

Searchmedia Holdings Ltd
Form 10-K/A
November 01, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K/A

(Mark One)

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

For the fiscal year ended: December 31, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 0001-33800

SEARCHMEDIA HOLDINGS LIMITED

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands

(State or Other Jurisdiction of
Incorporation or Organization)

77-0688094

(I.R.S. Employer Identification No.)

**15A Zhao Feng, Universe Building,
1800**

Zhong Shan Xi Lu, Shanghai, China
(Address of Principal Executive Offices)

200235

(Zip Code)

Registrant's Telephone Number, Including Area Code **86-2164403190**

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

Title of Each Class
ORDINARY SHARES
\$0.0001 PAR VALUE

Name of Each Exchange On Which Registered
NYSE Amex

WARRANTS

NYSE Amex

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. 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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting common stock held by non-affiliates of the registrant on June 30, 2009 was approximately \$63,589,119.

Number of shares outstanding of each of the registrant's classes of Ordinary Shares at October 5, 2010: 20,858,661 shares of Ordinary Shares, \$0.0001 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

None

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EXPLANATORY NOTE

This Amendment on Form 10-K/A amends the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (Annual Report). On October 29, 2010, shortly after the Registrant submitted the Annual Report through the U.S. Securities and Exchange Commission's EDGAR filing system, Dr. Xiaoming (Larry) Lu resigned as a member of the Registrant's board of directors. The Registrant is filing this amendment to revise disclosures relating to Dr. Lu. In addition, the Registrant is filing this amendment to refile the signature page of the Annual Report in its entirety to reflect the signatures of a majority of the Registrant's board of directors and to refile the Section 302 and 906 certifications of our Chief Executive Officer and Chief Financial Officer.

**SEARCHMEDIA HOLDINGS LIMITED
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2009
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PART I

ITEM 1A. RISK FACTORS

Risk Related to Our Business and Operations

We have a history of significant operating losses and our future revenue and operating profitability are uncertain.

We recorded an operating loss of \$22.6 million for the year ended December 31, 2009 and we ended the year with an accumulated deficit of \$75.6 million. In addition, we recorded operating losses of approximately \$35.1 million for the year ended December 31, 2008. We may continue to incur operating losses for the foreseeable future, and such losses may be substantial. We will need to increase revenue in order to generate sustainable operating profit. Given our history of operating losses, we cannot be certain that we will be able to achieve operating profitability on an annual basis. Our failure to achieve profitability could adversely affect the trading price of our common stock and our ability to raise additional capital.

We have identified material weaknesses in our internal control over financial reporting and we have had to restate our historical financial statements.

In August 2010, we announced that we would restate the financial statements of SearchMedia International as of and for the year ended December 31, 2008, to, among other things, correct an overstatement of revenue \$47.0 million in 2008. After the Business Combination and in connection with our preparation of this Annual Report on Form 10-K, we identified accounting irregularities and potential financial and operational improprieties, relating to transactions and financial reporting matters that occurred under the management of SearchMedia International before the Business Combination, which were not previously identified as a result of material weaknesses in our internal control over financial reporting. These material weaknesses relate to, among other things: (i) recording of various erroneous transactions by certain employees; (ii) recording of certain assets and other accounting irregularities related to acquisitions; (iii) diligence and approval of questionable transactions; and (iv) confirmation of payments related to acquisitions.

We have implemented and we plan to further implement steps to address these material weaknesses and improve our internal control over financial reporting. However, the implementation of these measures may not fully address these control weaknesses, and to date these control weaknesses have not been remediated in full. If we fail to implement and maintain the adequate internal control procedures in a timely manner, we may not be able to conclude that we have effective internal control over financial reporting. Furthermore, we cannot be certain we will effectively remediate our control weaknesses or that restatements will not occur in the future. The preparation and filing of restatements could create a significant strain on our internal resources and cause delays in our filing of quarterly or annual financial results, increase our financial accounting and related costs, and divert management's attention from the operation of our business.

We are subject to ongoing securities litigation and a government inquiry in the United States.

We and certain of our current and former directors and executive officers are defendants in a federal securities class action in the United States. The complaint alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder by allegedly reporting false or misleading revenue and other financial information regarding SearchMedia International during the period April 1, 2009 through August 19, 2010. This action is in the preliminary stages. We cannot predict the claims, allegations, class period, or defendants that ultimately may be included in this litigation. Moreover, we cannot predict whether other similar litigation or regulatory actions or inquiries may be filed or initiated against us or other parties related to these same or other allegations.

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In addition, we have been notified that the U.S. Securities and Exchange Commission, Los Angeles Regional Office, is conducting an informal inquiry regarding the issues that are the subject of our restatement of financial results announced on August 20, 2010. We intend to cooperate fully with the SEC during this informal inquiry process. We cannot predict the cost or potential liabilities associated with responding to the SEC inquiry or any related investigations or litigation that may arise from the matters under inquiry.

We have notified our insurance carriers of these matters, but there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. Litigation and regulatory actions or proceedings can be time consuming and expensive, and could divert management time and attention from our business, which could have a material adverse effect on our revenues and results of operations. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results. Finally, we cannot provide any assurance that the final outcome of this litigation will not have a material adverse effect on our business, results of operations, or financial condition.

We have been unable, to date, to integrate our acquisitions, and such inability could materially and adversely impact our operations and our ability to detect and prevent financial irregularities.

Before we completed the Business Combination, SearchMedia International had rapidly acquired a large number of advertising companies. These companies have various degrees of, and frequently lack, systems and controls, including those involving management information, purchasing, accounting and finance, sales, billings, employee benefits, payroll and regulatory compliance. While we have attempted to implement a series of measures to integrate the acquired businesses, such as conducting training programs and integrating media resources and finance staff, such efforts have not, to date, been successful. Failure to successfully integrate the acquired businesses will present a substantial risk that we may not be able to fully realize the anticipated benefits of these acquisitions.

Moreover, without the integration and successful implementation of those measures and controls at the acquired businesses, we have limited ability to detect and prevent material inaccuracies, misstatements or even fraud at the acquired businesses. The importance of implementing and integrating such controls and procedures, including disclosure controls and internal control over financial reporting, is heightened given our rapid and significant growth and our engagement of business practices which are more frequently utilized in the PRC than would be the case with similarly situated companies in the United States.

There may be additional risks inherent in the past acquisitions made by SearchMedia International before the Business Combination, which could materially and adversely affect our business and growth prospects and cause us to not realize the anticipated benefits of these acquisitions.

Although SearchMedia International conducted due diligence with respect to the acquisitions it made before the Business Combination, SearchMedia International may not have implemented sufficient due diligence procedures and we may not be aware of all of the risks and liabilities associated with such acquisitions. Our current management has identified instances of a lack of business substance, proper documentation and accounting irregularities and other improprieties relating to acquisitions made by SearchMedia International. Any additional discovery of adverse information concerning the companies acquired by SearchMedia International could have a material adverse effect on our business, financial condition, and results of operations. We have provided for a two-year earn-out payment provision in most of the contracts for these acquisitions, which is generally contingent upon the level of achievement of the acquired company's financial performance. In some cases, we have renegotiated these earn out agreements to allow for extended payout periods. In addition, some of the sellers, who agreed to become our employees and manage these acquired companies for us during the earn-out period, may leave the Company or be less motivated in performing their service after the two-year earn-out period has expired, which may lead to failure in revenue growth and even loss of clients and/or site contracts.

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Deterioration of economic conditions and a resulting decrease in demand for advertising services would materially and adversely affect our financial condition and results of operations and limit our growth prospects.

Demand for our advertising services, and the resulting advertising spending by our clients on our network, is affected significantly by prevailing economic conditions. The current financial crisis and economic downturns in global markets have impacted, and are expected to further impact, materially and adversely, the advertising spending of our existing and potential multinational clients and, as the crisis spreads to China, the advertising spending of our existing and potential domestic clients. With a severe decline in economic conditions, clients who would normally spend on a broad range of traditional and new media may curtail their overall spending or concentrate their advertising spending on one medium. As we derive most of our revenues from our billboard and in-elevator advertising networks, a decrease in demand for advertising media in general and for our advertising media or advertising networks in particular would materially and adversely affect our financial condition and results of operations and limit our growth prospects. In addition, our clients who are adversely affected by the worsened economic conditions may delay paying the advertising fees to us, which would adversely affect our liquidity and results of operations.

A business strategy of making acquisitions subjects us to all of the risks inherent in identifying, acquiring and operating newly acquired businesses.

Our growth strategy includes acquiring new business to complement and expand our existing operations. In the future, we may continue to make acquisitions of, or investments in, businesses that we believe could complement or expand our current business or offer growth opportunities. To that end, we may spend significant management time and resources in analyzing and negotiating acquisitions or investments that are not consummated. The ongoing process of integrating these businesses is distracting, time consuming, expensive, and requires continuous optimization and allocation of resources. Additionally, if we use stock as consideration, this would have a dilutive effect on existing stockholders. If we use cash, this would reduce our liquidity and impact our financial flexibility. We may seek debt financing for particular acquisitions, which may not be available on commercially reasonable terms, or at all. We face all the risks associated with a business acquisition strategy, including, but not limited to:

- the potential disruption of our existing businesses, including the diversion of management attention and the redeployment of resources;
- entering new markets or industries in which we have limited prior experience;
- failure to identify in due diligence key issues specific to the businesses we seek to acquire or the industries or other environments in which they operate, or, failure to protect against contingent liabilities arising from those issues;
- unforeseen or hidden liabilities;
- difficulties in integrating, aligning and coordinating organizations which will likely be geographically separated and may involve diverse business operations and corporate cultures;
- difficulties in integrating and retaining key management, sales, research and development, production and other personnel;
- potential loss of key employees, clients or distribution partners of the acquired businesses;
- difficulties in incorporating the acquired business into our organization;

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the potential loss of customers, distributors or suppliers;
adverse effects on our existing business relationships with our advertisers;
difficulties in integrating or expanding information technology systems and other business processes to accommodate the acquired businesses;
risks associated with integrating financial reporting and internal control systems;
the potential for future impairments of goodwill if the acquired business does not perform as expected;
the inability to obtain necessary government approvals for the acquisition, if any; and
successfully operating the acquired business.

If we cannot overcome these challenges, we may not realize actual benefits from past and future acquisitions, which will impair our overall business results. If we complete an investment or acquisition, we may not realize the anticipated benefits from the transaction.

Failure to manage our growth could strain our management, operational and other resources, which could materially and adversely affect our business and growth potential.

We experienced rapid expansion in recent years, which resulted, and will continue to result, in substantial demand on our management resources. To manage our growth, we must develop and improve our existing administrative and operational systems and our financial and management controls, and further expand, train and manage our work force. We also need to incur substantial costs and spend substantial resources in connection with these efforts. We may not have the resources to revamp our systems and controls, recruit or train our personnel, or afford to incur the costs and expenses in order to successfully manage our growth. Failure to manage our growth may materially and adversely affect our business and growth potential.

Future charges due to possible impairments of acquired assets may have a material adverse effect on our financial condition and results of operations.

A portion of our assets is comprised of goodwill and other intangible assets, which may be subject to future impairment that would result in financial statement write-offs. Goodwill and other intangible assets represent approximately 47.3% of our total assets at December 31, 2009. If there is a material change in our business operations or prospects, the value of the intangible assets we have acquired or may acquire in the future could decrease significantly. On an ongoing basis and at least annually, we will evaluate, partially based on discounted expected future cash flows, whether the carrying value of such intangible assets may no longer be recoverable, in which case a charge to earnings may be necessary. Any future determination requiring the write-off of a significant portion of unamortized intangible assets, although not requiring any additional cash outlay, could have a material adverse effect on our financial condition, results of operations and stock price.

We face significant competition for advertising spending from operators of new and traditional advertising networks. If we cannot successfully compete, our results of operations would be materially and adversely affected.

We face competition for general advertising spending from operators of many other forms of advertising networks, such as television, print media, Internet and other types of out-of-home advertising.

