pursuant, and/or traceable to, the Company’s
14 registration statement and public offering prospectus issued in connection with the
15 Offering during the period from February 7, 2011 through March 21, 2011 (the
16 “Class”). This Complaint seeks to recover damages to Class members caused by
17 defendants’ violations of federal securities laws and to pursue remedies under the
18 Securities Act of 1933 (the “Securities Act”).

19 2. China Dragon is a Delaware corporation that purportedly engages in
20 the prepackaging and resale of advertising time on China Central Television
21 (“CCTV”). Substantially all of China Dragon’s operations occur through Beijing
22 CD Media Advertisement Co., Ltd. (“CD Media Beijing”), a company incorporated
23 under the laws of the People’s Republic of China (“PRC”).

24 3. Due to limitations imposed by PRC law, China Dragon does not have
25 direct equity ownership of CD Media Beijing. Instead, Huizhou CD Media Co, Ltd.
26 (“CD Media Huizhou”), a PRC company wholly owned by China Dragon, has a
27 series of contractual relationships with the equity owners of CD Media Beijing that
28

1 provide it with effective control of over the operations of CD Media Beijing and the
2 economic benefits derived therefrom.

3 4. The equity owners of CD Media Beijing, HuiHua Li, ZhiFeng Yan and
4 HaiMing Fu, are also directors and/or officers of China Dragon.

5 5. The corporate structure of China Dragon is discussed more fully below
6 and is also depicted visually on the chart in Exhibit 1 attached hereto.

7 6. On February 4, 2011, China Dragon filed an amended registration
8 statement on Form S-1/A with the SEC (the "Registration Statement"). The
9 Registration Statement contained two preliminary prospectuses, both of which form
10 an integral part of the Registration Statement. The first prospectus was for the
11 public offering of China Dragon's common stock. The second prospectus, which
12 incorporated by reference all relevant parts of the public offering prospectus and
13 included only those pages which were materially different from the public offering
14 prospectus, was to be used for the resale of up to 1,034,403 shares of China Dragon
15 stock purchased by investors in a private placement in April 2010 (the "Resale").

16 7. The Resale did not occur, and none of these private placement shares
17 entered the public market, as the resale prospectus contained in the Registration
18 Statement never became effective.

19 8. The Registration Statement became effective at 4:30 p.m. EST on
20 February 7, 2011. On February 8, 2011, pursuant to Rule 424(b)(4) of the Securities
21 Act, China Dragon filed the final version of the public offering prospectus
22 contained in the Registration Statement (the "Prospectus"), which had an effective
23 date of February 7, 2011.

24 9. WestPark Capital, Inc., Joseph Gunnar & Co., LLC, I-Bankers
25 Securities, Inc., and Aegis Capital Corporation underwrote the Offering
26 (collectively, the "Underwriters" or the "Underwriter Defendants").

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28

1 10. The Prospectus solicited investors for a public offering of 1,200,000
2 shares at \$5.25 per share, and included an over-allotment option of 180,000 shares
3 to be exercised per the Underwriter’s discretion within 45 days of the Offering.

4 11. The Registration Statement and Prospectus contained China Dragon’s
5 consolidated financial statements for fiscal years 2009, 2008, and 2007 (the
6 “Consolidated Financial Statements”), and the expert opinion of MaloneBailey
7 LLP, which served as the Company’s independent registered public accounting firm
8 and audited the Company’s financial statements for fiscal years 2009 and 2008.

9 12. The Consolidated Financial Statements, and, by extension, the
10 Registration Statement and Prospectus, contained untrue statements of material fact.
11 Namely, the Consolidated Financial Statements grossly overstated the amount of
12 revenue, gross profit, income from operations, and net income generated by the
13 Company during the fiscal years 2009 and 2008 (the “False Financial Statements”).
14 Indeed, the Registration Statement and Prospectus overstated the revenue generated
15 by the Company for fiscal year 2009 by over 700%; gross profit by over 5,500%;
16 income from operations by over 75,000%; and net income by over 55,000%.

17 13. The False Financial Statements are untrue because they do not
18 comport with the CD Media Beijing’s filings with the State Administration for
19 Industry and Commerce (“SAIC”) in the PRC.

20 14. As described in more detail below, the SAIC is a Chinese
21 governmental body charged with regulating businesses in the PRC.

22 15. For both the reasons denoted in this complaint, and by the Company
23 itself in the Registration Statement and Prospectus, CD Media Beijing’s SAIC
24 filings indicate the true financial performance of China Dragon.

25 16. Because the False Financial Statements in the Registration Statement
26 and Prospectus indicate drastically higher revenue, gross profit, income from
27 operations, and net income for fiscal years 2009 and 2008 than the Company’s
28 SAIC filings, they are untrue. As a result, the Registration Statement and

1 Prospectus, which include the False Financial Statements, contain untrue statements
2 of material fact.

3 17. On March 21, 2011, NYSE Amex LLC (the “Amex”) halted trading in
4 the Company’s common stock. The following day, China Dragon issued a press
5 release indicating that it had received a preliminary information request from the
6 NYSE Amex, and that the latter requested that the Company provide responsive
7 information by March 24, 2011.

8 18. Then, on March 28, 2011, China Dragon issued a report on Form 8-K
9 with the SEC indicating, among other things,

- 10 a. that the Amex had initiated immediate delisting proceedings
11 against the Company in order to protect investors and strike
12 China Dragon’s common stock from the exchange;
- 13 b. that MaloneBailey resigned as the Company’s auditor on March
14 22, 2011;
- 15 c. that MaloneBailey’s resignation letter (the “Resignation Letter”)
16 indicated that:
 - 17 i. MaloneBailey had repeatedly raised concerns to the
18 Company that its accounting records had been falsified;
 - 19 ii. that MaloneBailey, during the course of its audit for fiscal
20 year 2010, uncovered discrepancies in the Company’s
21 customer confirmations and that it was unable to directly
22 verify the Company’s bank records;
 - 23 iii. that the Company refused to provide a satisfactory
24 explanation for said discrepancies;
 - 25 iv. that the Company also refused to provide authorization for
26 MaloneBailey to obtain official bank records from China
27 Dragon’s bank’s record keeping systems;

1 v. and that, due to the above, it was withdrawing its audit
2 opinion, as expressed in the Registration Statement and
3 Prospectus, with respect to its audits of the consolidated
4 financial statements of the Company for fiscal years ended
5 December 31, 2009 and 2008, which were incorporated in
6 the Registration Statement and Prospectus, and that these
7 should no longer be relied upon (i.e., two of the three
8 review years constituting the Consolidated Financial
9 Statements, which contained the False Financial
10 Statements)

11 d. and that the SEC had initiated a formal, nonpublic investigation
12 into whether the Company had made material
13 misrepresentations and/or omissions in its financial statements.

