

VISIONCHINA MEDIA INC.
Form F-1/A
November 29, 2007
Table of Contents

As filed with the Securities and Exchange Commission on November 29, 2007

Registration No. 333-147275

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2

TO

FORM F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

VISIONCHINA MEDIA INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

7311
(Primary Standard Industrial
Classification Code Number)
1/F Block No.7 Champs Elysees

Not Applicable
(I.R.S. Employer
Identification Number)

Nongyuan Road, Futian District

Shenzhen 518040

People's Republic of China

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(86-755) 8293-2222

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

CT Corporation System

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New York, New York 10011

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated _____, 2007

13,500,000 American Depositary Shares

VISIONCHINA MEDIA INC.

Representing 13,500,000 Common Shares

This is an initial public offering of American depositary shares, or ADSs, of VisionChina Media Inc., or VisionChina. VisionChina is offering 13,500,000 ADSs. Each ADS represents one common share, par value \$0.0001 per share, of VisionChina.

Prior to this offering, there has been no public market for the ADSs or the common shares. We anticipate the initial public offering price will be between \$9.50 and \$11.50 per ADS. We have applied to list the ADSs on the Nasdaq Global Market under the symbol VISION.

See **Risk Factors** beginning on page 11 to read about risks you should consider before buying the ADSs.

	Initial public offering price	Underwriting discounts and commissions	Proceeds, before expenses, to VisionChina
Per ADS	US\$	US\$	US\$
Total	US\$	US\$	US\$

The underwriters have an option to purchase up to 2,025,000 additional ADSs from the selling shareholders disclosed in this prospectus at the initial public offering price, less the underwriting discounts and commissions, to cover over-allotments of ADSs.

Neither the United States Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs against payment in U.S. dollars in New York, New York on _____, 2007.

Credit Suisse

Merrill Lynch & Co.

CIBC World Markets

Susquehanna Financial Group, LLLP

The date of this prospectus is _____, 2007

Table of Contents

Table of Contents**TABLE OF CONTENTS**

	Page
<u>Prospectus Summary</u>	1
<u>The Offering</u>	7
<u>Risk Factors</u>	11
<u>Forward-Looking Statements</u>	38
<u>Use of Proceeds</u>	39
<u>Dividend Policy</u>	40
<u>Capitalization</u>	41
<u>Dilution</u>	42
<u>Exchange Rate Information</u>	44
<u>Enforceability of Civil Liabilities</u>	45
<u>Our Corporate Structure</u>	46
<u>Selected Condensed Consolidated Financial Data</u>	50
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	52
<u>Our Industry</u>	76
<u>Business</u>	80
<u>Regulation</u>	97
<u>Management</u>	104
<u>Principal and Selling Shareholders</u>	111
<u>Related Party Transactions</u>	114
<u>Description of Share Capital</u>	117
<u>Description of American Depositary Shares</u>	126
<u>Shares Eligible for Future Sale</u>	136
<u>Taxation</u>	138
<u>Underwriting</u>	144
<u>Expenses Relating to this Offering</u>	151
<u>Legal Matters</u>	152
<u>Experts</u>	152
<u>Where You Can Find Additional Information</u>	152
<u>Index to Consolidated Financial Statements</u>	F-1

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the ADSs offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information in this prospectus is current only as of the date of this prospectus.

Until _____, 2007 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

Table of Contents

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under Risk Factors, before deciding whether to buy our ADSs.

VisionChina Media Inc.