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Our success depends on the continuing and increased interest of advertising clients and agencies in in-elevator, outdoor billboard, subway and bus advertising as components of their advertising strategies. Advertisers may elect not to use our services if they believe that the viewing public is not receptive to advertising platforms we offer or that these platforms do not provide sufficient value as effective advertising mediums. If we cannot successfully compete for advertising spending against traditional, Internet and other types of out-of-home advertising, we will be unable to generate sufficient revenues and cash flows to operate our business, and our results of operations could be materially and adversely affected.

For in-elevator and billboard advertising spending, we face competition from different players across different platforms and in different cities where we operate. For our in-elevator advertising platform, we compete primarily against large regional operators and other nationwide operators some of which have substantially more financial resources than we have. For our billboard advertising platform, we compete against mostly local or regional outdoor billboard owners and operators, as the outdoor billboard market in China is largely fragmented. For our transit advertising platform, we compete against other seasoned operators. We compete for advertising spending on these platforms generally on the basis of network coverage, service quality and brand name. If we cannot compete successfully for advertising spending on these platforms, our market share and our results of operations would suffer.

We have a limited operating history which may make it difficult for you to evaluate our business and prospects. SearchMedia International entered the out-of-home advertising market in 2005. Accordingly, we have a limited operating history for our current operations upon which you can evaluate the viability and sustainability of our business and our acceptance by advertisers.

If we fail to develop and maintain relationships with site owners, managers and sublessors that provide us access to desirable locations and network platforms, our growth potential and our business could be harmed.

Our ability to generate revenues from advertising sales depends largely on our ability to provide a large network of our media products across media platforms at desirable locations. The effectiveness of our network also depends on the cooperation of site owners and managers to allow us to install the desired types of frames at the desired spots on their properties and, for in-elevator advertising, to keep the elevators in operation and accessible to the viewing public. To address these needs, we must develop and maintain business relationships with site managers and owners and, for a portion of our network, sublessors that consist primarily of advertising companies. Since the ownership of residential and office buildings is fragmented, maintaining these relationships requires considerable operational resources in terms of contract management and site development and maintenance personnel. If we fail to devote the necessary resources to maintaining these relationships or if we fail to perform our obligations under the existing leases, these lessors and sublessors may terminate their leases with us or not renew them upon expiration. In some cases, we have not maintained good relations and some of our leases have been terminated or may be terminated in the future. In 2009, we did not pay when due lease payment obligations for many of the elevator leases in our Jingli Shanghai elevator operations, which resulted in termination of many of these elevator leases. If a significant number of our elevator leases are terminated and we fail to develop relationships with potential lessors and sublessors of new sites, our business could suffer as a result. As there is a limited supply of billboards at desirable locations and a limited number of subway stations, the termination of a significant number of the leases for billboards and light boxes at subway stations could harm our multi-platform growth and operation strategies and our business and prospects could suffer as a result.

Failures to obtain site owners' consents or objections from site owners to the installations of our media products could lead to termination of our contracts or installations, which would harm our results of operations.

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PRC real estate laws and regulations require that we obtain prior consent of site owners and managers for any commercial use of public areas or facilities of residential properties. We generally enter into display placement agreements with site managers. To comply with PRC real estate laws and regulations, we also need to obtain or urge site managers to obtain prior consent of site owners committees or site owners. In some circumstances, it is difficult to locate site owners. If we enter into an agreement for display placement with a site manager without the consent from the relevant site owners, we could be subject to fines of up to RMB0.2 million (approximately \$29,000) for each site and be required to remove our advertising posters from the affected building. In addition, site owners who object to the installation of poster frames in their buildings may cause site managers to terminate or fail to renew site contracts with us, which would harm our results of operations.

If we are unable to obtain or retain desirable placement locations for our advertising poster frames and outdoor billboards on commercially advantageous terms, our operating margins and earnings could decrease and our results of operations could be materially and adversely affected.

Our cost of revenues consists primarily of operating lease cost of advertising space for displaying advertisements, depreciation of advertisement display equipment, amortization of intangible assets relating to lease agreements and direct staff and material costs associated with production and installation of advertisement content. Our operating lease cost represents a significant portion of our cost of revenues. In 2008 and 2009, our operating lease cost accounted for 84.4% and 82.2%, respectively, of our cost of revenues and 62.0% and 61.0%, respectively, of our total revenues. In the future, we may need to pay higher amounts in order to renew existing leases, obtain new and desirable locations, or secure exclusivity and other favorable terms. If we are unable to secure commercially advantageous terms or pass increased location costs onto our advertising clients through rate increases, our operating margins and earnings could decrease and our results of operations could be materially and adversely affected.

We may not have sufficient liquidity to pay earn-out payments when they come due, which could materially and adversely affect our operations.

We are obligated to pay earn-out payments over the next two to three years in connection with our acquisitions of a number of advertising businesses. We estimate that \$5.9 million is payable within the next twelve months from the date of this Annual Report on Form 10-K and \$17.9 million is payable after the next twelve months and within the next two to three years. We also estimate that more than 50% of the earn-out payable is payable in stock.

Based on the performance of the acquisitions to date and forecast for the rest of the payment period we believe that we currently have sufficient capital to pay the required earn-out payments over the next twelve months. However, due to a variety of factors which cannot presently be ascertained, including without limitation, the amount of working capital that we have available, and the financial performance of both the company and the acquired companies entitled to receive an earn-out payment, we may not have sufficient liquidity to meet our earn-out obligations. If such failure cannot be remedied through renegotiation of the terms of such earn-outs with the acquiring companies or the raising of the required proceeds on reasonable terms, our operations are likely to be adversely and materially impacted.

The shareholders of Jingli Shanghai may have potential conflicts of interest with us.

The shareholders of Jingli Shanghai are also the founders and shareholders of the Company. Conflicts of interests between their dual roles as shareholders of both Jingli Shanghai and the Company may arise. We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of the Company or that any conflict of interest will be resolved in our favor. In addition, these individuals may breach or cause Jingli Shanghai to breach or refuse to renew the existing contractual arrangements that allow us to effectively control Jingli Shanghai and receive economic benefits from it. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of Jingli Shanghai, we would have to rely on legal proceedings, the outcome of which is uncertain and could be disruptive to our business.

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Our business depends substantially on the continuing efforts of our senior executives, and our business may be severely disrupted if we lose their services.

Our future success depends heavily on the continued services of our senior executives and other key employees, their industry expertise, their experience in business operations and sales and marketing, and their working relationships with our advertising clients as well as the site owners, property developers, property management companies, homeowner associations and relevant government authorities that affect the site contracts with us.

We do not have a long history of working with some of these senior executives and key employees. If one or more of our senior executives were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all. If any of our senior executives join a competitor or forms a competing company, we may lose clients, site contracts, key professionals and staff members. We have entered into an employment agreement with each of our executive officers, which agreement contains non-competition provisions. However, if a dispute arises between us and our executive officers, there is no assurance that any of these agreements could be enforced, or to what extent they could be enforced, in China, in light of the uncertainties with China's legal system.

If we are unable to adapt to changing advertising trends of advertisers and consumers, we will not be able to compete effectively and we will be unable to increase or maintain our revenues, which may materially and adversely affect our business prospects and revenues.

The competitive market for out-of-home advertising requires us to continuously identify new advertising trends of advertisers and consumers. In response to these new advertising trends, we may need to quickly develop and adopt new formats, features and enhancements for our advertising network and/or cost-effectively expand into additional advertising media and platforms beyond in-elevator, billboards, and transit platform advertising. We may be required to incur, but may not have the financial resources necessary to fund, development and acquisition costs in order to keep pace with new advertising trends. If we fail to identify or respond adequately to these changing advertising trends, demand for our advertising network and services may decrease and we may not be able to compete effectively or attract advertising clients, which would have a material and adverse effect on our business prospects and revenues.

Our growth could suffer if we fail to expand our media networks to include new media offerings, media platforms or enter into new markets.

Currently, our network primarily consists of in-elevator, outdoor billboard and transit advertising. Our growth strategy includes broadening our service offerings and possibly entering into new advertising markets. It is difficult to predict whether consumers and advertising clients will accept our entry into new media markets or accept the new media products or platforms we may offer. It is also difficult to predict whether we will be able to generate sufficient revenues to offset the costs of entering into these new markets or introducing these new products or new media platforms. We may also have limited or no prior experience working with these new products, platforms or markets. If we fail to expand our media network to include new media products, platforms or markets, our growth could suffer as a result.

If site managers or owners shut down our displays for site maintenance or other reasons, our business could be adversely affected.

Under certain site leasing contracts we entered into with site managers or owners, site managers or owners have the right to shut down our displays with prior written notice if they need to inspect or maintain the sites where we have installed advertising displays, or for other reasons such as facility reconstruction. However, under our contracts with our advertising clients, if these displays are shut down for an extended period of time, we are required to substitute these suspended displays with alternative displays. If we cannot reach an agreement with our clients on the alternative displays, we could be required to refund the advertising fees paid by these clients. If a substantial

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number of our displays are shut down by site managers within a short time period, we may not be able to locate alternative display locations and may incur substantial remedial costs. Our relationships with our advertising clients could also suffer and our financial results could be adversely affected.

Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business.

We regard our copyrights, trademarks, trade secrets and other intellectual property as critical to our success. Unauthorized use of the intellectual property used in our business may adversely affect our business and reputation. We have historically relied on a combination of trademark and copyright law, trade secret protection and restrictions on disclosure to protect our intellectual property rights. We have entered into confidentiality agreements with all our employees. We cannot assure you that these confidentiality agreements will not be breached, or that we will have adequate remedies for any breach.

We are in the process of registering in China the SearchMedia trademark and logo used in our business. We cannot assure you that our trademark application will ultimately proceed to registration or will result in registration with scope adequate for our business. Some of our pending applications or registration may be successfully challenged or invalidated by others. If our trademark application is not successful, we may have to use different marks for affected services or technologies, or enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all.

In addition, monitoring and preventing unauthorized use of our trademarks and other intellectual property is difficult and expensive, and litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations.

We rely on computer software and hardware systems in managing our operations; any failure in these systems could adversely affect our business, financial condition and results of operations.

We are dependent upon our computer software and hardware systems in supporting the sales, scheduling and maintenance of our network. In addition, we rely on our computer hardware for the storage and delivery of the data on our network. Any system failure which causes interruptions to the input and retrieval of data or increases our service time could disrupt our normal network operations. In addition, computer hackers infecting our network with viruses could cause our network to become unavailable. Although we believe that our disaster recovery plan is adequate to handle the failure of our computer software and hardware systems, we cannot assure you that we will be able to effectively carry out this disaster recovery plan or that we would be able to restore our network operations fast enough to avoid a significant disruption to our business. Any failure in our computer software and/or hardware systems could decrease our revenues and harm our relationships with advertisers and target audiences, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We have no business liability, disruption or litigation insurance, and we could incur substantial costs if our business is disrupted due to natural disasters, litigation or other business interruptions.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business liability insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not have any business liability or disruption coverage for our operations in China. All industries are subject to legal claims. As a public company, we are particularly susceptible to securities and derivative lawsuits. These claims may be costly to defend

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and divert the attention of our management and our resources in general. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material effect on our business, financial condition, results of operations or cash flows. Any business disruption or litigation may result in our incurring substantial costs and the diversion of resources.

Our operating results are difficult to predict and may fluctuate from period to period.

Our operating results are difficult to predict and may fluctuate from period to period. Factors that are likely to cause our operating results to fluctuate include:

- our ability to maintain and increase sales to existing advertising clients, attract new advertising clients and satisfy our clients' demands;
- the frequency of our clients' advertisements on our network;
- remaining competitive with the pricing strategies of our competitors;
- effects of strategic alliances, potential acquisitions and other business combinations, and our ability to successfully and timely integrate alliances or acquired businesses into our business;
- changes in government regulations in relation to the advertising industry;
- lower advertising spending immediately following a major holiday season in China; and
- economic and geopolitical conditions in China and elsewhere.