14 19. On June 13, 2011, the SEC issued a press release announcing that it
15 had initiated proceedings in order to issue a stop order preventing any further sales
16 of China Dragon stock under the Company's "materially misleading and deficient
17 offering documents" (i.e., the Registration Statement and Prospectus).

18 20. The contents of the Company's March 28, 2011 8-K, including its
19 summary of MaloneBailey's Resignation Letter (the full text of which has not been
20 disclosed), as well as the contents of the SEC's June 13, 2011 press release and the
21 Order and Statement of Matters referenced therein, further underscore that the
22 Registration Statement and Prospectus contained untrue statements of material fact.

23 21. On June 17, 2011, the Company filed a statement on Form 8-K
24 announcing that the Amex had suspended China Dragon's listing with the
25 Exchange effective as of that day, and that the Company's stock would be eligible
26 to trade on the so-called "grey sheets."

27 22. Because the Registration Statement and Prospectus contained untrue
28 statements of material fact; because trading in China Dragon's stock was halted

1 very shortly after the Offering and eventually delisted from the Amex; because the
2 Company's auditor resigned due to perceived forgeries in the Company's
3 accounting records and the Company's failure to address the auditor's concerns and
4 provide bank records; because the SEC subsequently initiated proceedings against
5 the Company based on the allegation that the Registration Statement and
6 Prospectus contained untrue statements of material fact; and because the value of
7 the Company's stock, which currently trades at \$0.30 per share, has declined by
8 nearly 95% from its Offering price of \$5.25 per share; Plaintiffs and the Class have
9 suffered damages for violations of sections 11, 12(a)(2) and 15 the Securities Act.

10
11 **JURISDICTION AND VENUE**

12 23. The claims asserted herein arise under and pursuant to Sections 11,
13 12(a)(2) and 15 of the Securities Act (15 U.S.C. §§ 77k, 77l and 77(o)).

14 24. This Court has jurisdiction over the subject matter of this action
15 pursuant to Section 22(a) of the Securities Act, 15 U.S.C. §77v(a).

16 25. Venue is proper in this Judicial District pursuant to Section 22(a) of
17 the Securities Act, 15 U.S.C. § 77v(a). Pursuant to 28 U.S.C. § 1391(d), China
18 Dragon may be properly sued in any District in the United States, including the
19 Central District of California. The lead underwriter, Westpark, is domiciled and
20 underwrote the Offering in this district. Moreover, the relative proximity of Los
21 Angeles to China makes it a convenient venue for defendants, the majority of which
22 reside in the PRC.

23 26. In connection with the acts, conduct and other wrongs alleged in this
24 complaint, defendants, directly or indirectly, used the means and instrumentalities
25 of interstate commerce, including but not limited to, the United States mails,
26 interstate telephone communications and the facilities of the national securities
27 exchange.

PARTIES

1
2 16. Lead Plaintiff Dan Katz purchased China Dragon common stock
3 pursuant and/or traceable to the Offering. Mr. Katz’ PSLRA certification was
4 previously filed with the Court.

5 17. Plaintiffs Peter Van Nuis and Julius Shapiro purchased China Dragon
6 common stock pursuant and/or traceable to the Offering. Their PSLRA
7 certifications are attached hereto.

8 18. Defendant China Dragon is a Delaware Corporation with its principal
9 executive offices in Guangdong Province, China. China Dragon purports to be a
10 television advertising Company in China.

11 19. China Dragon signed the Registration Statement through its Chief
12 Executive Officer, HaiMing Fu.

13 20. Defendant HaiMing Fu (“Fu”) was at all relevant times China
14 Dragon’s Chief Executive Officer (“CEO”), and signed the Company’s Registration
15 Statement in connection with the Offering.

16 21. Defendant Dapeng Duan (“Duan”) was at all relevant times China
17 Dragon’s Chief Financial Officer and Corporate Secretary, and signed the
18 Company’s Registration Statement in connection with the Offering.

19 22. Defendant HuiHua Li (“Li”) was at all relevant times China Dragon’s
20 Chairman of the Board; and signed the Company’s Registration Statement in
21 connection with the Offering.

22 23. Defendant Zhifeng Yan (“Yan”) was at all relevant times a director of
23 China Dragon, and signed the Company’s Registration Statement in connection
24 with the Offering.

25 24. Defendant David De Campo (“De Campo”) was a director of China
26 Dragon from November 2010, and signed the Company’s Registration Statement in
27 connection with the Offering. On March 21, 2011, the Company filed a statement
28 on Form 8-K indicating that De Campo had resigned from his position with the

1 Company effective March 15, 2011, stating that “the language barrier and his
2 remote location made it impossible for him to perform his duties.”

3 25. Defendant Yue Lu (“Lu”) was at all relevant times a director of China
4 Dragon, and signed the Company’s Registration Statement in connection with the
5 Offering.

6 26. Defendant Fang Yuan (“Yuan”) was at all relevant times a director of
7 China Dragon, and signed the Company’s Registration Statement in connection
8 with the Offering.

9 27. Defendants Fu, Duan, Li, Yan, De Campo, Lu, and Yuan are
10 collectively referred to as the “Individual Defendants.” Each of the Individual
11 Defendants signed the Registration Statement and was either a director or officer of
12 the Company at the time it filed the Registration Statement with the SEC.

13 28. Defendant WestPark Capital (“WestPark”), Inc. is a full service
14 investment banking company. WestPark’s headquarters are located at 1900 Avenue
15 of the Stars, Suite 310, Los Angeles, CA 90067. WestPark was an underwriter of
16 the Offering, selling 500,000 of the total number of shares sold in the Offering.