Our Business

We believe that we operate the largest out-of-home advertising network using real-time mobile digital television broadcasts to deliver content and advertising on mass transportation systems in China based on the number of displays. We operate our advertising business in China through our consolidated affiliated entity, China Digital Mobile Television Co., Ltd., or CDMTV, due to PRC regulatory restrictions on foreign investments in the advertising and mobile digital television industries. Our relationships with CDMTV and its shareholders are governed by a series of contractual arrangements that allow us to effectively control and derive substantially all of the economic benefits from CDMTV. Our mobile digital television advertising network, or our network, which delivers real-time content provided by the local television stations in addition to advertising, differentiates us from other out-of-home advertising networks in China, and we believe this facilitates our future expansion into different advertising media platforms. Our advertising network consists of digital television displays located on buses and other selected locations that receive mobile digital television broadcasts of real-time content and advertising. As of September 30, 2007, our network covered 14 economically prosperous cities in China and consisted of approximately 33,000 digital television displays. In addition, we have expanded the geographic reach of our advertising operations by purchasing advertising time on existing mobile digital television networks in cities outside of our network to place advertisements pursuant to the demands of our clients. As a supplement to our mobile digital television advertising network, we also operate a stationary advertising platform in subway stations in two major cities in China, Guangzhou and Shenzhen.

We believe that our network delivers substantial value for our advertising clients by reaching the targeted mobile audience in an enclosed environment conducive to capturing their attention. We also believe that the combination of our advertising content along with real-time news and stock quotes, weather and traffic updates, sports highlights and other programs displayed on our network makes the audience more receptive to the advertisements on our network and ultimately makes the advertisements more effective for our advertising clients. In addition, the real-time broadcasting capability of our network allows us to utilize our network to disseminate public-interest messages and programs that promote the general welfare of society and other urgent messages during emergency situations such as typhoons, earthquakes or other events that concern public safety.

We currently place our digital television displays primarily on buses. As many urban areas in China face increasing traffic congestion, many people endure a long average daily commute time. Therefore, we believe that our network offers our clients the advantages of both traditional television and out-of-home advertising media by capturing the attention of the audience in out-of-home locations with real-time broadcasts of programs.

We principally derive revenues by selling advertising time during breaks in between the programs on our network. In addition, we have the ability to sell soft advertising time embedded in the programs. We charge our advertising clients by the broadcasting time of the advertisement in each city where they want to place their advertisement. We divide our cities into different price categories based on a variety of factors including the number of installed displays, population, demand and consumer purchasing power.

Table of Contents

We use the following business models for our mobile digital television advertising operations in China:

Exclusive agency model refers to our arrangements with terms ranging from four years to twelve years in seven cities, Beijing, Chengdu, Guangzhou, Nanjing, Ningbo, Shenzhen and Wuxi. In Beijing, Chengdu, Guangzhou, Nanjing, Ningbo and Shenzhen, we have entered into an exclusive advertising agency agreement with the partner local mobile digital television company that gives us the exclusive right to sell all of the advertising time on our local partner's mobile digital television network located on buses. Those buses are operated by bus companies that have entered into contracts with our local partners, or, in the case of Guangzhou, those buses are operated by a number of bus companies with which we expect to enter into contracts through our local affiliate by June 2008. Our exclusive agency agreements with our direct investment entities in Chengdu and Ningbo will become effective on January 1, 2008. Our exclusive agency arrangement in Wuxi that gives us the exclusive right to sell a portion of the advertising time on Wuxi's mobile digital television network does not include sales of advertising time to advertisers from Wuxi.

Direct investment model refers to our arrangements in 11 cities where we and a partner local television station, or its affiliate, have formed a jointly-owned mobile digital television operating company in which we hold a minority equity interest. We refer to these jointly-owned mobile digital television operating companies as direct investment entities in this prospectus. This model gives us the opportunity to work in conjunction with the local television station to provide programs to meet the demands of our audience and advertising clients. In some of our cities, such as Chengdu, Ningbo, Shenzhen and Wuxi, we have entered into an exclusive agency agreement with our direct investment entity to secure the exclusive right to sell advertising time on that network. For the cities where we have not entered into an exclusive agency agreement, we purchase advertising time from our direct investment entities and resell them to our advertising clients. This model also facilitates our entry into other advertising media platforms such as displays located in government buildings.

Outreach agency model refers to our operations in other cities where we purchase advertising time from an existing mobile digital television company outside of our network, either directly or through an agent at the request of our clients. This model works in conjunction with our network arrangements to extend the reach of our advertising operations to cover substantially all of the major advertising markets in China.