Many of the factors discussed above are beyond our control, making our results difficult to predict from period to period. Although we did not experience significant seasonality in our business, except for generally lower sales in periods immediately following major holiday seasons historically, you should not rely on our operating results for prior periods as an indication of our future results. If our revenues for a particular period are lower than expected, we may be unable to reduce our operating expenses for that period by a corresponding amount, which would harm our operating results for that period relative to our operating results from other periods.

Jieli Network has not started its operation, which could cause Jieli Network to lose its business license.

According to PRC laws and regulations, the relevant PRC registration authorities may revoke a company's business license if such company, absent reasonable cause, has failed to commence operation of its business within six months after its establishment. From the date of Jieli Network's incorporation on January 16, 2008 through the date of this annual report on Form 10-K, Jieli Network has not commenced operations of its business. Jieli Network has not received any notice from the SAIC or relevant PRC registration authorities of any plan to revoke Jieli Network's business license. However, if Jieli Network's business license is revoked, Jieli Network will need to be dissolved, and we must repatriate the capital contributions to an entity outside China. If we are unsuccessful in subsequently contributing the repatriated amount to an entity inside China, the business operation of the Company may be adversely and materially affected.

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Risks Relating to Doing Business in the People's Republic of China

If the PRC government determines that the contractual arrangements that establish the structure for operating our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties.

Applicable PRC laws and regulations currently require any foreign entities that invest in the advertising services industry in China to have at least two years of direct operations in the advertising industry outside of China. We are a Cayman Islands corporation and a foreign legal person under Chinese laws. Before we acquired 100% of the equity interests of Ad-Icon in 2008, we had not directly operated an advertising business outside of China and thus could not qualify for the requirement of minimum two years experience outside China under PRC regulations. Accordingly, our subsidiary, Jieli Consulting, is currently ineligible to apply for the required business license for providing advertising services in China. Therefore, we entered into contractual arrangements with our consolidated variable interest entity in China, Jingli Shanghai, and prior to formation of Jingli Shanghai, we operated our advertising business through Shanghai Sige Advertising and Media Co., Ltd., or Sige, Shenzhen Dale Advertising Co., Ltd., or Dale and Beijing Conghui Advertising Co., Ltd., or Conghui. Jingli Shanghai is currently owned by two PRC citizens, Ms. Qinying Liu and Ms. Le Yang, and holds the requisite business license to provide advertising services in China. Jingli Shanghai and its subsidiaries directly operate a portion of our advertising network, enter into display placement agreements and sell advertising spaces to our clients with respect to certain of our operating subsidiaries. In 2010, Ad-Icon Shanghai, a wholly-owned subsidiary of Ad-Icon, acquired some of Jingli Shanghai's subsidiaries and operates advertising business through such subsidiaries. Before the remaining subsidiaries of Jingli Shanghai are acquired by Ad-Icon Shanghai, we are expected to continue to be dependent on Jingli Shanghai and its subsidiaries to operate a portion of our advertising business. We do not have any equity interest in Jingli Shanghai but receive the economic benefits and assume the economic risks of it through various contractual arrangements and certain corporate governance and shareholder rights arrangements. In addition, we have entered into agreements with Jingli Shanghai and each of the shareholders of Jingli Shanghai which allow us to exert control over Jingli Shanghai.

If we, Jieli Consulting, Jieli Network, Jingli Shanghai or any of our future PRC subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the State Administration for Industry and Commerce, or SAIC, which regulates advertising companies, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of Jingli Shanghai or our PRC subsidiary and other affiliated entities, if any;
- discontinuing or restricting the operations of any transactions among our PRC subsidiary, Jingli Shanghai and its shareholders;
- imposing fines, confiscating the income of Jingli Shanghai or our income, or imposing other requirements with which we or our PRC subsidiary and affiliated entities may not be able to comply;
- requiring us or our PRC subsidiary and affiliated entities to restructure our ownership structure or operations;
- or
- restricting or prohibiting our use of the proceeds of the Business Combination to finance our business and operations in China.

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The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business, and our financial condition and results of operations.

We rely on contractual arrangements with Jingli Shanghai and its shareholders for our China operations, which may not be as effective in providing operational control as would be the case through ownership of a controlling equity interest in such operating entities.

In April 2008, we acquired 100% of the equity interest in Ad-Icon, a Hong Kong company, which operates an outdoor billboard advertising business. In December 2009, Ad-Icon established Ad-Icon Shanghai in China. In 2010, Ad-Icon Shanghai acquired most of the subsidiaries of Jingli Shanghai, but as of the date of filing of this Annual Report on Form 10-K, Ad-Icon Shanghai has not acquired all remaining subsidiaries of Jingli Shanghai. We have relied and expect to continue to rely on contractual arrangements with Jingli Shanghai and its shareholders to operate a portion of our business in China before we complete the acquisition of all subsidiaries of Jingli Shanghai. For a description of these contractual arrangements, see Business Corporate Ownership Structure - Contractual Arrangements with Jingli Shanghai and its Shareholders in this Annual Report on Form 10-K. These contractual arrangements include an equity pledge agreement, under which the shareholders of Jingli Shanghai pledged their equity interests in Jingli Shanghai to Jieli Consulting. Such pledge was duly created by recording the pledge on Jingli Shanghai's register of shareholders in accordance with the PRC Collateral Law. According to the PRC Property Rights Law, effective as of October 1, 2007, the pledge needs to be registered with the relevant local branch of the Shanghai Administration of Industry and Commerce. Jingli Shanghai successfully registered the pledge with the Shanghai Administration of Industry and Commerce Chongming Sub-bureau on February 2, 2009. These contractual arrangements may not be as effective as ownership of a controlling equity interest would be in providing us with control over Jingli Shanghai. Under the current contractual arrangements, as a legal matter, if Jingli Shanghai or any of its shareholders fails to perform their respective obligations under these contractual arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which may not be effective. For example, if the shareholders of Jingli Shanghai were to refuse to transfer their equity interests in Jingli Shanghai to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith towards us, we may have to take legal action to compel them to perform their contractual obligations. In addition, we may not be able to renew these contracts with Jingli Shanghai and/or its shareholders.

In addition, if Jingli Shanghai or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If Jingli Shanghai undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business and our ability to generate revenue.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. The legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our affiliated entity, and our ability to conduct our business may be materially and negatively affected.

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Our affiliated entity may have engaged in business activities without necessary registration with local authorities. This could subject us to fines and other penalties, which could have a material adverse effect on our ability to operate our business.

According to relevant PRC laws, a company that sets up a branch to conduct an advertising business in a location where it is not registered must register with the local branch of the State Administration for Industry and Commerce, or SAIC. Jingli Shanghai (update) currently has registered with the local branches of SAIC in Shanghai, Beijing, Guangzhou, Nanjing, Changchun, Chongqing, Chengdu, Dalian, Xi'an, Jinan, Hangzhou, Qingdao, Wuhan, Changzhou, Fuzhou and Shenzhen, where it has set up its headquarters and branch offices. These penalties may include disgorgement of profits or revocation of Jingli Shanghai's business license. Because of the discretionary nature of regulatory enforcements in the PRC, there can be no assurances that Jingli Shanghai will not be subject to these penalties as a result of violations of the requirement to register with SAIC or its local branches, or that these penalties would not have a material adverse effect on our ability to operate our business.

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures may benefit the overall PRC economy, they may also have a negative effect on us. For example, our business, financial condition and results of operations may be adversely affected by changes in tax regulations or government's control over capital investments and foreign currencies. As the PRC economy is increasingly linked to the global economy, it is affected in various respects by downturns and recessions of major economies around the world, such as the recent financial and economic crises. Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the PRC government continues to exercise significant control over economic growth in China through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and imposing policies that impact particular industries or companies in different ways. Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of investments and expenditures in China, which in turn could lead to a reduction in demand for our services and products and consequently have a material adverse effect on our business and prospects. The various economic and policy measures enacted by the PRC government to forestall economic downturns or shore up the PRC economy may not succeed and our business could be negatively affected as a result.

If advertising registration certificates are not obtained for advertisements on our outdoor billboard or rapid transit networks, we may be subject to fines.

On May 22, 2006, the SAIC amended the Provisions on the Registration Administration of Outdoor Advertisements, or the new outdoor advertisement provisions. Pursuant to the new outdoor advertisement provisions, advertisements placed on posters, digital displays, light boxes, neon lights via outdoor premises, space, facilities, as well as those placed in rapid transit stations are treated as outdoor advertisements and must be registered in accordance with the local SAIC by advertising distributors and advertising registration certificates must be obtained. After review and examination, if an application complies with the requirements, the local SAIC will issue an Outdoor Advertising Registration Certificate for such advertisement. The content, format, specifications, periods and locations of dissemination of the outdoor advertisement must be submitted for filing with the local SAIC.

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We require advertisers to apply for and obtain the registration certificates for their advertisements. If an advertiser displays an advertisement without the requisite registration, the relevant local SAICs may require us to disgorge advertising revenues or may impose fines on us.

Our outdoor billboards, light boxes and neon signs are subject to municipal zoning requirements, governmental approvals and administrative controls. If we are required to tear down our billboards, light boxes or neon signs as a result of these requirements, approvals or controls, our operations could be materially and adversely affected.

Our billboards, light boxes and neon signs are subject to local regulations which may impose detailed requirements regarding municipal zoning requirements and governmental approvals. Each outdoor placement and installation may require a license with specific terms of use. If we, or our lessors or sublessors, violate the terms of the license for the relevant placement and installation for a billboard, light box or neon sign, we could be required to tear it down. We may also be required to tear it down as result of change of municipal zoning requirements or actions taken by local authorities for city beautification, clean-up or other purposes. If we lose a significant number of billboards, light boxes and/or neon signs as a result, our business operations would be materially and adversely impacted. Moreover, if we are unable to perform our advertising contracts as a result of these losses, we may incur remedial costs and our relationships with our advertising clients and financial results could be harmed as a result.

If we were deemed a resident enterprise by PRC tax authorities, we could be subject to tax on our global income and our non-PRC shareholders could be subject to certain PRC taxes.

Under the New PRC Enterprise Tax law effective January 1, 2008, or the EIT law, an enterprise established outside of the PRC with de facto management bodies within the PRC is considered a resident enterprise and will be subject to the EIT at the rate of 25% on its global income. The implementing rules of the EIT law define de facto management as substantial and overall management and control over the production and operations, personnel, accounting, and properties of the enterprise. The State Tax Administration issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals, like our company, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the de facto management body test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. If we were to be considered a resident enterprise by the PRC tax authorities, our global income would be subject to tax under the EIT law at the rate of 25% and, to the extent we were to generate substantial amount of income outside of PRC in the future, we would be subject to additional taxes. In addition, if we were to be considered a resident enterprise, the dividends we pay to our non-PRC enterprise shareholders would be subject to withholding tax and our non-PRC enterprise shareholders would be subject to a 10% income tax on any gains they would realize from the transfer of their shares, if such income were sourced from within the PRC.

As of the date of this Annual Report on Form 10-K, no final interpretations on the implementation of the resident enterprise designation are available for companies such as ours. Moreover, any such designation, when made by PRC tax authorities, will be determined based on the facts and circumstances of individual cases. As a result, we cannot currently determine the likelihood of the Company being designated a resident enterprise.

We principally rely on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries and affiliated entities to make payments to us could have a material adverse effect on our ability to conduct our business.

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We are a holding company and rely principally on payments of service, license and other fees from Jingli Shanghai to Jieli Consulting, one of our subsidiaries in China, and distributions in turn from Jieli Consulting to us to fund our cash and debt service requirements. We also rely on distributions from Ad-Icon Shanghai to us to fund our cash and debt service requirements. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our subsidiaries and consolidated affiliated entities in China are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries and consolidated affiliated entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect our subsidiaries' ability to pay dividends and other distributions to us.