17 29. WestPark had significant control over China Dragon prior to the
18 Offering. WestPark and its affiliates, including Westpark’s CEO, Richard
19 Rappaport, were significant shareholders of SKRP 25, Inc. (“SKRP”), the shell
20 company that eventually became China Dragon through a reverse merger
21 transaction on April 30, 2010 (the “Reverse Merger”)¹. Just prior to the Reverse
22 Merger between SKRP and CD Media (Holding) Co., Limited (“CD Media BVI”),
23 the shareholders of SKRP cancelled some of their outstanding shares and warrants
24 of SKRP such that there were 767,345 shares and 411,611 one-to-one warrants of

25 _____
26 ¹ In a reverse merger, a shell company acquires a private company, and, in
27 exchange, the former shareholders of the private company receive a controlling
28 share of the shell company. The general purpose of the reverse merger process is
for a private company to go public, either by merging into a shell company that is
already publicly traded, or fit to be publicly traded.

1 SKRP, exercisable at \$.003 per share, outstanding just prior to the Reverse Merger
2 (the “Former Shareholder’s Shares”).

3 30. After the reverse merger, of the Former Shareholder’s Shares,
4 WestPark and its affiliates controlled 650,941 shares and 366,034 warrants; or, in
5 other terms, approximately 13.2% of the Company. The Former Shareholder’s
6 Shares were not registered, and the parties holding the Former Shareholder’s Shares
7 had agreed not to trade or otherwise dispose of said shares until at least 6 months
8 after the Offering.

9 31. In addition, WestPark was China Dragon’s placement agent for its
10 April 30, 2010 private placement of 1,034,403 shares at \$5.17 per share (the
11 “Private Placement”). These shares were to be registered and resold pursuant to the
12 Resale, constituted an integral part of the Company’s financing of which the
13 Offering was a part, and were subject to the provisions of the lock-up agreement
14 described in the Registration Statement and Prospectus. The nature of the lock-up
15 agreement was such that, due to the size of the Offering, 10% of the Private
16 Placement shares would become tradable 90 days after the effective date of the
17 Offering, with a pro rata release of shares every 30 days thereafter. The Resale did
18 not occur before or during the Class Period.

19 32. Defendant Joseph Gunnar & Co., LLC (“Gunnar”) is a full service
20 broker dealer. Gunnar’s headquarters are located at 30 Broad Street, 11th Floor,
21 New York, New York. Gunnar was an underwriter of the Offering, selling 275,000
22 of the total number of shares sold in the Offering. Due to the conflict of interest
23 stemming from WestPark’s and WestPark affiliates’ ownership stake in the
24 Company, Gunnar acted as the independent underwriter for the Offering.

25 33. Defendant I-Bankers Securities, Inc. (“I-Bankers”) is a full service
26 investment banking company. I-Bankers’ headquarters are located at 6303
27 Owensmouth Ave, 10th Floor, Woodland Hills, CA 91367. I-Bankers was an
28

1 underwriter of the Offering, selling 275,000 of the total number of shares sold in
2 the Offering.

3 34. Defendant Aegis Capital Corporation (“Aegis”) is a private equity
4 firm. Aegis’ headquarters are located at 810 7th Avenue, 11th Floor, New York,
5 NY 10019. Aegis was an underwriter of the Offering, selling 150,000 of the total
6 number of shares sold in the Offering.

7 35. Defendant Richard Rappaport (“Rappaport”) is, and at all relevant
8 times was, the Chief Executive Officer of WestPark, and, as indicated by the
9 Registration Statement and Prospectus, the “sole owner of the membership interests
10 in the parent of WestPark Capital.” In layman’s terms, Rappaport is the sole owner
11 of WestPark, and thereby exerts complete control over WestPark. Rappaport was
12 the President of SKRP prior to the Reverse Merger, and beneficially owned
13 approximately 11.5% of China Dragon just prior to the IPO (this figure counts his
14 indirect beneficial ownership of China Dragon stock through two separate trusts
15 and through his ownership of WestPark).

16 36. Defendant MaloneBailey LLP (“MaloneBailey”) became the
17 Company’s independent registered public accountant on April 30, 2010
18 concurrently with the closing of the Private Placement and the Reverse Merger
19 transaction.

20 37. Prior to April 30, 2010, and at minimum through the date of the
21 Offering, MaloneBailey was the independent registered public accountant for China
22 Media BVI, the China Dragon’s predecessor entity with which China Dragon
23 consummated the Reverse Merger transaction.

24 38. The Registration Statement and Prospectus contained a report by
25 MaloneBailey (the “Auditor’s Report”), which indicated that it had audited the
26 consolidated balance sheets of China Dragon for fiscal years 2009 and 2008 (with
27 fiscal years ending December 31), and the consolidated statements of operations
28

1 and comprehensive income, changes in shareholders' equity and cash flows for
2 fiscal years 2009, 2008, and 2007. The Auditor's Report stated that:

3 "In [MaloneBailey's] opinion, the financial statements of the Company
4 referred to above present fairly, in all material respects, the financial
5 position of the Company as of December 31, 2009 and 2008 and the
6 results of its operations and its cash flows for each of the three years in
7 the period ended December 31, 2009 in conformity with accounting
8 principles generally accepted in the United States of America."

9 39. The Registration Statement and Prospectus, under a section heading
10 entitled "Experts," indicated that:

11 "The (i) consolidated financial statements of China Century Dragon
12 Media, Inc. as of December 31, 2009 and 2008 and for the years ended
13 December 31, 2009, 2008 and 2007 (ii) condensed parent-only balance
14 sheet China Century Dragon Media, Inc. as of December 31, 2009 and
15 2008, and the related condensed parent-only statements of income and
16 cash flows for the years ended December 31, 2009, 2008 and 2007
17 included in footnote 14 to the Consolidated Financial Statements of
18 China Century Dragon Media, Inc., each appearing in this prospectus and
19 registration statement have been audited by MaloneBailey, LLP, an
20 independent registered public accounting firm, as set forth in their report
21 thereon appearing elsewhere herein, and *are included in reliance upon*
22 *such report given on the authority of such firm as experts in accounting*
23 *and auditing.*" [emphasis added]

24 **DEFENDANTS' UNTRUE STATEMENTS IN THE REGISTRATION**
25 **STATEMENT AND PROSPECTUS**

26 ***China Dragon's Corporate Structure***

27 40. China Dragon's predecessor, SKRP 25, Inc., was a shell company
28 incorporated in the State of Delaware on December 17, 2007. On March 31, 2010,
SKRP entered into a share exchange agreement with CD Media (Holding) Co.,
Limited (CD Media BVI, a British Virgin Islands Corporation), CD Media BVI's
shareholders, Huizhou CD Media Co., Ltd. (CD Media Huizhou, a PRC

1 corporation), and Beijing CD Media Advertisement Co., Ltd (CD Media Beijing, a
2 PRC corporation). Pursuant to the share exchange agreement, SKRP would issue
3 5,539,000 shares of its common stock in return for all of the issued and outstanding
4 securities of CD Media BVI, which would then become the wholly owned
5 subsidiary of the Company.

