

Chinese Juice Co. Lied About IPO, Shareholders Say

By **Fola Akinnibi**

Law360, New York (April 21, 2016, 1:28 PM ET) -- A Chinese juice company allegedly used the promise of an initial public offering to induce private equity funds, venture capital firms and individuals to make investments, then directed the money offshore without ever conducting the IPO, a group of shareholders has told a New York state judge.

Emerald Acquisition Corp., which now goes by Oriental Dragon Corp., is an apple, strawberry and Laiyang pear juice concentrate producer and distributor in China. It holds an exclusive license to produce the pear juice, which allegedly has health benefits, according to the shareholders' suit, filed Tuesday.

It allegedly conducted a private placement offering to fund a reverse merger transaction, promising the shareholders that it would earmark some of the money for an IPO and eventual listing on a U.S. stock exchange, the complaint said. However, the company made continued misrepresentations and directed the money to China and other offshore jurisdictions, it said.

"Despite raising nearly \$17 million in the offering, defendant did not complete an IPO and has not listed its ordinary shares for trading on either the New York Stock Exchange or certain Nasdaq senior exchanges and prevented plaintiffs from being able to realize the value of their investment," the complaint said. "Additionally, defendant has since withdrawn its registration statement ..."

In October 2009, Emerald entered into a reverse merger agreement with the owner of another Chinese juice company. The deal gave Emerald indirect control and the rights to the Chinese company, the suit said.

At the same time, Emerald offered shares and warrants for the purpose of completing an IPO, even including documents requiring it to hold some of the proceeds in escrow for IPO costs and expenses, it continued.

After the merger and offering, which raised more than \$17 million and left the shareholders with an 18.3 percent stake, the company began taking steps toward an IPO, filling documents with the U.S. Securities and Exchange Commission.

However, the documents were not updated after 2010 and in 2013 the company asked the SEC to withdraw its registration statement because it had no plans to sell securities. Around this time, the company also revealed that there were serious issues with many of its financial statements, the suit continued.

The shareholders' suit alleges breach of contract, fraudulent inducement, fraud, breach of good faith and unjust enrichment.

"We believe the allegations in the complaint and the proof supporting those allegations clearly entitle us to the relief sought," David Graff of Anderson Kill PC, counsel for the shareholders, said Thursday. "We will vigorously pursue our clients' rights."

The shareholders are represented by David Graff and Rachel Kierych of Anderson Kill PC.

Counsel information for Emerald Acquisition was not immediately available.

The suit is Access America Fund LP et al. v. Oriental Dragon Corp., case number 652110/2016, in the Supreme Court of New York, County of New York.

--Editing by Kelly Duncan.

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