Furthermore, under the previously applicable PRC tax laws and regulations, dividend payments to foreign investors made by foreign-invested enterprises in China, such as Jieli Consulting and Jieli Network, are exempt from PRC withholding tax. Pursuant to the EIT law and the implementing rules that became effective on January 1, 2008, however, dividends payable by a foreign-invested enterprise in China to its foreign investors will be subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. Ad-Icon Company Limited, or Ad-Icon, the direct holder of the 100% equity interest in Ad-Icon Shanghai, is incorporated in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the foreign-invested enterprise). The new tax law provides, however, that qualified dividends distributed between resident enterprises will be exempt from such requirement. If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, the dividends received from Jieli Consulting and Jieli Network would be regarded as dividends distributed between resident enterprises, and thus be exempt from the new EIT withholding tax. If we and Ad-Icon were regarded as PRC resident enterprises, the dividends payable to us from Ad-Icon Shanghai would be exempt from the PRC income tax. If we were regarded as a non-PRC resident enterprise and Ad-Icon were regarded as a PRC resident enterprise, then Ad-Icon would be required to withhold a 10% withholding tax on any dividends payable to us, while if Ad-Icon is regarded as a non-PRC resident enterprise, then Ad-Icon Shanghai would be required to withhold a 5% withholding tax on any dividends payable to Ad-Icon. As the interpretations of the resident enterprise designation are unavailable for companies such as us, and as the designation is determined based on the facts and circumstances of individual cases, we cannot currently provide assurance regarding the likelihood of the Company being designated a resident enterprise and, accordingly, whether the dividends payable to us by our PRC subsidiaries would be subject to the withholding tax under the EIT law.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our subsidiaries and affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws and regulations applicable to wholly foreign-owned enterprises. The PRC legal system is based on statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions

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and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after a violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We may be subject to, and may expend significant resources in defending against, government actions and civil suits based on the content and services we provide through our network.

PRC advertising laws and regulations require advertisers, advertising operators and advertising distributors, including businesses such as ours, to ensure that the content of the advertisements they prepare or distribute are fair and accurate and are in full compliance with applicable law. Violations of these laws or regulations may result in penalties, including fines, confiscation of advertising fees, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In cases involving serious violations, the PRC government may revoke an offender's license for advertising business operations.

As an operator of an advertising medium, we are obligated under PRC law to monitor the advertising content displayed on our network for compliance with applicable law. Although the advertisements displayed on our network may have been previously displayed over public media, we may be required to separately and independently vet these advertisements for content compliance before displaying them on our networks. In addition, for advertising content related to certain types of products and services, such as alcohol, cosmetics, pharmaceuticals and medical procedures, we are required to confirm that the advertisers have obtained requisite government approvals including the advertiser's operating qualifications, proof of quality inspection of the advertised products, government pre-approval of the contents of the advertisement and filings with the local authorities. Previously, we did not strictly abide by these requirements. We have remedied this noncompliance and have, among other things, employed qualified advertising inspectors who are trained to review advertising content for compliance with relevant PRC laws and regulations.

However, there can be no assurances that we will not be penalized for our past noncompliance or that each advertisement provided by an advertising client is in compliance with relevant PRC advertising laws and regulations or that the supporting documentation and government approvals provided by our advertising clients are accurate and complete.

Moreover, civil claims may be filed against us for fraud, defamation, subversion, negligence, copyright or trademark infringement or other violations due to the nature and content of the information displayed on our network. If consumers find the content displayed on our network to be offensive, site managers and owners may seek to hold us responsible for any consumer claims against them or may terminate their relationships with us.

In addition, if the security of our content management system is breached and unauthorized images or text are displayed on our network, viewers or the PRC government may find these images or text to be offensive, which may subject us to civil liability or government censure, and harm our reputation. If our viewers do not believe our content is reliable and accurate, our business model may become less appealing to them and our advertising clients may be less willing to place advertisements on our network. Government censure, investigation or any other government action, or any civil suits against us could divert management time and resources and could have a material and adverse effect on our business, results of operations and financial condition.

Governmental control of currency conversion may materially and adversely affect the value of your investment. Substantial limitations may be imposed on the removal of funds from the PRC to the Company, or the infusion of funds by us to our subsidiaries and affiliates located in the PRC.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries.

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Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our parent, the Company. As dividends from Chinese operations will be the primary source of revenue production for us, failure to be able to receive such dividends could materially and adversely impact the value of your Company shares and could make it impossible for us to meet our cash flow requirements.

On August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular No. 142. Pursuant to Circular No. 142, the RMB fund from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for Documents certifying the purposes of the RMB fund from the settlement of foreign currency capital including a business contract must also be submitted for the settlement of the foreign currency. We used to provide loans to Jingli Shanghai in RMB settled from foreign currency capital of Jieli Consulting and Jieli Network. With the strengthened administration on settlement of foreign currency, these previous loan arrangements may no longer be feasible. If the foreign exchange control system prevents Jingli Shanghai from obtaining sufficient RMB to satisfy its currency demands, the operation of the Company may be materially and adversely affected.

Our subsidiary in Hong Kong, Ad-Icon Company Limited, on December 11, 2009, established Ad-Icon Advertising (Shanghai) Co., Ltd., a wholly-owned subsidiary in China, which is permitted to operate advertising business in China. Through Ad-Icon Shanghai, we can enter into advertising contracts directly with clients and submit those contracts for the purpose of settling foreign currencies. In the meantime, we can submit the business contracts between Jieli Consulting/Jieli Network and Jingli Shanghai for the purpose of settling foreign currencies. According to our PRC counsel to the Company, both alternatives are permissible under PRC laws.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident shareholders or us to penalties and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.

SAFE issued a public notice in October 2005 requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an offshore special purpose vehicle. PRC residents that are shareholders and/or beneficial owners of offshore special purpose companies established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. In addition, any PRC resident that is a shareholder of an offshore special purpose vehicle is required to amend its SAFE registration with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in China or other material changes in share capital. In May 2007, SAFE issued relevant guidance to its local branches with respect to the operational process for SAFE registration, which standardized more specific and stringent supervision on the registration relating to the SAFE notice. We have requested the previous shareholders and/or beneficial owners of SearchMedia International to disclose whether they or their shareholders or beneficial owners fall within the ambit of the SAFE notice and have urged those who are PRC residents to register with the local SAFE branch as required

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under the SAFE notice. The failure of these shareholders and/or beneficial owners to timely amend their SAFE registrations pursuant to the SAFE notice or the failure of future shareholders and/or beneficial owners of the Company who are PRC residents to comply with the registration procedures set forth in the SAFE notice may subject such shareholders, beneficial owners and/or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us or otherwise adversely affect our business. Additional registrations may be required in connection with the acquisition of our shares by existing shareholders.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the business combination to make loans or additional capital contributions to our PRC operating subsidiaries and affiliated entities.

In using the proceeds of the Business Combination as an offshore holding company of our PRC operating subsidiaries and affiliates, we may make loans to our PRC subsidiaries and consolidated affiliates, or we may make additional capital contributions to our PRC subsidiaries. As an offshore holding company of our PRC operating subsidiaries and affiliates, any loans by us to our PRC subsidiaries or consolidated PRC affiliates are subject to PRC regulations and approvals. For example:

loans by us to our wholly-owned subsidiaries in China, each of which is a foreign-invested enterprise, to finance the activities cannot exceed statutory limits and must be registered with SAFE, or its local counterpart; and

loans by us to Jingli Shanghai, which is a domestic PRC entity, may require the approval from the relevant government authorities or registration with SAFE or its local counterpart.

We may also decide to finance our wholly-owned subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. Because Jingli Shanghai is a domestic PRC entity, we are not likely to finance our activities by means of capital contributions due to regulatory issues relating to foreign investment in domestic PRC entities, as well as the licensing and other regulatory issues discussed in the Business Regulatory Matters section of this Annual Report on Form 10-K. There can be no assurances that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or Jingli Shanghai. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Business Combination and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Fluctuation in the value of the Renminbi may have a material adverse effect on your investment.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of foreign currencies. This change in policy caused the Renminbi to appreciate approximately 21.5% against the U.S. dollar over the following three years. Since reaching a high against the U.S. dollar in July 2008, the Renminbi has traded within a narrow band against the U.S. dollar, remaining within 1% of its July 2008 high but never exceeding it. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. It is difficult to predict how long the current situation may last and when and how it may change again.

Substantially all of our revenues and costs are denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. Thus, a resumption of the appreciation of the Renminbi against the U.S.

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dollar would, for instance, further increase our costs in U.S. dollar terms. In addition, as we principally rely on dividends and other distributions paid to us by our subsidiaries and affiliated entities in China, any significant depreciation of the Renminbi against the U.S. dollar may have a material adverse effect on our revenues and financial condition. In addition, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our preferred or ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. Any fluctuation of the exchange rate between the Renminbi and the U.S. dollar could also result in foreign current translation losses for financial reporting purposes.

Any health epidemics and other outbreaks, or war, acts of terrorism and other man -made or natural disasters could severely disrupt our business operations.

Our business could be materially and adversely affected by the outbreak of avian influenza, H1N1 Flu, severe acute respiratory syndrome, or SARS, or another epidemic. In recent years, there have been reports on the occurrences of avian influenza and H1N1 Flu in various parts of China, including a few confirmed human cases and deaths. Any prolonged recurrence of avian influenza, H1N1 Flu, SARS or other adverse public health developments in China could require the temporary closure of our offices or prevent our staff from traveling to our clients' offices to sell our services or provide on site services. Such closures could severely disrupt our business operations and adversely affect our results of operations.

Our operations are vulnerable to interruption and damage from natural and other types of disasters, including snowstorms, earthquakes, fire, floods, environmental accidents, power loss, communications failures and similar events. If any disaster were to occur in the future, our ability to operate our business could be materially impaired.

We are a Cayman Islands company and, because the rights of shareholders under Cayman Islands law differ from those under U.S. law, you may have fewer protections as a shareholder.

The company's conduct of its corporate affairs will be governed by its Memorandum and Articles of Association, and the Company is subject at all times to the Companies Law (2010 Revision) of the Cayman Islands. The rights of shareholders to take action against the directors, the rights of minority shareholders and the fiduciary duties of the directors under Cayman Islands law are governed by the Companies Law (2010 Revision) and/or common law principles derived from cases in the Cayman Islands and in the courts of England (English case law is not binding but is considered persuasive in the courts of the Cayman Islands). The rights of shareholders and the fiduciary duties of directors under Cayman Islands law differ from those established under statutes or judicial precedent in some jurisdictions in the United States. Additionally, the removal of a director from our Board, even for cause, may in certain circumstances require the approval of our shareholders. Also, the Cayman Islands has a less developed body of securities law compared to the United States and less developed or judicially interpreted bodies of corporate law compared to many U.S. states, including Delaware.

Our Board of Directors is subject to potential deadlock.

Pursuant to the share exchange agreement and Business Combination, we entered into a voting agreement with China Seed Ventures, L.P., Qinyng Liu, Le Yang, Vervain Equity Investment Limited, Sun Hing Associates Limited, and Linden Ventures, each a previous SearchMedia International shareholder or warrant holder, and Frost Gamma Investments Trust, Robert Fried, Rao Uppaluri, Steven Rubin and Jane Hsiao, each a previous Ideation shareholder, which provides, among other things, that, for a period which commenced on October 30, 2009 and ends on October 30, 2012, each party to the voting agreement will agree to vote in favor of the director nominees nominated by the Ideation representative and the SearchMedia International representatives as provided in the share exchange agreement. Following the resignation of Dr. Lu, our board of directors consists of seven members. Under the terms of the voting agreement, the SearchMedia International representatives have the right to fill the vacancy resulting from Dr. Lu's resignation, at which time our board of directors will consist of eight members. Under our Articles of Association, approval by a majority of the directors is required for many significant corporate actions. There are no mechanisms in the voting agreement or our Articles of Association which provide a mechanism to resolve a board deadlock. It is possible that our Board of Directors may be unable to obtain majority approval in certain

circumstances, which would prevent us from taking actions that may be important to our business and operations.

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As a foreign private issuer, we will be exempt from certain SEC requirements that provide stockholders with protections and information that must be made available to stockholders of U.S. public companies.