6 41. On April 30, 2010, the terms of the share exchange agreement were
7 effectuated, thereby consummating the Reverse Merger transaction; SKRP
8 immediately changed its name to China Century Dragon Media, Inc., and CD
9 Media BVI became China Dragon's wholly owned subsidiary. The shares
10 exchanged in the Reverse Merger transaction were not registered, and could not,
11 and were not, traded during the Class Period.

12 42. As indicated by the Registration Statement and Prospectus, CD Media
13 BVI has two subsidiaries, both of which are wholly owned: CD Media Huizhou and
14 CD Media (HK) Limited ("CD Media HK," a Hong Kong Corporation). China
15 Dragon, the Delaware Corporation, has no other subsidiaries except for CD Media
16 BVI, and operates exclusively through that subsidiary (i.e., China Dragon has no
17 operations outside of CD Media BVI). China Media HK is a holding company that
18 had no operations as of the date of the Offering. As a result, all of CD Media BVI's
19 substantial operations, and by extension all of China Dragon's substantial
20 operations, occur through CD Media Huizhou.

21 43. A diagram of China Dragon's corporate structure and ownership of its
22 subsidiaries is attached as Exhibit 1 and incorporated by reference herein.

23 44. Due to certain PRC laws, rules, and regulations, China Dragon is
24 unable to own a direct interest in a company providing advertising services in the
25 PRC. CD Media Huizhou is a "wholly-foreign owned enterprise" in the PRC.
26 According to the Registration Statement and Prospectus, China Dragon cannot, and
27 does not, directly operate its PRC advertising business through CD Media Huizhou.
28 CD Media Huizhou does not, and cannot have substantial operations of its own

1 because the Registration Statement and Prospectus indicate that all of China
2 Dragon's substantial operations are constituted by its PRC advertising business,
3 which cannot be directly operated by CD Media Huizhou.

4 45. Instead, CD Media Huizhou has a series of contractual relationships
5 with CD Media Beijing that provide it, and by extension China Dragon, with
6 effective control of CD Media Beijing and its economic benefits.

7 46. Defendants Fu (5%), Li (95%), and Yan (5%) collectively hold a
8 100% equity interest in CD Media Beijing. On March 30, 2010, CD Media Huizhou
9 and CD Media Beijing entered into an exclusive business cooperation agreement,
10 pursuant to which CD Media Beijing agreed to pay a percentage of its yearly
11 income as an annual service fee to CD Media Huizhou for a period of 10 years. The
12 two entities then entered into an equity pledge agreement on July 30, 2010, by
13 which the shareholders of CD Media Beijing (i.e., defendants Fu, Li, and Yan)
14 pledged all of their equity interest in CD Media Beijing to CD Media Huizhou. The
15 shareholders of CD Media Beijing also granted CD Media Huizhou power of
16 attorney for all matters relating to the shareholders' equity interest in CD Media
17 Beijing.

18 47. As CD Media Beijing is the only entity controlled by China Dragon
19 that can, and purportedly did, have advertising operations in the PRC; and because
20 China Dragon's substantial operations are constituted solely by its advertising
21 business in the PRC; CD Media Beijing's operations did and do constitute all of
22 China Dragon's substantial operations.

23 48. Furthermore, the Registration Statement and Prospectus indicate that
24 "all of CD Media Huizhou's revenue is generated from the service fees paid to it by
25 CD Media Beijing pursuant to the contractual arrangements." As CD Media HK,
26 CD Media BVI's other subsidiary, has no operations; and as CD Media BVI has no
27 operations outside of its two subsidiaries, CD Media HK and CD Media Huizhou;

28

1 the revenue generated by CD Media Huizhou through its contractual relationship
2 with CD Media Beijing constitutes the sole source of revenue for CD Media BVI.

3 49. Since China Dragon has no operations outside of CD Media BVI, its
4 wholly owned subsidiary, the contractual relationship between CD Media Huizhou
5 and CD Media Beijing is the sole source of revenue for China Dragon.

6 50. Thus, China Dragon's yearly revenue cannot, and should not, be
7 greater than the yearly revenue of CD Media Beijing.

8 51. Moreover, as China Dragon has no source of revenue outside of the
9 contractual relationship between CD Media Huizhou and CD Media Beijing, its
10 yearly figures for gross profit, income from operations, and net income cannot, and
11 should not be higher than those of CD Media Beijing.

12 ***Veracity of CD Media Beijing's SAIC Filings***

13 52. The SAIC (State Administration for Industry and Commerce) is the
14 Chinese government body that regulates industry and commerce in China. It is
15 primarily responsible for business registrations, issuing and renewing business
16 licenses and acts as the government supervisor of corporations. All Chinese
17 companies are required to file financial statements with the Chinese government
18 annually or bi-annually.

19 53. CD Media Beijing's filings with the SAIC accurately reflect its true
20 financial condition for the following reasons:

- 21 a. Under PRC law, penalties for filing false SAIC filings include
22 fines and revocation of the entity's business license.²
- 23 b. If an entity's business license is revoked, the People's Bank of
24 China³ requires all bank accounts of that entity be closed.⁴

25
26 ² "Measures for the Annual Inspection of Enterprises" issued on February 24, 2006,
27 Article 20.

28 ³ People's Bank of China in PRC is equivalent to the Federal Reserve in the U.S.

⁴ "Measures for the Administration of RMB Bank Settlement Accounts" issued in

1 c. Without a business license the entity cannot legally conduct any
2 business.