Through September 30, 2007, more than 230 advertisers had purchased advertising time on our network either directly or through an advertising agent. We have the ability to place advertisements in one or more cities, both within and beyond our network, according to their demands. As of September 30, 2007, we have placed advertisements in 26 cities across China. Our top two international brand name advertisers, Yum! Brands, Inc. (whose brand portfolio includes KFC, Pizza Hut and Taco Bell) and Spalding Group, in aggregate accounted for approximately 7% of our advertising service revenues for the nine months ended September 30, 2007. Our top five domestic brand name advertisers, China Citic Bank, Guangxi Wuzhou Pharmaceutical Group Co., Ltd., Hangzhou Minsheng Pharmaceutical Group Co., Ltd., Nice Group Co., Ltd. and Jilin Wutaigankang Pharmaceutical Industry Co. in aggregate accounted for approximately 31% of our advertising service revenues for the nine months ended September 30, 2007. We have grown significantly since our inception in April 2005. We generated total revenues of US\$3.9 million in 2006 and US\$17.4 million for the nine months ended September 30, 2007. We achieved net income of US\$3.7 million in the nine months ended September 30, 2007, but we incurred a net loss of US\$4.1 million for the year ended December 31, 2006.

Our Industry

China has the largest advertising market in Asia, excluding Japan, and it is one of the largest and fastest-growing advertising markets in the world, according to ZenithOptimedia. The advertising market in China grew in recent years as a result of, among other factors, the rapid increase in disposable income and consumption of urban residents in China. The National Bureau of Statistics of China reported that the annual

Table of Contents

per capita in urban households increased from RMB7,703 in 2002 to RMB11,759 in 2006, representing a compound annual growth rate, or CAGR, of 11.2%. In Beijing, Guangzhou and Shenzhen, where we have major operations, the urban household annual disposable income per capita in 2006 was RMB19,978, RMB19,851 and RMB22,567, respectively, representing a level significantly above the national average.

We believe that as people living in China's major cities become more mobile due to their increased business activities, advertisers will be more willing to allocate a larger portion of their advertising budgets to reach consumers using mass transportation systems. According to a study commissioned by us and conducted by CTR Market Research, or CTR, an independent research institution, in September 2007, a total of over 25 million trips were taken daily on public buses with mobile digital television displays in Beijing, Changchun, Chengdu, Dalian, Harbin, Nanjing, Ningbo, Shenzhen, Suzhou, Wuhan, Wuxi and Zhengzhou. We have mobile digital television advertising operations in each of these cities either through exclusive agency arrangements, direct investment entities, or both.

Our Competitive Strengths

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

The largest mobile digital television advertising network operator covering mass transportation in China based on the number of displays;

Real-time ability to deliver time-specific and location-based content and advertising;

Exclusive and long-term contractual arrangements;

Highly effective advertising solution with content; and

Strong management and sales team with extensive experience.

Our Strategies

Our objectives are to strengthen our position as the largest mobile digital television advertising network and to become a provider of comprehensive digital media advertising services in China. We intend to achieve these objectives by implementing the following strategies:

Expand the coverage and penetration of our network;

Maximize our average revenues per hour;

Continue to pursue exclusive arrangements with additional mobile digital television companies;

Continue to explore new digital media technologies and techniques in order to enhance the effectiveness of our network;

Expand our network to other advertising media platforms; and

Pursue strategic relationships and acquisitions.

Our Challenges

We face risks and uncertainties, including those relating to:

our history of incurring losses and the possibility that we may be unable to achieve and sustain profitability in the future;

Table of Contents

acceptance by advertisers of mobile digital television installed on mass transportation systems as part of their marketing strategy;

our ability to establish and maintain business relationships with our local operating partners, and our and their ability to establish and maintain business relationships with mass transportation companies;

our ability to manage our growth;

our reliance on our contractual arrangements with CDMTV and its shareholders to conduct our advertising business in China;

our ability to respond to competitive pressures; and

uncertainties with respect to government controls and regulations relating to the mobile digital television and advertising industries.