On June 30, 2010, we became a foreign private issuer, which reduces the reporting requirements under the Exchange Act, resulting in fewer costs associated with financial and reporting compliance. For example, as a foreign private issuer we will be exempt from certain provisions applicable to U.S. public companies, including:

the rules requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations with respect to a security registered under the Exchange Act;

provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material non-public information; and

the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any short swing trading transactions, or a purchase and sale, or a sale and purchase, of the issuer's equity securities within less than six months.

As a foreign private issuer, we will file an annual report on Form 20-F within six months of the close of fiscal year 2010, and within four months of each fiscal year beginning with fiscal year 2011, and reports on Form 6-K relating to certain material events promptly after we publicly announces these events. However, because of the foregoing filing exemptions, our shareholders will not be afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

Because we do not intend to pay dividends on our ordinary shares for the foreseeable future, stockholders will benefit from an investment in our ordinary shares only if those shares appreciate in value.

We currently intend to retain all future earnings, if any, for use in the operations and expansion of the business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend on factors our board of directors deem relevant, including, among others, our results of operations, financial condition and cash requirements, business prospects, the terms of our credit facilities, if any, and any other financing arrangements. Accordingly, realization of a gain on stockholders' investments will depend on the appreciation of the price of our ordinary shares, and there is no guarantee that our ordinary shares will appreciate in value.

Voting control by executive officers, directors and other affiliates of the company may limit your ability to influence the outcome of director elections and other matters requiring shareholder approval.

The executive officers, directors and other affiliates of the Company own over 38% of our voting shares. These shareholders can control substantially all matters requiring approval by our shareholders, including the election of directors and the approval of other business transactions. This concentration of ownership could have the effect of delaying or preventing a change in control of the Company or discouraging a potential acquirer from attempting to

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obtain control of the Company, which in turn could have a material adverse effect on the market price of ordinary shares or prevent our shareholders from realizing a premium over the market price for their ordinary shares.

The NYSE Amex may delist our securities from quotation on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

If the NYSE Amex delists our securities from trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a reduced liquidity with respect to our securities;
- a determination that our common stock is a penny stock which will require brokers trading in our common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for the company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

On April 22, 2010, we received a written notice from the NYSE Amex indicating that we were not in compliance with the NYSE Amex's continued listing criteria set forth in Sections 134 and 1101 of the NYSE Amex Company Guide because we did not timely file our Annual Report on Form 10-K for the year ended December 31, 2009. On May 25, 2010, we received an additional written notice from NYSE Amex indicating that we were not in compliance with the NYSE Amex's continued listing criteria set forth in Sections 134 and 1101 of the NYSE Amex Company Guide because we did not timely file our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. The NYSE Amex has approved our plan of compliance, as revised, and has granted us an extension until October 29, 2010 to file our Annual Report on Form 10-K for the year ended December 31, 2009 and until December 15, 2010 to file our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. We cannot provide you assurance that we file our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 by December 15, 2010 and, as a result, we may not maintain our listing on the NYSE Amex.

A significant number of shares will become eligible for future sale by our stockholders and the sale of those shares could adversely affect the stock price.

A significant number of our outstanding shares of common stock will become eligible for resale beginning October 30, 2010, as a result of the expiration of lock up provisions on resale. If our stockholders whose shares are, or hereafter become eligible for resale, sell or attempt to sell their stock in the public market, the trading price of our common stock could decline.

There is a risk that we could be treated as a U.S. domestic corporation for U.S. federal income tax purposes after the Business Combination, which could result in significantly greater U.S. federal income tax liability to us.

Section 7874(b) of the Code generally provides that a corporation organized outside the United States which acquires, directly or indirectly, pursuant to a plan or series of related transactions substantially all of the assets of a corporation organized in the United States will be treated as a domestic corporation for U.S. federal income tax purposes if shareholders of the acquired corporation, by reason of owning shares of the acquired corporation, own at least 80% (of either the voting power or the value) of the stock of the acquiring corporation after the acquisition. If Section 7874(b) were to apply to the conversion, then we, as the surviving entity, would be subject to U.S.

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federal income tax on its worldwide taxable income following the Business Combination as if we were a domestic corporation.

Although Section 7874(b) should not apply to treat us as a domestic corporation for U.S. federal income tax purposes because the Business Combination should be treated as part of the same transaction and, therefore, this 80% threshold was not reached, due to the absence of full guidance on how the rules of Section 7874(b) will apply to the transactions contemplated by the Business Combination, this result is not entirely free from doubt. As a result, stockholders and warrant holders are urged to consult their own tax advisors on this issue. We intend to take the position that we are a foreign corporation for U.S. federal income tax purposes. The immediately following two risk factors assume that we will be treated as a foreign corporation for U.S. federal income tax purposes.

There is a risk that we will be classified as a passive foreign investment company, or PFIC, which could result in adverse U.S. federal income tax consequences to U.S. holders of ordinary shares or warrants of SearchMedia.

We will be treated as a PFIC for any taxable year in which either (1) at least 75% of its gross income (looking through certain corporate subsidiaries) is passive income or (2) at least 50% of the average value of its assets (looking through certain corporate subsidiaries) produce, or are held for the production of, passive income. Passive income generally includes dividends, interest, rents, royalties, and gains from the disposition of passive assets. If we were a PFIC for any taxable year during which a U.S. holder held our ordinary shares or warrants, the U.S. holder may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements.

Based on the expected composition of the assets and income of the Company and our subsidiaries after the Business Combination, it is not anticipated that we will be treated as a PFIC following the Business Combination. The actual PFIC status of the Company for any taxable year, however, will not be determinable until the conclusion of our taxable year, and accordingly there can be no assurance as to the status of the Company as a PFIC for the current taxable year or any future taxable year. U.S. holders of our securities are urged to consult their own tax advisors regarding the possible application of the PFIC rules.

If you acquire (directly, indirectly, or constructively) 10% or more of our shares, you may be subject to taxation under the controlled foreign corporation, or CFC rules.

Each 10% U.S. Shareholder of a foreign corporation that is a CFC for an uninterrupted period of 30 days or more during a taxable year, and that owns shares in the CFC directly or indirectly through foreign entities on the last day of the CFC's taxable year, must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's subpart F income, even if the subpart F income is not distributed. In addition, if a person that is or was a 10% U.S. Shareholder of a CFC during the 5-year period ending on the date on which such person sells or exchanges shares of stock of such corporation recognizes gain such a sale or such person as a dividend to the extent of earnings and profits of the corporation attributable to such stock that were accumulated while such person held the stock while the corporation was a CFC. After 2010, dividends may be taxed at higher rates than long-term capital gains. A foreign corporation is considered a CFC if 10% U.S. Shareholders own more than 50% of the total combined voting power of all classes of voting stock of the foreign corporation, or the total value of all stock of the corporation. A 10% U.S. Shareholder is a U.S. person, as defined in the Internal Revenue Code, that owns at least 10% of the total combined voting power of all classes of stock entitled to vote of the foreign corporation. For purposes of determining whether a corporation is a CFC, and therefore whether the more-than-50% and 10% ownership tests have been satisfied, shares owned includes shares owned directly or indirectly through foreign entities or shares considered owned under constructive ownership rules. The attribution rules are complicated and depend on the particular facts relating to each investor. U.S. holders are urged to consult their own tax advisors regarding the possible application of the CFC rules.

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Risks Relating to Our Stockholders and Warrantholders

We may choose to redeem our outstanding warrants at a time that is disadvantageous to the warrant holders, preventing such holders from realizing the potential economic value of their warrants.

Subject to there being a current prospectus under the Securities Act, we may redeem all of the currently outstanding warrants at any time after they become exercisable at a price of \$0.01 per warrant, upon a minimum of 30 days prior written notice of redemption, if and only if, the last sale price of our ordinary shares equals or exceeds \$11.50 per share for any 20 trading days within a 30-trading-day period ending three business days before we send the notice of redemption. Calling all of such warrants for redemption could force the warrant holders to:

- exercise the warrants and pay the exercise price for such warrants at a time when it may be disadvantageous for the holders to do so;
- sell the warrants at the then-current market price when they might otherwise wish to hold the warrants; or
- accept the nominal redemption price which, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants.

Our warrant holders may not be able to exercise their warrants, which may significantly reduce their economic value and create liability for us.

Holders of our warrants will be able to receive shares upon exercise of the warrants only if:

- a current registration statement under the Securities Act relating to the ordinary shares underlying the warrants is then effective; and
- such shares are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the various holders of warrants reside.

Although we have agreed to use our best efforts to maintain a current registration statement covering the shares underlying the warrants to the extent required by federal securities laws, we cannot assure that we will be able to do so. In addition, some states may not permit us to register the shares issuable upon exercise of our warrants for sale. The value of the warrants will be greatly reduced if a registration statement covering the shares issuable upon the exercise of the warrants is not kept current or if the securities are not qualified, or exempt from qualification, in the states in which the holders of warrants reside. We have agreed to qualify for sale the common stock underlying our warrants in each state in which the units issued in the Ideation IPO were initially offered. However we did not agree to qualify such securities in any other state.

We believe that the holders of warrants who reside in California, Colorado, Florida, Illinois, Louisiana, New Jersey, New York, Ohio, Pennsylvania and Texas will be able to exercise their warrants freely. Additionally, holders of warrants who reside in Connecticut, Georgia, Maryland, Missouri and North Carolina will be able to exercise their warrants, provided that we do not pay any commission or other remuneration (other than a standby commission) directly or indirectly for soliciting any security holder in the respective state. Holders of warrants who reside in jurisdictions in which the shares underlying the warrants are not qualified and in which there is no exemption will be unable to exercise their warrants and would either have to sell their warrants in the open market or allow them to expire unexercised, which could result in the filing of claims against and other losses for us.

Table of Contents**PART II****ITEM 9B. OTHER INFORMATION.**

On October 29, 2010, the roles and responsibilities of Jennifer Huang were changed from Chief Operating Officer to Director of Business Development.

On October 29, 2010, Dr. Lu resigned as a member of our board of directors.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.****Directors**

The following table sets forth the names and ages of our directors, each of whom has served as a director since the Business Combination.

Name	Age
Robert Fried	51
Qinying Liu	48
Steven D. Rubin	50
Earl Yen	43
Jianzhong Qu	35
Glenn Halpryn	50
Chi-Chuan Chen	52

The following additional information is provided for each of the directors listed above.

Mr. Robert Fried has served as Co-Chairman of the Board of Directors since the Business Combination in October 2009. Mr. Fried served as the President and Chief Executive Officer and a member of the board of directors of Ideation from November 2007 to October 2009. Mr. Fried is a digital media entrepreneur and accomplished film producer. Since 1990, Mr. Fried has served as President of Fried Films, a motion picture production company he founded in 1990. Mr. Fried has produced or served as executive producer for 15 films, including Rudy, The Boondock Saints, Man of the Year and Collateral. Mr. Fried won an Academy Award for the Live Action Short Film Session Man. Mr. Fried has founded several digital media companies including Spirit EMX, parent of spiritclips.com, a popular internet-based inspirational content company for which Mr. Fried presently serves as CEO; and WhatsHotNow.com, for which Mr. Fried served as Chief Executive Officer from July 1999 until June 2001. From December 1994 until June 1996, Mr. Fried was President and Chief Executive Officer of Savoy Pictures, a unit of Savoy Pictures Entertainment, Inc. Savoy Pictures Entertainment was sold to Silver King Communications, which is now a part of InterActive Corp, in 1996. From 1983 to 1990, Mr. Fried held several executive positions including Executive Vice President in charge of Production for Columbia Pictures,

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Director of Film Finance and Special Projects for Columbia Pictures and Director of Business Development at Twentieth Century Fox. Mr. Fried holds an M.S. from Cornell University and an M.B.A. from the Columbia University Graduate School of Business.

Mr. Fried brings entrepreneurial, leadership and digital media experience to the board of directors. Mr. Fried's experience as an executive producer and executive officer in media related industries provides broad understanding and expertise that strengthens the board of directors' collective knowledge, capabilities and experience.