3 54. Furthermore, the Registration Statement and Prospectus indicate the
4 importance of accurate SAIC filings, and the severe penalties for inaccurate filings:

5 “Any company that conducts business in the PRC must have a business
6 license that covers a particular type of work. Pursuant to PRC
7 regulations governing the advertising businesses, including the
8 Advertising Law promulgated by the National People’s Congress on
9 October 27, 1994 (the “1994 Advertising Law”), the Advertising
10 Administrative Regulations (1987) and the Implementing Rules for the
11 Advertising Administrative Regulations (2004), advertising companies
12 must obtain a business license for its advertising activities from the State
13 Administration for Industry and Commerce (the “SAIC”) or its local
14 branches. CD Media Beijing’s business license covers its present
15 business to design, create, handle (as agent), and release advertisements
16 in the PRC for domestic and foreign investors; to arrange cultural
17 communications (excluding shows); to undertake exhibitions and
18 presentations; and to provide advertising consulting services (excluding
19 intermediary services). CD Media Huizhou’s business license permits
20 CD Media Huizhou to design, handle (as agent) and organize cultural
21 communications (excluding news releases and advertisement making),
22 provide cultural consulting services and to design images for advertising.
23 Companies that operate outside the scope of their licenses can be
24 subjected to fines, disgorgement of income and ordered to cease
25 operations.”

26 ***

27 “The 2009 Administration of Advertisement Broadcasting of Radio and
28 Television also provides that registration review and filing systems must
be established and maintained for all advertising businesses. Advertising
fees must be reasonable and rates and fee collection methods must be
filed with the PRC Commodity Price Administration and the SAIC.
Under the Implementation Rule of Advertising Industry Administration,

April 2003. (No.5 [2003]), Article 49.

1 or the Implementation Rule, promulgated by the SAIC, as amended, the
2 advertising agent fee may not be more than 15% of the advertising fees.
3 The advertising customer must provide relevant documents, including
4 certificates rendered by relevant supervisory administrations before we
can deliver or place its advertisements.”

5 ***

6 In circumstances involving serious violations, the SAIC or its local
7 branches may revoke violators’ licenses or permits for their advertising
8 business operations.

9 [emphasis added]

10 ***False Financial Statements***

11 55. CD Media Beijing’s filings with the SAIC are accurate because, *inter*
12 *alia*, CD Media Beijing would lose its business license if its SAIC filings were
13 inaccurate. If CD Media Beijing lost its business license, it would no longer be able
14 to conduct advertising operations in the PRC. Advertising operations in the PRC
15 constitute CD Media Beijing’s and by extension China Dragon’s sole business
16 operations. Thus, the loss of CD Media Beijing’s business license would effectively
17 halt all business operations by the Company.

18 56. The following chart details: (1) China Dragon’s consolidated revenue,
19 gross profit, income from operations, and net income for fiscal years ended
20 December 31, 2009 and 2008, which were reported in the Consolidated Financial
21 Statements contained in the Company’s Registration Statement and Prospectus, and
22 audited by MaloneBailey (the False Financial Statements); (2) the revenue, gross
23 profit, income from operations, and net income for CD Media Beijing as reported in
24 CD Media Beijing’s SAIC filings for fiscal years ended December 31, 2009 and
25 2008 (the “True Financial Statements”); and (3) the discrepancy between (1) and
26 (2) as a percentage of (2).⁵

27 _____
28 ⁵ All figures are USD in thousands; assume an exchange rate of 6.92 for the year
ended December 31, 2008, and an exchange rate of 6.83 for the year ended

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(1) False Financial Statements filed with SEC		
USD in thousands	2009	2008
Revenue	\$74,480	\$44,684
Gross Profit	\$14,734	8,186
Income from Operations	\$12,040	\$6,135
Net Income	\$9,010	\$4,605
(2) True Financial Statements filed with SAIC		
Revenue	\$9,536	\$15,123
Gross Profit	\$263	\$367
Income from Operations	\$16	\$(10)
Net Income	\$16	\$(12)
(3) Percentage Discrepancy		
Revenue	681%	195%
Gross Profit	5,502%	2,131%
Income from Operations	75,150%	--
Net Income	56,213%	--

57. The True Financial Statements are taken from CD Media Beijing's SAIC filings, which are veracious for the reasons enumerated above. Due to the

December 31, 2009; parentheses signify loss.

1 nature of China Dragon's corporate structure, the consolidated revenue, gross
2 profit, income from operations, and net income reported by China Dragon cannot,
3 and should not be higher than the revenue, gross profit, income from operations,
4 and net income reported by CD Media Beijing. Thus, the False Financial
5 Statements are untrue because they report materially higher consolidated revenue,
6 gross profit, income from operations, and net income for China Dragon than CD
7 Media Beijing reported to the SAIC.

8 58. The False Financial Statements formed a part of the Consolidated
9 Financial Statements that were audited and certified by MaloneBailey (i.e., fiscal
10 years 2009 and 2008). The False Financial Statements were contained in China
11 Dragon's Registration Statement and Prospectus. As a result, the Registration
12 Statement and Prospectus contain untrue statements of material fact.

13 ***Other Factors Pointing to Untrue Statements in the Registration Statement and***
14 ***Prospectus***

15 50. On March 21, 2011, the Amex halted trading in China Dragon stock.
16 On March 28, 2011, the Company filed a statement on Form 8-K indicating, *inter*
17 *alia*, that MaloneBailey had resigned as China Dragon's auditor and that the Amex
18 was initiating delisting proceedings against the Company. The reasons cited for
19 MaloneBailey's resignation in the 8-K further underscore the fact that the
20 Registration Statement and Prospectus contain untrue statements of material fact.
21 The 8-K stated, in relevant part:

22 “Specifically, MaloneBailey repeatedly raised concerns to the Company's
23 board of directors and management that its accounting records may have
24 been falsified constituting an illegal act. The Company failed to
25 adequately address the concerns raised by MaloneBailey, thereby leading
26 to MaloneBailey's resignation as the Company's independent auditor and
27 the withdrawal of MaloneBailey's audit opinions, as well as a
presumption that the concerns raised are true.”

28 ***

1 [China Dragon's] actions and inactions which led to MaloneBailey's
2 resignation and withdrawal of its audit opinions have cast material doubt
3 on the integrity of its financial statements as reasonably relied on for such
4 purposes.