Please see **Risk Factors** and other information included in this prospectus for a detailed discussion of these risks and uncertainties.

Corporate Structure

We commenced operations in 2005 through CDMTV, a company established in China, and its subsidiaries and affiliates. In January 2006, we established a holding company, CDMTV Holding Company, under the laws of the Cayman Islands as part of our effort to raise capital from investors outside of China. On August 13, 2007, we changed our name to VisionChina Media Inc.

Table of Contents

The following diagram illustrates our corporate structure as of the date of this prospectus:

Table of Contents

Corporate Information

Our principal executive offices are located at 1/F Block No. 7, Champs Elysees, Nongyuan Road, Futian District, Shenzhen 518040, People's Republic of China. Our telephone number at this address is (86 755) 8293-2222 and our fax number is (86 755) 8298-1111. Our registered office in the Cayman Islands is located at the offices of M&C Corporate Services Limited, P.O Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our principal website is www.visionchina.cn. The information contained on our website is not a part of this prospectus.

Conventions Which Apply to this Prospectus

Except where the context otherwise requires and for purposes of this prospectus only:

ADSs refers to our American depositary shares, each of which represents one common share, and ADRs refers to the American depositary receipts that may evidence our ADSs;

China or the PRC refers to the People's Republic of China, excluding, for the purpose of this prospectus only, Taiwan, Hong Kong and Macau;

local operating partners refers to the local television stations with which we established our direct investment entities, or the local mobile digital television operating companies with which we entered into exclusive agency agreements or from which we buy advertising time;

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

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 entity and subsidiary, and its consolidated affiliated entities, including CDMTV and its subsidiaries. Although VisionChina does not directly or indirectly own any equity interest in CDMTV, VisionChina effectively controls CDMTV through a series of contractual arrangements. We treat CDMTV as a variable interest entity and have consolidated its financial results in our financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

Unless otherwise indicated, information in this prospectus assumes that the underwriters do not exercise their option to purchase additional ADSs.

Table of Contents

The Offering

Offering price	We estimate that the initial public offering price will be between US\$9.50 and US\$11.50 per ADS.
ADSs offered by us	13,500,000 ADSs.
Total ADSs offered	13,500,000 ADSs.
Common shares outstanding immediately after this offering	68,349,838 common shares.
The ADSs	<p>Each ADS represents one common share, par value US\$0.0001 per share.</p> <ul style="list-style-type: none"> • The depositary will hold the common shares underlying your ADSs. You will have the rights as provided in the deposit agreement. • If, however, we declare dividends on our common shares, the depositary will pay you the cash dividends and other distributions it receives on our common shares, after deducting its fees and expenses. • You may turn in your ADSs to the depositary in exchange for common shares. The depositary will charge you fees for any exchange. • We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended. <p>To better understand the terms of the ADSs, you should carefully read the section of this prospectus entitled Description of American Depositary Shares. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p>
Over-allotment option	The selling shareholders have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to 2,025,000 additional ADSs.
Reserved ADSs	At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of 1,080,000 ADSs to certain business associates of our company and other persons through a directed share program.

Use of proceeds

Our net proceeds from this offering are expected to be approximately US\$128.3 million, assuming an initial public offering price per ADS of US\$10.50, the mid-point of the estimated public offering price

Table of Contents

range set forth on the cover of this prospectus after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use our net proceeds from this offering to fund capital expenditures in connection with the expansion of our advertising network and operations and for general corporate purposes, including funding possible acquisitions of complementary businesses, although we are not currently negotiating any such transactions. See [Use of Proceeds](#) for additional information.

We will not receive any of the proceeds from the sales of the ADSs by the selling shareholders.