Ms. Qinying Liu has served as Co-Chairmen of the Board of Directors since the Business Combination in October 2009. Ms. Liu is a co-founder of Jieli Consulting and previously served as the chairman of SearchMedia International. She has also been the general manager of Shanghai Lifang Trading Co., Ltd since 2004, a Chinese trading company. Before the founding of Jieli Consulting, she was chairman of Sige from 2004 to November 2007 and Shanghai Qinjun from 2003 to June 2008. She also served as chief representative of the Shanghai Office of GETA Company, a Germany special power tools manufactory from 1993 to 2000. Ms. Liu received her master's degree in media and communication from Renmin University of China. She obtained her bachelor's degree in chemistry from East China University of Science and Technology.

Ms. Liu brings multi-platform media industry experience to the board of directors. Ms. Liu is also a founder of SearchMedia International.

Mr. Steven D. Rubin has served as a member of the Board of Directors since the Business Combination in October 2009. Mr. Rubin served as the Secretary of Ideation from June 2007 to October 2009. Mr. Rubin has served as Executive Vice President-Administration and as a director of Opko Health, Inc. since March 2007. He is also a member of The Frost Group. Mr. Rubin served as the Senior Vice President, General Counsel and Secretary of IVAX Corporation from August 2001 until September 2006. Before joining IVAX, from January 2000 to August 2001, Mr. Rubin served as the Senior Vice President, General Counsel and Secretary of privately-held Telergy, Inc., a provider of business telecommunications and diverse optical network solutions. He was with the Miami law firm of Stearns Weaver Miller Weissler Alhadeff & Sitterson from 1986 until 2000, in the Corporate and Securities Department. Mr. Rubin was a shareholder of that firm from 1991 until 2000 and a director from 1998 until 2000. Mr. Rubin currently serves on the board of directors of Dreams, Inc., a vertically-integrated sports products company, PROLOR Biotech, Inc., a development stage biopharmaceutical company, SafeStitch Medical, Inc., a medical device company, Kidville, Inc., which operates upscale learning and play facilities children, Non-Invasive Monitoring Systems, Inc., a medical device company, Cardo Medical, Inc., a producer and distributor of orthopedic and spinal medical devices, Neovasc, Inc., a company developing and marketing medical specialty vascular devices, and Castle Brands, Inc., a NYSE Amex-listed developer and marketer of premium brand spirits. Mr. Rubin holds a B.A. in Economics from Tulane University and a J.D. from the University of Florida.

Mr. Rubin brings leadership, business and legal experience to the board of directors. Mr. Rubin has advised companies in several aspects of business, transactional, and legal affairs for more than 23 years. His experience as a practicing lawyer, general counsel, and board member to multiple public companies has given him broad understanding and expertise, particularly relating to strategic planning and acquisitions.

Mr. Earl Yen has served as a member of the Board of Directors since the Business Combination in October 2009. Mr. Yen previously served as the vice chairman of the board of SearchMedia International. He is the founder and managing director of CSV Capital Partners, a China-focused private equity firm he co-founded in 2004. He currently also serves on the boards of CDP Group, Tidalwave Technology, and Woodcycling. Prior to founding CSV, Mr. Yen was an investment banker with Citigroup from 2002 to 2004, and with Bear Stearns from 1988 to 1991 and 1994 to 2000. He previously worked at HarbourVest Partners, an alternative investment management firm, from 1991 to 1994. Mr. Yen received a master's degree in management science from the MIT Sloan School of Management and bachelor's degrees in electrical engineering and management from the Massachusetts Institute of Technology.

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Mr. Yen brings investment banking experience to the board of directors. Mr. Yen's experience as a board member to multiple companies and his financial background provide knowledge and experience to the board of directors.

Mr. Jianzhong Qu has served as a member of the Board of Directors since the Business Combination in October 2009. He is a principal of CSV Capital Partners, where he has worked since 2005 and is responsible for sourcing and managing private equity investments in the technology, media, retail, services, and telecommunications sectors of China. He currently also serves as a director of Imagine Games. From 1997 to 1999, Mr. Qu worked as an engineer at the Department of Engineering of Shanghai Posts and Telecommunications Administration. Mr. Qu holds a Master in Operations Research from Georgia Institute of Technology and a Bachelor in Engineer from Shanghai Jiaotong University.

Mr. Qu brings financial knowledge to the board of directors. Mr. Qu's experience in media and other related industries allows him to bring strategic insight to the board of directors.

Mr. Glenn Halpryn has served as a member of the Board of Directors since the Business Combination in October 2009 and served as a director of Ideation from December 2008 to October 2009. Since August 2010, Mr. Halpryn has served as a Director of ChromaDex Corporation, a public company that along with its subsidiaries supply phytochemical reference standards and reference materials, related contract services, and products for the dietary supplement, nutraceutical, food and beverage, functional food, pharmaceutical and cosmetic markets. Mr. Halpryn serves as Chairman of the Nominating and Corporate Governance Committee and has served on the Audit Committee of ChromaDex Corporation since May 2010. Since April 2010, Mr. Halpryn has served as a Director of CDSI Holdings, Inc., a public shell company seeking new business opportunities. Mr. Halpryn has been the Chief Executive Officer and a Director of Transworld Investment Corporation, a private investment company, since June 2001. Mr. Halpryn also currently serves as a Director of Sorrento Therapeutics, a biopharmaceutical company and Castle Brands Inc., a developer and international marketer of premium branded spirits. From September 2008 until May 2010, Mr. Halpryn served as a Director of Winston Pharmaceuticals, Inc., a pharmaceutical company specializing in skin creams and pain medications. From October 2002 to September 2008, Mr. Halpryn served as a Director of Ivax Diagnostics, Inc. Mr. Halpryn served as Chairman of the Board of Directors and Chief Executive Officer of Orthodontix, Inc. (now Protalix Bio Therapeutics, Inc.) from April 2001 to December 2006. From April 1988 to June 1998, Mr. Halpryn was Vice Chairman of Central Bank, a Florida state-chartered bank. Since June 1987, Mr. Halpryn has been the President of and a beneficial holder of stock of United Security Corporation, a broker-dealer registered with FINRA.

Mr. Halpryn brings leadership and business experience to the board of directors. Mr. Halpryn has advised companies in several aspects of business and transactional affairs. His experience as a board member to multiple public companies has given him broad understanding and expertise.

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Mr. Chi-Chuan (Frank) Chen has served as a member of the Board of Directors since the Business Combination in October 2009. Mr. Chen is a Vice President and Special Assistant to the Chief Executive Officer at Ruentex Group. He has served in the Investment Management Department at Ruentex Group since 1987. Mr. Chen holds a B.S. in chemical engineering and an MBA from National Taiwan University.

Mr. Chen brings investment management experience to the board of directors. Mr. Chen's 23 years of experience in the investment management department of Ruentex Group provides broad knowledge, experience and insights to the board of directors.

Executive Officers

The following individuals are our current executive officers.

Name	Age	Position
Paul Conway	40	Chief Executive Officer
Wilfred Chow	44	Chief Financial Officer
Garbo Lee	53	President

All officers serve until they resign or are replaced or renamed at the discretion of the Board of Directors.

The following additional information is provided for our current executive officers.

Paul Conway has served as our Chief Executive Officer since February 2010. From 1998 through January 2010, Mr. Conway worked at Oppenheimer & Co., Inc., where he served as Managing Director of Media Investment Banking from January 2009 to January 2010, as Executive Director of Media Investment Banking from January 2006 to January 2009, and as Director of Media Investment Banking from January 2003 to January 2006.

Mr. Wilfred Chow has served as our Chief Financial Officer since January 2010. From April 2006 through December 2009, Mr. Chow was Senior Vice President of American Oriental Bioengineering, a pharmaceutical company, and from January 2005 through March 2006, Mr. Chow was a financial consultant with PriceWaterhouseCoopers.

Ms. Garbo Lee has served as our President since the Business Combination in October 2009. Ms. Lee served as the president of SearchMedia International from March 2009 to October 2009. Prior to that, she was the chief operating officer of SearchMedia International. Ms. Lee has over 24 years of experience in the advertising industry. Prior to joining SearchMedia International, Ms. Lee was a general manager of Sony BMG Music Entertainment (PRC) Inc., a Chinese music marketing and distribution company under Sony BMG Music Entertainment, a global recorded music joint venture headquartered in the New York City, from 2005 to 2007. She served as general manager of Coming Age Communication Co. Ltd., a China-based integrated marketing company, from 2002 to 2004. From 2000 to 2002, she worked as managing director and vice president of Doyle Dane Bernbach (DDB) Shanghai, an advertising and integrated marketing company under Omnicom Group in China. From 1984 to 2000, Ms. Lee worked for various companies under WPP Group. Ms. Lee received her bachelor's degree in arts from International Christian University in Tokyo, Japan.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires certain of our officers, directors and persons who beneficially own more than ten percent of our Common Stock to file with the Securities and Exchange Commission and the NYSE Amex initial reports of beneficial ownership of the Common Stock on Form 3 and reports of changes in beneficial ownership of the Common Stock on Form 4 or Form 5. Such persons are also required to furnish us with copies of all such reports filed. Based solely on our review of Forms 3, 4 and 5 and amendments thereto furnished to us, as well as any written representations furnished to us that no other reports were required, we believe that, during Fiscal 2009, all Section 16(a) filing requirements applicable to such persons were timely filed, except that (i) Deutsche Bank AG, a ten percent stockholder, filed one report on Form 3 late, representing its initial statement of beneficial ownership occurring in October 2009, (ii) Phillip Frost MD ET AL, a ten percent stockholder, filed two reports on Form 4 late, representing four transactions occurring in June 2009 and one transaction occurring in October 2009, (iii) Glenn Halpryn, a director, filed one report on Form 4 late and subsequently amended the report on Form 4/A representing one transaction occurring in October 2009, and (iv) David Moskowitz, a director, filed one report on Form 4 late, representing five transactions occurring in April 2009.

Code of Ethics

We have adopted a Code of Ethics applicable to our directors, officers and employees including our Chief Executive Officer, Chief Financial Officer and principal accounting officer. A copy of our Code of Ethics is available on our website at www.searchmediaholdings.com. We intend to post amendments to or waivers from our Code of Ethics (to the extent applicable to our Chief Executive Officer, Chief Financial Officer or principal accounting officer or to our directors) on our website. Our website is not part of this Annual Report on Form 10-K.

Audit Committee Members and Financial Expert

The Board of Directors has established an Audit Committee. The Audit Committee currently consists of Glenn Halpryn (Chair) and Chi-Chuan Chen. The Board of Directors has determined that Mr. Halpryn meets the attributes of an audit committee financial expert within the meaning of SEC regulations and is independent within the meaning of the listing standards of NYSE Amex and applicable SEC regulations. Xiaoming Lu served on the Audit Committee from December 2009 to August 2010.

ITEM 11. EXECUTIVE COMPENSATION.

Compensation of Named Executive Officers

Summary Compensation Table

The following table sets forth certain summary information concerning compensation paid or accrued by us to or on behalf of the executive officers listed below (the Named Executive Officers) for the fiscal years ended December 31, 2009 and 2008. Our current Chief Executive Officer, Paul Conway, began serving in that capacity in February 2010 and was not employed by us during Fiscal 2009. Our current Chief Financial Officer, Wilfred Chow, began serving in that capacity in January 2010 and was not employed by us during Fiscal 2009.

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Name and Principal Position	Fiscal Year	Nonqualified Non-Equity Deferred Compensation							Total
		Salary	Bonus	Stock Awards (4)	Option Award (4)	Incentive Compensation	Earnings Compensation	All Other Compensation	
Garbo Lee, President (1)	2009	\$106,615	\$	\$22,800	\$	\$	\$	\$	\$129,415
	2008	\$122,891	\$	\$	\$600	\$	\$	\$	\$123,491
Jennifer Huang, Former Chief Operating Officer and Acting Chief Financial Officer (2)	2009	\$120,088	\$	\$44,080	\$	\$	\$	\$	\$164,168
	2008	\$93,765	\$	\$76,800	\$	\$	\$	\$	\$170,565
Robert N. Fried, Former Chief Executive Officer of Ideation (3) (5)	2009	\$	\$	\$	\$	\$	\$	\$12,500 ⁽⁵⁾	\$12,500
	2008	\$	\$	\$	\$	\$	\$	\$	\$

(1) From March 2009 to October 30, 2009, prior to our merger, Ms. Lee served as President of SearchMedia International. Immediately after the merger, Ms. Lee served as President of the post-merger company. While serving as President of SearchMedia International in 2009, Ms. Lee was paid a salary of RMB 70,000 per month.