5 ***

6 [China Dragon's] failure to adequately address the matters raised by
7 MaloneBailey to avoid its resignation and withdrawal of its audit
8 opinions raises concerns that the Company's financial statements (which
9 constitute communications provided in connection with its initial listing
10 application and which have been relied on by the Exchange in connection
11 with its ongoing assessment of the Company's continued listing
12 eligibility) contain one or more material misstatements and/or omit
13 material necessary to make the financial statements not misleading.

14 ***

15 The following reportable events occurred within the period from
16 MaloneBailey's engagement and the two fiscal years of the Company
17 ended December 31, 2009 and 2010 and subsequently up to the date of
18 resignation MaloneBailey informed the Company in its resignation letter
19 that due to discrepancies noted on customer confirmations and the
20 auditor's inability to directly verify the Company's bank records, they
21 believe these irregularities may be an indication that the accounting
22 records have been falsified, which would constitute an illegal act.
23 MaloneBailey stated in its letter that the Company's management has not
24 provided a satisfactory explanation of the discrepancies noted on the
25 customer confirmations and was unwilling to provide authorization to the
26 bank so that the auditor could obtain official bank records directly from
27 the bank's record keeping system. Furthermore, MaloneBailey's letter
28 notes that the discrepancies could indicate a material error in previously
issued financial statements. As a result, MaloneBailey states that it is
unable to rely on management's representations as they relate to
previously issued financial statements and it can no longer support its
opinions related to the financial statements as of December 31, 2009, and
2008 [i.e., the same financial statements that were included in the
Registration Statement and Prospectus, and which contained the False
Financial Statements].

1 The Company was also recently notified by the staff of the SEC that it
2 has initiated a formal, nonpublic investigation into whether the Company
3 had made material misstatements or omissions concerning its financial
4 statements, including cash accounts and accounts receivable.
5 [emphasis added]

6 51. Attached as an exhibit to the March 28, 2011 8-K was a letter from
7 MaloneBailey stating the following:

8 In our resignation letter dated March 22, 2011, we notified the company
9 that due to the accounting irregularities identified during our 2010 audit,
10 and the lack cooperation from the Company's management to resolve the
11 discrepancies noted on customer confirmations and assist us with
12 verifying the Company's bank records, we could no longer rely on
13 management's representations required to support our opinions related to
14 the consolidated financial statements of China Century Dragon Media,
15 Inc. and Subsidiaries as of December 31, 2009 and 2008, included in the
16 Form S-1 filed with the SEC on February 4, 2011; and the consolidated
17 financial statements of CD Media (Holding) Co., Limited and
18 Subsidiaries (the "Company") as of December 31, 2009 and 2008,
19 included in the Form 8-K filed with the SEC on February 2, 2011. We
20 agree with management to file a statement of non-reliance on previously
21 issued financial statements under Item 4.02 of the Form 8-K dated March
22 28, 2011. [emphasis added]

23 52. The reasons given for MaloneBailey's resignation, which include the
24 Company's failure to provide MaloneBailey with access to customer and bank
25 information during the course of its audit; as well as the fact that the Consolidated
26 Financial Statements for fiscal years 2009 and 2008, which contain the above-
27 detailed False Financial Statements, are specifically mentioned as being cast in
28 material doubt; further point to the existence of untrue statements of material fact
in the Registration Statements and Prospectus.

53. On June 13, 2011, the SEC issued a press release announcing that it
had instituted proceeding against China Dragon. The reasons for MaloneBailey's

1 resignation are specifically cited by the SEC in its Order instituting said
2 proceedings, and in the Statement of Matters attached thereto, as a basis for the
3 SEC action.

4
5 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

6 54. Pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3),
7 Plaintiffs bring this action as a class action on behalf of themselves and all others
8 who purchased China Dragon common stock in the Company's Offering on
9 February 7, 2011 or purchased China Dragon stock in the aftermarket pursuant,
10 and/or traceable to, the Company's Registration Statement and Prospectus issued
11 in connection with the Offering during the period from February 7, 2011 through
12 March 21, 2011 (collectively, the Class).

13 55. Excluded from the Class are Defendants, all current and former
14 officers and directors of the Company, members of their immediate families and
15 their legal representatives, heirs, successors or assigns and any entity in which such
16 excluded persons have or had a controlling interest.

17 56. The members of the Class are so numerous that joinder of all
18 members is impracticable. Approximately 1,200,000 shares of the Company's
19 common stock were sold in the Offering.

20 57. The precise number of the Class members is unknown to Plaintiffs at
21 this time but it is believed to be in the thousands. Members of the Class may be
22 identified from records maintained by China Dragon or its transfer agent and may
23 be notified of the pendency of this action by mail, using a form of notice
24 customarily used in securities class actions.

25 58. Plaintiffs' claims are typical of the claims of the members of the
26 Class, as all members of the Class are similarly affected by Defendants' wrongful
27 conduct in violation of federal securities laws that is complained of herein.
28

1 59. Plaintiffs will fairly and adequately protect the interests of the
2 members of the Class and have retained counsel competent and experienced in
3 class and securities litigation.

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

- 7 a. whether the provisions of the Securities Act were violated by
8 Defendants' acts as alleged herein;
- 9 b. whether the Registration Statement and Prospectus issued by
10 Defendants to the investing public omitted and/or
11 misrepresented material facts about the Company and its
12 business; and
- 13 c. the extent to which members of the Class have sustained
14 damages, and the proper measure of damages.

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

22 **FIRST CLAIM**

23 **Violation of Section 11 of the Securities Act**
24 **Against All Defendants Except for Rappaport**

25 62. Plaintiffs repeat and reallege each and every allegation contained
26 above as if fully set forth herein. This claim is not based on, does not allege, nor
27 does it sound in, fraud.

28

1 63. This Section 11 claim is asserted against all Defendants except for
2 Rappaport.

3 64. This claim is brought by Plaintiffs on their own behalf and on behalf of
4 other members of the Class who acquired China Dragon stock in and/or pursuant to
5 or traceable to the Company's Offering. Each Class Member acquired his, her, or
6 its shares in, pursuant to and/or traceable to, and in reliance on, the Registration
7 Statement and Prospectus. China Dragon is the issuer of the securities through the
8 Registration Statement and Prospectus.

9 65. The Individual Defendants are all signatories of the Registration
10 Statement.

