

VISIONCHINA MEDIA INC.
Form 20-F
April 27, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ **to** _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Edgar Filing: VISIONCHINA MEDIA INC. - Form 20-F

Commission file number 001-33821

VisionChina Media Inc.
(Exact name of Registrant as specified in its charter)

Cayman Islands
(Jurisdiction of incorporation or organization)

1/F Block No.7 Champs Elysees

Nongyuan Road, Futian District

Shenzhen 518040

People's Republic of China
(Address of principal executive offices)

Limin Li, telephone: (86 755) 8293-2222; fax: (86 755) 8298-1111

At the address of the Company set forth above
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value US\$0.0001 per share	Nasdaq Global Market*
American Depositary Shares, each representing one Common Share	Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Edgar Filing: VISIONCHINA MEDIA INC. - Form 20-F

Table of Contents

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

101,313,015 Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Edgar Filing: VISIONCHINA MEDIA INC. - Form 20-F

Indicate by check mark which basis of accounting the registration has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If Other has been checked in response to the previous question, indicate by check mark which consolidated financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

* Not for trading, but only in connection with the listing on the Nasdaq Global Market of the American Depositary Shares

Table of Contents

Table of Contents

	Page
<u>PART I</u>	2
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	2
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
<u>ITEM 3. KEY INFORMATION</u>	2
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	45
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	67
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	96
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	104
<u>ITEM 8. FINANCIAL INFORMATION</u>	110
<u>ITEM 9. THE OFFER AND LISTING</u>	112
<u>ITEM 10. ADDITIONAL INFORMATION</u>	113
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	120
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	122
<u>PART II</u>	124
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	124
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	124
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	124
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	126
<u>ITEM 16B. CODE OF ETHICS</u>	126
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	127
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	127
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	127
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	128
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	128
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	128

<u>PART III</u>		128
<u>ITEM 17.</u>	<u>FINANCIAL STATEMENTS</u>	128
<u>ITEM 18.</u>	<u>FINANCIAL STATEMENTS</u>	128
<u>ITEM 19.</u>	<u>Exhibits</u>	129

Table of Contents

CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Unless otherwise indicated, references in this annual report to:

- ADSs refers to our American depository shares, each of which represents one common share, and ADRs refers to the American depository receipts that may evidence our ADSs;
- China or the PRC refers to the People's Republic of China, excluding, for the purpose of this annual report only, Taiwan, Hong Kong and Macau;
- local operating partners refers to the local television stations with which we established our direct investment entities or from which we buy advertising time, or the local mobile digital television operating companies with which we entered into exclusive agency agreements or from which we buy advertising time;

As of December 31, 2011, the local television stations with which we established our direct investment entities included: Chengdu Television Station, Shenzhen Media Group, Jilin Television Station, Haerbin Television Station, Dalian Television Station, Henan Cable Television Network Group Co., Ltd., Hubei Broadcast and Television General Station, Wuxi Broadcast and Television Group, Suzhou Broadcast and Television General Station, Changzhou Television Station, and Ningbo Broadcast and Television Group.

As of December 31, 2011, the local mobile digital television operating companies with which we entered into exclusive agency agreements included: Beijing Beiguang Media Mobile Television Co., Ltd, Beijing Beiguang Metro Media Co., Ltd., Shanghai Metro Television Company Limited, Guangzhou Pearl River Mobile Multimedia Television Co., Ltd., Guangzhou Metro Television Co., Ltd., Nanjing Guangdian Mobile Television Development Co., Ltd., Chengdu China Digital Mobile Television Co., Ltd., Wuxi Guangtong Digital Mobile Television Co., Ltd., Ningbo China Mobile Television Development Co., Ltd., Shanxi Dazhong Mobile Television Co., Ltd., Jilin Mobile Television Co., Ltd., Dalian Mobile Digital Television Co., Ltd., Hubei China Mobile Television Co., Ltd., Liaoning Beifang New Media Co., Ltd., Xiamen Radio and Television Digital Media Co., Ltd., Suzhou China Mobile Television Co., Ltd., Changzhou China Mobile Television Company Limited and Changsha Guangdian Digital Mobile Television Co., Ltd.

In 2011, the local mobile digital television operating companies from which we buy advertising time included Henan Cable China Mobile Television Company Limited and Haerbin China Mobile Television Company Limited.

- RMB or Renminbi refers to the legal currency of China; \$, dollars , US\$ and U.S. dollars refer to the legal currency of the United States;

Edgar Filing: VISIONCHINA MEDIA INC. - Form 20-F

- shares or common shares refers to our common shares; preferred shares refers to our Series A convertible redeemable preferred shares and Series B convertible preferred shares; and

- we , us , our company , our and VisionChina refer to VisionChina Media Inc., a Cayman Islands company, its predecessor entities and subsidiaries, and its consolidated affiliated entities and their subsidiaries. Although VisionChina does not directly or indirectly own any equity interest in its consolidated affiliated entities, VisionChina effectively controls these entities through a series of contractual arrangements. We treat

Table of Contents

our consolidated affiliated entities as variable interest entities and have consolidated their financial results in our financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

This annual report includes our audited consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 and as of December 31, 2010 and 2011.

ADSs are listed on the Nasdaq Global Market under the symbol VISN.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected condensed consolidated statement of operations data for the years ended December 31, 2009, 2010 and 2011 and the condensed consolidated balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements, which are included elsewhere in this annual report. The following selected condensed consolidated statement of operations data the years ended December 31, 2007 and 2008 and the condensed consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited consolidated financial statements, which are not included elsewhere in this annual report. You should read the selected condensed consolidated financial data in conjunction with the financial statements and the related notes included elsewhere in this annual report and Item 5. Operating and Financial Review and Prospects. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods.

For the year ended
December 31,
2009
(US\$, except number of shares)

	2007	2008	2009	2010	2011
Condensed Consolidated Statement of Operations Data:					
Revenues					
Advertising service revenue	27,489,391	103,515,250	120,686,086	138,056,640	179,415,668
Advertising equipment revenue	1,896,200	565,392			1,778,682
Total revenues	29,385,591	104,080,642	120,686,086	138,056,640	181,194,350
Cost of revenues					
Advertising service cost	(12,801,957)	(40,602,022)	(61,104,381)	(121,000,454)	(127,057,954)
Advertising equipment cost	(1,583,325)	(475,432)			(1,494,027)
Total cost of revenues	(14,385,282)	(41,077,454)	(61,104,381)	(121,000,454)	(128,551,981)
Gross profit	15,000,309	63,003,188	59,581,705		