(2) From April 2008 to July 2009,

Ms. Huang served as the Chief Financial Officer of SearchMedia International. From July 2009 to October 30, 2009, prior to our merger, Ms. Huang served as the Chief Operating Officer of SearchMedia International. Immediately after the merger, Ms. Huang served as Chief Operating Officer. While serving as Chief Operating Officer of SearchMedia International in 2009, Ms. Huang was paid a salary of RMB 75,000 per month. Ms. Huang served as acting Chief Financial Officer from October 2009 to January 2010, as Chief Operating Officer from October 2009 to October 2010, and currently serves as Director of Business Development.

- (3) Mr. Fried served as Chief Executive

Officer of
Ideation from
November 2007
until the
Business
Combination.

(4) Computed in
accordance with
FASB ASC
Topic 718.

(5) Represents fees
paid in
connection with
a consulting
agreement
between
SearchMedia
Holdings and
Mr. Fried
effective
November 1,
2009.

Employment Agreements with Executive Officers

SearchMedia Holdings has agreements with certain executive officers. The employment agreements for Paul Conway and Wilfred Chow are described below. SearchMedia Holdings entered into labor contracts with Garbo Lee and Jennifer Huang pursuant to PRC law.

Paul Conway

Effective February 1, 2010, SearchMedia Holdings and Mr. Paul Conway entered into the executive employment agreement pursuant to which Mr. Conway will serve as the Chief Executive Officer. The term of the agreement is for three years and the agreement will be automatically extended for successive one-year terms unless either party gives written notice to the other party to terminate the agreement. The Company also agreed to appoint Mr. Conway to the board of directors prior to February 1, 2011.

Pursuant to the agreement, Mr. Conway will receive an annual salary of US \$250,000, subject to annual review by the board of directors. Mr. Conway is also entitled to expense reimbursement of up to US \$50,000 for certain

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expenses related to, among other things, relocation, housing, education and insurance. On February 1, 2010, Mr. Conway was granted (i) options to purchase 250,000 shares of common stock, the initial option grant, which vest one-third annually on the anniversary of the date of grant, with an exercise price equal to the Company's closing price on the date of grant, and (ii) 100,000 restricted shares, the initial restricted share grant, which vest on the three-year anniversary of the date of grant.

In the event SearchMedia Holdings terminates Mr. Conway without cause or Mr. Conway terminates his employment for good reason (as described in the agreement), (i) Mr. Conway will receive salary continuation equal to six months salary if such termination occurred prior to February 1, 2011, salary continuation equal to nine months salary and the vesting of 33,333 restricted shares from the initial restricted share grant if such termination occurs between February 1, 2011 and February 1, 2012, and salary continuation equal to nine months salary and the vesting of 66,666 restricted shares from the initial restricted share grant if such termination occurs after February 1, 2012, and (ii) those options in the initial option grant that would have vested during the applicable severance period shall vest and be exercisable.

The agreement also contains other customary provisions, including provisions relating to non-solicitation, non-compete, confidentiality and compliance with Sections 409A and 457A of the Internal Revenue Code. In addition, pursuant to the terms of the agreement, upon the occurrence of a change in control (as defined in the agreement), all unvested options from the initial grant and unvested restricted shares from the initial restricted share grant will become vested and fully exercisable.

Wilfred Chow

Effective January 4, 2010, SearchMedia Holdings and Mr. Wilfred Chow entered into the executive employment agreement pursuant to which Mr. Chow will serve as the Chief Financial Officer of the Company. Pursuant to the agreement, Mr. Chow will receive an annual salary of US \$200,000, subject to annual review by the board of directors. Mr. Chow is also entitled to expense reimbursement of up to US \$25,000 for certain expenses related to, among other things, relocation, housing, education and insurance. On January 4, 2010, Mr. Chow was granted options to purchase 225,000 shares of common stock, the initial grant, which vest one-third annually on the anniversary of the date of grant, with an exercise price at the closing price on the date of grant. The term of the agreement is for three years and the agreement will be automatically extended for successive one-year terms unless either party gives written notice to the other party to terminate the agreement no less than 60 days, and no more than 120 days prior, to the expiration of the then-current term. On August 20, 2010, Mr. Chow agreed to cancel his January 4, 2010 grant and, upon cancellation, Mr. Chow was issued an option to purchase 225,000 shares of common stock, which vest one-third annually on January 4, 2011, January 4, 2012 and January 4, 2013, with an exercise price at the closing price on August 20, 2010. The Compensation Committee approved a \$50,000 cash bonus to Mr. Chow upon completion of the Company's 2009 audit and filing of Form 10-K, which shall be payable if Mr. Chow remains employed with the Company on December 31, 2010.

In the event the Company terminates Mr. Chow without cause or Mr. Chow terminates his employment for good reason (as described in the agreement), (i) Mr. Chow would receive severance equal to three months salary if such termination occurred in his first year of employment and severance equal to six months salary if such termination occurred after his first year of employment, and (ii) those options in the initial grant that would have vested during the applicable severance period shall vest and be exercisable.

The agreement also contains other customary provisions, including provisions relating to non-solicitation, non-compete, confidentiality and compliance with Sections 409A and 457A of the Internal Revenue Code. In addition, pursuant to the terms of the agreement, upon the occurrence of a change in control (as defined in the agreement), all unvested options from the initial grant will become vested and fully exercisable.

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Garbo Lee

Effective December 7, 2007, Jieli Consulting and Ms. Lee entered into the executive employment agreement pursuant to which Ms. Lee served as the Chief Operating Officer and received a monthly salary of RMB 45,000 and a monthly housing allowance of up to RMB 25,000. Effective December 12, 2009, upon the expiration of the Jieli Consulting employment agreement, Ad-Icon Shanghai and Ms. Lee entered into the executive employment agreement pursuant to which Ms. Lee served as the President and received a monthly salary of RMB 45,000 and was also entitled to housing allowance of up to RMB 25,000. On January 11, 2010, the salary for Ms. Lee was adjusted upwards by the Compensation Committee to RMB 85,000 per month. Effective September 1, 2010, Ms. Lee's compensation was adjusted to a monthly salary of RMB 15,000, and certain allowances of RMB 30,000 per month.

The Compensation Committee also granted 20,000 stock options to Ms. Lee with an exercise price of SearchMedia Holdings' closing stock price on January 11, 2010. The stock options vest one-third annually beginning on January 11, 2011 and expire January 11, 2020.

Ms. Lee may dissolve her employment agreement provided that Ms. Lee informs us in written form 30 days in advance. We may terminate Ms. Lee's employment for cause, at any time, without remuneration, for certain acts, including but not limited to, a conviction or plea of guilty to criminal offences, negligent or dishonest acts caused to our detriment, or misconduct or a failure to perform agreed duties. Ms. Lee also entered into a confidentiality agreement and non-compete agreement.

Jennifer Huang

Ms. Jennifer Huang currently serves as Director of Business Development. Ms. Jennifer Huang served as our Chief Operating Officer from the Business Combination in October 2009 until October 2010 and served as our Acting Chief Financial Officer from October 2009 to January 2010. Ms. Huang served as the chief operating officer of SearchMedia International from July 2009 to October 2009. Prior to that, Ms. Huang had been the chief financial officer of SearchMedia International since April 2008.

Effective April 14, 2008, Jieli Consulting and Ms. Huang entered into the executive employment agreement pursuant to which Ms. Huang served as the Chief Financial Officer and received a monthly salary of RMB50,000 and also entitled to housing allowance of up to RMB15,000. Ms. Huang may dissolve her employment agreement provided that Ms. Huang informs Jieli Consulting in written form 30 days in advance. Jieli Consulting may terminate Ms. Huang's employment for cause, at any time, without remuneration, for certain acts, including but not limited to, a conviction or plea of guilty to criminal offences, negligent or dishonest acts caused to Jieli Consulting's detriment, or misconduct or a failure to perform agreed duties. Ms. Huang also entered into confidentiality agreement and Non-compete agreement with Jieli Consulting.

On January 11, 2010, the salary for Ms. Huang was adjusted by the Compensation Committee. Ms. Huang's salary was increased to RMB108,000 per month. In October 2010, Ms. Huang became our Director of Business Development and no longer serves as our Chief Operating Officer.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End 2009**

The following table sets forth certain information regarding equity-based awards held by the Named Executive Officers as of December 31, 2009.

Name	Option Awards				Stock Awards				
	Number of securities underlying unexercised options (#)	Number of securities underlying unexercised options (#)	Number of securities underlying unexercised options (#)	Equity incentive plan awards: exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive plan awards: unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: unearned payout value of shares, units or other rights that have not vested (\$)
Garbo Lee, President	20,262	20,262		\$7.8815	(1)	20,262	\$147,913		\$
Jennifer Huang, Former Chief Operating Officer and Acting Chief Financial Officer						39,172 ⁽²⁾	\$285,956		
Robert N. Fried, Former Chief Executive Officer of Ideation				\$			\$		\$

(1)

Expires on the earlier of (a) one year following termination of Ms. Lee's service by reason of death or disability; (b) 90 days following termination of service of Ms. Lee's service by reason other than death or disability or for cause; or (c) January 1, 2018.

- (2) As of April 30, 2010, all restricted share awards are fully vested but remain unissued.

Compensation of Directors

Our Compensation Committee recommends director compensation to the board of directors. No compensation was paid to any SearchMedia Holdings directors for services rendered prior to the Business Combination; however, certain individuals were reimbursed for out-of-pocket expenses incurred in connection with activities on the company's behalf. From January 1, 2009 to October 30, 2009, no fees were paid to the non-employee members of the board of directors. Beginning on October 30, 2009, the non-employee members of the board of directors receive an annual cash fee of \$20,000 that is payable per quarter. The committee chairmen receive an additional \$5,000 annual fee. Except for Mr. Fried and Mr. Rubin, each non-employee member of the board of directors was granted 25,000 stock options which fully vest on January 11, 2011 and which expire January 11, 2020. Mr. Fried and Mr. Rubin were granted 50,000 stock options, which fully vest on January 11, 2011 and which expire on January 11, 2011.

Director Compensation Fiscal 2009

The following table sets forth certain information regarding the compensation paid to our non-employee directors for their service during the fiscal year ended December 31, 2009.

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Name	Fees Earned or Paid in Cash(1)	Stock Awards	Option Awards(2)	Nonqualified			Total
				Non-Equity Incentive Plan Compensation	Deferred Compensation Earnings	All Other Compensation	
Chi-Chuan Chen	\$ 3,334		\$				\$3,334
Robert Fried	\$ 3,334		\$				\$3,334
Glenn Halpryn	\$ 4,167		\$				\$4,167
Larry Lu(3)	\$ 3,334		\$				\$3,334
Jianzhong Qu	\$ 3,334		\$				\$3,334
Steven Rubin	\$ 3,334		\$				\$3,334
Earl Yen	\$ 4,167		\$				\$4,167

(1) Beginning on October 30, 2009, non-employee members of the board of directors are paid an annual cash fee of \$20,000 payable per quarter. Committee chairmen receive an additional annual fee of \$5,000.

(2) No options were granted to non-employee directors during fiscal year 2009.

(3) Dr. Lu resigned as a member of the board of directors on October 29, 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information as of October 9, 2010 concerning the beneficial ownership of the ordinary shares by (i) each person known by us to be the beneficial owner of more than 5% of the outstanding ordinary shares, (ii) each of our current directors, (iii) each Named Executive Officer (as defined on page 126), and (iv) all of our current executive officers and directors as a group. Unless indicated below, all holders listed below have sole voting power and investment power over the shares beneficially owned by them. Unless noted otherwise, the address of each person listed below is 15A Zhao Feng Universe Building, 1800 Zhong Shan Xi Lu, Shanghai, China 200235.