11 66. Defendants WestPark, Gunnar, I-Bankers, and Aegis were
12 underwriters of the Offering.

13 67. Defendant MaloneBailey was China Dragon's certified independent
14 public accountant at the time of the Offering, audited the Consolidated Financial
15 Statements for fiscal years 2009 and 2008 contained in the Registration Statement
16 and Prospectus, and issued a report included in the Registration Statement and
17 Prospectus, the veracity of said report being based on the authority of
18 MaloneBailey as experts in accounting and auditing.

19 68. Each of the Defendants named in this Count owed to the purchasers of
20 the stock obtained through the Registration Statement and Prospectus the duty to
21 make a reasonable and diligent investigation of the statements contained in the
22 Registration Statement and Prospectus at the time they became effective to ensure
23 that such statements were true and correct and that there was no omission of
24 material facts required to be stated in order to make the statements contained
25 therein not misleading.

26 69. None of the Defendants named in this Count made a reasonable
27 investigation or possessed reasonable grounds for the belief that the challenged
28 statements contained in the Registration Statement and Prospectus were true or that

1 there was no omission of material facts necessary to make the statements made
2 therein not misleading.

3 70. Defendants named in this Count issued and disseminated, caused to be
4 issued and disseminated, and participated in the issuance and dissemination of,
5 material misstatements to the investing public that were contained in the
6 Registration Statement and Prospectus, which misrepresented or failed to disclose,
7 among other things, the challenged facts set forth above. By reason of the conduct
8 alleged herein, each Defendant named in this Count violated and/or controlled a
9 person who violated Section 11 of the Securities Act.

10 71. China Dragon is the issuer of the stock sold via the Registration
11 Statement and Prospectus. As issuer of stock, the Company is strictly liable to
12 Plaintiffs and the Class for the material misstatements and omissions therein.

13 72. At the times they purchased their shares of China Dragon, Plaintiffs
14 and members of the Class did so without knowledge of the true facts concerning
15 the misstatements and omissions alleged herein.

16 73. This action is brought within one year after discovery of the untrue
17 statements and omissions in the Registration Statement and Prospectus that should
18 have been made and/or corrected through the exercise of reasonable diligence, and
19 within three years of the effective date of the Registration Statement and
20 Prospectus.

21 74. By virtue of the foregoing, Plaintiffs and the other members of the
22 Class are entitled to damages under Section 11 as measured by the provisions of
23 Section 11(e), from the Defendants named in this Count, and each of them, jointly
24 and severally.

25 **SECOND CLAIM**
26 **Against Defendants China Dragon and the Underwriters for**
27 **Violation of §12(a)(2) of the Securities Act**
28

1 75. Plaintiffs repeat and reallege each and every allegation contained
2 above as if fully set forth herein. This claim is not based on, does not allege, nor
3 does sound in, fraud.

4 76. This Count is asserted against Defendants China Dragon and the
5 Underwriters (i.e., Defendants WestPark, Gunnar, I-Bankers, and Aegis) for
6 violations of §12(a)(2) of the Securities Act by plaintiff Peter Van Nuis only on
7 behalf of those members of the Class who purchased China Dragon common stock
8 directly from one of the Underwriters in the Offering at \$5.25/share.

9 59. Plaintiff Peter Van Nuis purchased 1,000 shares of China Dragon
10 common stock directly from Gunnar in the Offering at a price of \$5.25/share.

11 60. Each of the Defendants was a seller, offeror, and/or solicitor of sales of
12 the shares offered in connection with the Offering as defined under §12(a)(2) of the
13 Securities Act and pertinent common law.

14 61. The Prospectus contained misstatements of material facts, and omitted
15 to state facts necessary to make the statements made therein not misleading,
16 concerning China Dragon's business and financial condition, as alleged above.

17 62. Each of the Defendants' actions of solicitation included participating
18 in the preparation of the false and misleading Prospectus and soliciting investors in
19 person, over the telephone, through the mails and through road show presentations.
20 The Underwriter Defendants attended road show presentations with investors and
21 Class members with the specific intent to solicit the purchase of China Dragon
22 common stock in the Offering for defendants' own financial gain.

23 63. Plaintiff Peter Van Nuis and the other members of the Class purchased
24 or otherwise acquired China Dragon common stock directly from the Underwriter
25 Defendants that was issued in the Offering pursuant to or traceable to the false and
26 misleading Registration Statement and Prospectus.

27 64. Plaintiffs did not know, or in the exercise of due diligence could not
28 have known, of the untruths and omissions contained in the Registration Statement

1 and Prospectus.

2 65. By reason of the conduct alleged herein, each of the Defendants have
3 violated §12(a)(2) of the Securities Act and Plaintiff Peter Van Nuis and members
4 of the Class have suffered damages as a result of such violations.

5 66. Plaintiffs, individually and representatively, hereby elect to rescind
6 and tender to those Defendants named in this Count those securities that Plaintiffs
7 and other members of the Class continue to own, in return for the consideration
8 paid for those securities together with interest thereon. Plaintiffs and the other
9 members of the Class who have sold their China Dragon common stock seek
10 rescissory damages.

11 67. This action was brought within one year after the discovery of the
12 untrue statements and omissions and within three years after the Offering.

13
14 **THIRD CLAIM**
15 **Violations of Section 15 of the Securities Act**
16 **Against the Individual Defendants and Rappaport**

17 68. Plaintiffs repeat and reallege each and every allegation contained
18 above as if fully set forth herein. This claim is not based on, and does not allege,
19 nor does it sound in, fraud.

20 69. This claim is asserted against each of the Individual Defendants, each
21 of whom was a control person of China Dragon during the relevant time period; and
22 against Defendant Rappaport, who was a control person of Defendant WestPark
23 during the relevant time period.

24 70. For the reasons set forth above and pursuant to the first and second
25 claims, China Dragon is liable to the Plaintiffs and the members of the Class who
26 purchased China Dragon common stock in the Offering or pursuant and/or traceable
27 to the Registration Statement and Prospectus based on the untrue statements and
28 omissions of material fact contained in the Registration Statement and Prospectus,
under §11 and §12(a)(2) of the Securities Act.

1 71. The Individual Defendants were control persons of China Dragon by
2 virtue of, among other things, their positions as senior officers, directors and/or
3 controlling shareholders of the Company. Each was in a position to control and did
4 in fact control China Dragon and the issuance of the false and misleading
5 statements and omissions contained in the Registration Statement and Prospectus.