Lock-up	We have agreed with the underwriters to a lock-up of shares for a period of 180 days after the date of this prospectus. In addition, our executive officers, directors and all of our institutional shareholders have also agreed with the underwriters to a lock-up of shares for a period of 180 days after the date of this prospectus. See Underwriting .
Listing	We have applied to list the ADSs on the Nasdaq Global Market under the symbol VISN . The ADSs will not be listed on any other exchange or traded on any automated quotation system. Our shares will not be listed on any exchange or traded on any automated quotation system.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.
Depositary	The Bank of New York.
Custodian	The Hong Kong and Shanghai Banking Corporation Limited.
The number of common shares that will be outstanding immediately after this offering:	

assumes the conversion of all outstanding preferred shares into 32,139,088 common shares immediately prior to the completion of this offering;

excludes 5,067,889 common shares issuable upon the exercise of options outstanding as of the date of this prospectus, at a weighted average exercise price of US\$3.82 per share; and

excludes common shares reserved for future issuances under our share incentive plan.

Table of Contents**Our Summary Condensed Consolidated Financial and Operating Data**

The following summary condensed consolidated statement of operations for the period from April 8, 2005 (date of inception) to December 31, 2005 and for the year ended December 31, 2006 and the condensed consolidated balance sheet data as of December 31, 2005 and 2006 have been derived from our consolidated financial statements included elsewhere in this prospectus, which have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm, and are prepared and presented in accordance with U.S. GAAP. The following summary condensed consolidated statement of operations data for the nine months ended September 30, 2006 and 2007 and the condensed consolidated balance sheet data as of September 30, 2007 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial statements on the same basis as our audited consolidated financial statements. The unaudited interim condensed consolidated financial statements include all adjustments, consisting only of normal and recurring adjustments, which we consider necessary for a fair presentation of our financial position and operating results for the periods presented. You should read the following information in conjunction with our consolidated financial statements and related notes, Selected Condensed Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our historical results do not necessarily indicate our results expected for any future periods.

	For the Period from April 8, 2005 (date of inception) to December 31, 2005	For the Year Ended December 31, 2006 (US\$, except number of shares)	For the Nine Months Ended September 30,	
			2006	2007
Condensed Consolidated Statement of Operations Data:				
Revenues:				
Advertising service revenues		2,033,284	892,323	15,802,593
Advertising equipment revenues	290,521	1,839,598	962,375	1,570,662
Total revenues	290,521	3,872,882	1,854,698	17,373,255
Gross profit (loss)	29,017	(1,734,094)	(329,628)	7,373,967
Operating expenses				
Government grant		125,953		
Loss from equity method investees	(104,475)	(469,841)	(230,513)	(779,792)
Operating profit (loss)	(461,673)	(4,145,273)	(1,892,383)	3,627,276
Interest income	45,264	98,873	66,208	97,283
Other expenses		(22,608)	(15,081)	(63,835)
Net income (loss)	(416,409)	(4,069,008)	(1,841,256)	3,660,724
Deemed dividend on convertible redeemable preferred shares		1,583,333	996,263	4,588,152
Net loss attributable to holders of common shares	(416,409)	(5,652,341)	(2,837,519)	(927,428)
Net loss per common share:				
Basic	(0.02)	(0.26)	(0.13)	(0.04)
Diluted	(0.02)	(0.26)	(0.13)	(0.04)
Shares used in computation of net loss per share:				
Basic	22,000,000	22,000,000	22,000,000	22,000,000
Diluted	22,000,000	22,000,000	22,000,000	22,000,000
Pro forma income (loss) per share on an as converted basis ⁽¹⁾ :				
Basic		(0.13)		0.08
Diluted		(0.13)		0.08
Shares used in computation of pro forma per share amount on an as converted basis ⁽¹⁾ :				
Basic		32,306,849		44,706,361
Diluted		32,306,849		45,154,212

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Share-based compensation expenses during the related periods included in:

Cost of revenues	37,576	22,784
Selling and marketing expenses	5,374	67,171
General and administrative expenses	35,802	32,436

- (1) Pro forma net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period plus the w