6 72. Defendant Rappaport was a control person of WestPark during the
7 relevant time period because, as alleged above, Rappaport was the sole owner and
8 CEO of WestPark during the relevant time period.

9 73. Neither the Individual Defendants nor Rappaport made reasonable
10 investigation or possessed reasonable grounds for the belief that the statements
11 contained in the Registration Statement and Prospectus were accurate and complete
12 in all material respects. Had they exercised reasonable care, they could have known
13 of the material misstatements and omissions alleged herein.

14 74. This claim was brought within one year after the discovery of the
15 untrue statements and omissions in the Registration Statement and Prospectus and
16 within three years after China Dragon common stock was sold to the Class in
17 connection with the Offering.

18 75. By reason of the misconduct alleged herein, for which China Dragon
19 and WestPark are primarily liable, as set forth above, the Individual Defendants and
20 Rappaport are jointly and severally liable with and to the same extent as China
21 Dragon and WestPark pursuant to Section 15 of the Securities Act.

22
23 **WHEREFORE**, Plaintiffs pray for relief and judgment, as follows:

- 24 a. Determining that this action is a proper class action, and
25 certifying Plaintiffs herein as class representatives under Rule
26 23 of the Federal Rules of Civil Procedure and designating
27 Plaintiffs' counsel as Class Counsel;

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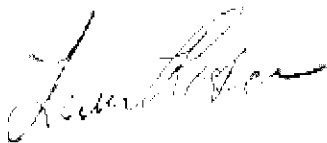
- b. Awarding damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, together with interest thereon;
- c. Awarding Plaintiffs and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- d. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: August 17, 2011

Respectfully submitted,
THE ROSEN LAW FIRM, P.A.



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Counsel for Plaintiffs and the Class

Shares Purchased

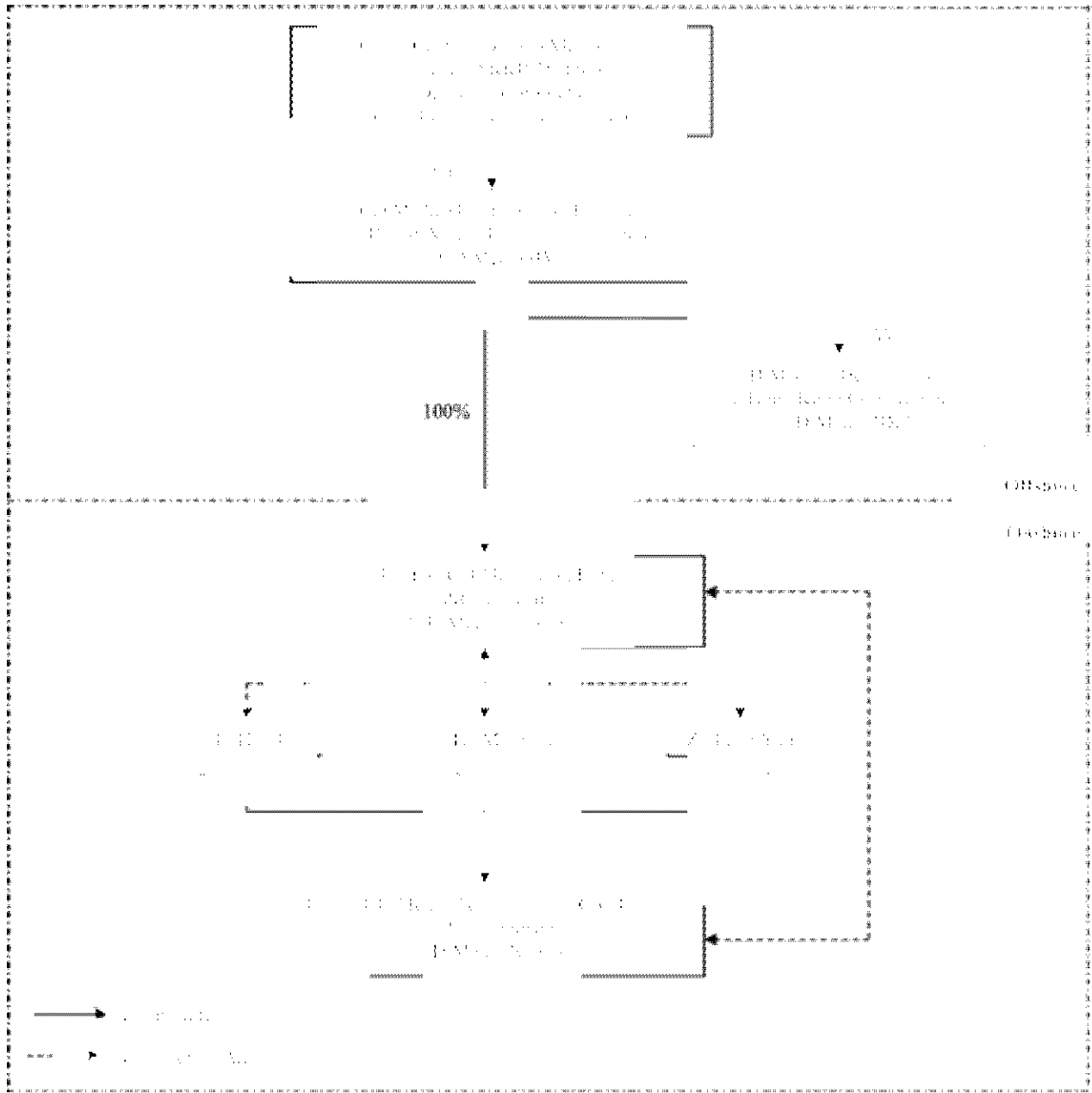
	Number of Shares:	Buy Date:	Price Per Share:
transaction:	4001	2/8/2011	5.31
transaction:	1049	3/18/11	4.80

Shares Sold

Number of Shares:	none	Sell Date:	Price Per Share:
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Exhibit 1

The corporate structure of the Company is illustrated as follows:



Our subsidiary, CD Media (HK) Limited (“CD Media HK”), is a holding company with no operations at this time. Its operations are not subject to PRC laws and regulations.

SOURCE: China Century Dragon Prospectus at page 8.