Beneficial Owner	Ordinary Shares Beneficially Owned (1)	Percentage of Class of Ordinary Shares Beneficially Owned (%)
Officers and Directors		
Qinying Liu ⁽²⁾	964,085	4.6%
Robert N. Fried ⁽³⁾	1,227,465	5.7%
Steven D. Rubin ⁽⁴⁾	310,500	1.5%
Earl Yen ⁽⁵⁾	2,445,083	11.8%
Jianzhong Qu		*
Glenn Halpryn ⁽⁶⁾	15,860	*
Chi-Chuan Chen		*
Garbo Lee ⁽⁷⁾	30,389	*
Jennifer Huang ⁽⁸⁾	84,871	*
Paul Conway		*
Wilfred Chow		*
All directors and executive officers as a group (10 persons)	4,993,382	23.17%
5% Holders		
Dr. Phillip Frost, M.D. ⁽⁹⁾	5,113,169	21.8%
Deutsche Bank AG, HK Branch ⁽¹⁰⁾	2,399,995	11.6%
China Seed Ventures, L.P. ⁽¹¹⁾	2,445,083	11.8%

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Beneficial Owner	Ordinary Shares Beneficially Owned (1)	Percentage of Class of Ordinary Shares Beneficially Owned (%)
Linden Ventures II ⁽¹²⁾	1,982,820	9.5%
Pine River Capital Management L.P. ⁽¹³⁾	1,180,350	5.7%

* The person beneficially owns less than 1% of SearchMedia Holdings outstanding common shares.

(1) Based on 20,766,078 shares outstanding as of October 5, 2010.

(2) Excludes 600,000 ordinary shares issuable to Mrs. Liu's husband converted at the exchange ratio (0.0675374) and 40,522 ordinary shares beneficially owned by Mrs. Liu's husband.

(3) Includes exercisable warrants to purchase 593,793 ordinary shares.

(4) Includes exercisable warrants to purchase 153,000 ordinary shares.

(5) Consists of ordinary shares and warrants beneficially owned by China Seed Ventures, which may be deemed beneficially owned by Mr. Yen.

- (6) Includes ordinary shares and exercisable warrants to purchase 3,172 ordinary shares beneficially owned by Halpryn Capital Partners LLC.
- (7) Consists of options to purchase 30,389 ordinary shares.
- (8) Consists of 81,046 vested restricted shares awards units and exercisable warrants to purchase 3,825 ordinary shares.
- (9) Includes exercisable warrants to purchase 2,626,434 ordinary shares. The business address of Dr. Frost, M.D. is 4400 Biscayne Blvd., Suite 1500, Miami, FL 33137.
- (10) Includes exercisable warrants to purchase 255,427 ordinary shares. The business address of Deutsche Bank AG, HK Branch is Theodor-Heuss-Allee 70, 60468 Frankfurt am Main, Federal Republic of Germany.
- (11) Includes exercisable warrants to purchase 903,318 ordinary shares. The business address of China See Ventures, L.P. is Room 104 Building 18, No. 800 Huashan Road, Shanghai, China.

(12) Includes exercisable warrants to purchase 714,025 ordinary shares. The business address of Linden Ventures II is C/O Appleby, 56 Admin Drive, Wickhams Cay 1, PO Box 3190, Road Town, Tortola, British Virgin Islands.

(13) The business address of Pine River Capital Management L.P. is 601 Carlson Parkway Suite 330, Minnetonka, MN 55305.

Equity Compensation Plan Information

The following table lists all securities authorized for issuance and outstanding under our equity compensation plans at December 31, 2009:

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Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding options)
Equity compensation plans approved by security holders	1,796,492	\$ 3.19	908,915
Equity compensation plans not approved by security holders (1)			
Total	1,796,492	\$ 3.19	908,915

(1) In August 2010, the Board of Directors approved an increase in the number of shares reserved for issuance under the plan to 3,000,000 and such increase will be presented for shareholder approval.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

(a)(2) Financial Statement Schedules

(a)(3) Exhibits

- 2.1 Agreement and Plan of Merger, Conversion and Share Exchange by and among Ideation Acquisition Corp., the registrant, SearchMedia International Limited, the subsidiaries of SearchMedia International Limited, the subsidiaries of SearchMedia International Limited, Shanghai Jingli Advertising Co., Ltd. and certain shareholders and warrant holders of SearchMedia International Limited (incorporated by reference to Exhibit 2.1 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 2.2 First Amendment to Agreement and Plan of Merger, Conversion and Share Exchange, dated as of May 27, 2009, by and among the registrant, Earl Yen, Tommy Cheung and Stephen Lau and Qinying Liu (incorporated by reference to Exhibit 2.2 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 2.3 Second Amendment to Agreement and Plan of Merger, Conversion and Share Exchange, dated as of September 8, 2009, by and among the registrant, Earl Yen, Tommy Cheung, Stephen Lau, Qinying Liu, Linden Ventures, Inc., Vervain Equity Investment Limited, Sun Hing Associates Limited and The Frost Group, LLC (incorporated by reference to Exhibit 2.3 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 2.4 Third Amendment to Agreement and Plan of Merger, Conversion and Share Exchange, dated as of September 22, 2009, by and among the registrant, Ideation Acquisition Corp., Earl Yen, Tommy Cheung, Terrance Hogan, Qinying Liu, and Linden Ventures II (BVI), Ltd. (incorporated by reference to Exhibit 2.4 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 2.5 Fourth Amendment to Agreement and Plan of Merger, Conversion and Share Exchange, dated as of October 30, 2009, by and among the registrant, Ideation Acquisition Corp., Earl Yen, Tommy Cheung, Stephen Lau and Qinying Liu. (incorporated by reference to Exhibit 2.5 of the Registrant's current report on Form 8-K dated November 5, 2009 (File No. 333-158336)).
- 3.1 Articles of Incorporation of ID Arizona Corp. (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 3.2 Bylaws of ID Arizona Corp. (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 3.3 Memorandum and Articles of Association of SearchMedia Holdings Limited upon completion of redomestication. (incorporated by reference to Exhibit 3.3 of the Registrant's current report on Form 8-K dated November 5, 2009 (File No. 333-158336)).
- 4.1 Specimen Unit Certificate of Ideation Acquisition Corp. (incorporated by reference to Exhibit 4.1 to the Registration Statement of Ideation Acquisition Corp. on Form S-1 (Reg No. 333-144218))

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- 4.2 Specimen Common Stock Certificate of Ideation Acquisition Corp. (incorporated by reference to Exhibit 4.2 to the Registration Statement of Ideation Acquisition Corp. on Form S-1 (Reg No. 333-144218))
- 4.3 Form of Warrant Certificate of Ideation Acquisition Corp. (incorporated by reference to Exhibit 4.3 to the Registration Statement of Ideation Acquisition Corp. on Form S-1 (Reg No. 333-144218))
- 4.4 Form of Warrant Agreement between the Ideation Acquisition Corp. and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.4 to the Registration Statement of Ideation Acquisition Corp. on Form S-1 (Reg No. 333-144218))
- 4.5 Form of Warrant of SearchMedia Holdings Limited (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 4.6 Form of Unit Purchase Option to be granted to Lazard Capital Markets LLC (incorporated by reference to Exhibit 4.5 of the Registration Statement of Ideation Acquisition Corp. on Form S-1 (File No. 333-144218)).
- 10.1 Form of Registration Rights Agreement among SearchMedia International Limited, Deutsche Bank AG, Hong Kong Branch, Gentfull Investment Limited, Gavast Estates Limited, China Seed Ventures, L.P. and Linden Ventures II (BVI) (incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 10.2 Form of Lock-Up between SearchMedia Holdings Limited and SearchMedia International Limited shareholders and warrant holders (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 10.3 Form of Management Lock-Up between SearchMedia Holdings Limited and SearchMedia International Limited shareholders and warrant holders (incorporated by reference to Exhibit 10.3 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).*
- 10.4 Form of Voting Agreement between SearchMedia International Limited, Qinying Liu, Le Yang, China Seed Ventures, L.P., Gentfull Investment Limited, Gavast Estates Limited, Linden Ventures II (BVI), Limited, Frost Gamma Investments Trust, Robert N. Fried, Subbarao Uppaluri, Steven D. Rubin and Jane Hsiao (incorporated by reference to Exhibit 10.4 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 10.5 Form of Employment Agreement with the SearchMedia International Limited executive officers (incorporated by reference to Exhibit 10.5 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).*
- 10.6 English Translation of Exclusive Technology Consulting and Service Agreement between Jieli Consulting and Jingli Shanghai, dated as of September 10, 2007 (incorporated by reference to Exhibit 10.6 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
- 10.7 English Translation of Exclusive Call Option Agreement among Jingli Shanghai, its shareholders and Jieli Consulting, dated as of September 10, 2007 (incorporated by reference to Exhibit 10.7 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).

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10.8	English Translation of Equity Pledge Agreement among Jingli Shanghai, its shareholders and Jieli Consulting, dated as of September 10, 2007 (incorporated by reference to Exhibit 10.8 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
10.9	English Translation of Power of Attorney by the shareholders of Jieli Consulting dated as of September 10, 2007 (incorporated by reference to Exhibit 10.9 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
10.10	English Translation of Loan Agreement between the shareholders of Jingli Shanghai and Jieli Consulting, dated as of September 10, 2007 (incorporated by reference to Exhibit 10.10 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
10.11	Form of Securities Escrow Agreement among the Registrant, Continental Stock Transfer & Trust Company and the initial stockholders (incorporated by reference to Exhibit 10.1 of the Registration Statement of Ideation Acquisition Corp. on Form S-1 (File No. 333-144218)).
10.12	Letter Agreement, dated as of September 8, 2009, by and among Ideation Acquisition Corp. and certain investors of Ideation Acquisition Corp. and SearchMedia International Limited (incorporated by reference to Exhibit 10.13 of the Registrant's Registration Statement on Form S-4 (File No. 333-158336)).
10.13	SearchMedia Holdings Limited Amended and Restated 2008 Share Incentive Plan* (incorporated by reference to Exhibit 10.13 of the Registrant's current report on Form 8-K dated November 5, 2009 (File No. 333-158336)).
10.14	Executive Employment Agreement between SearchMedia Holdings Limited and Wilfred Chow dated December 30, 2009 (incorporated by reference to Exhibit 10.1 of the Registrant's current report on Form 8-K dated January 6, 2010 (File No. 333-158336)).*
21.1	Subsidiaries of SearchMedia Holdings Limited (incorporated by reference to Exhibit 21.1 of the Registrant's annual report on Form 10-K for the year ended December 31, 2009 (File No. 333-158336)).
31.1	Section 302 Certification of Chief Executive Officer**
31.2	Section 302 Certification of Chief Financial Officer**
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***
99.1	Proxy Statement/Prospectus (incorporated by reference to the Proxy Statement/Prospectus on Form 424(b)(3) filed with the Securities and Exchange Commission on October 5, 2009).
99.2	Press release dated November 2, 2009. (incorporated by reference to Exhibit 99.2 of the Registrant's current report on Form 8-K (File No. 333-158336)).

*

Management
contract or
compensatory
plan or
arrangement

** Filed herewith

*** Furnished
herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEARCHMEDIA HOLDINGS LIMITED

By: /s/ Paul Conway
 Paul Conway
 Chief Executive Officer
 (Principal Executive Officer)

Dated: November 1, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Robert Fried Robert Fried	Co-Chairman of the Board, Director	November 1, 2010
Qinying Liu	Co-Chairman of the Board, Director	
/s/ Paul Conway Paul Conway	Chief Executive Officer (Principal Executive Officer)	November 1, 2010
/s/ Wilfred Chow Wilfred Chow	Chief Financial Officer (Principal Financial and Accounting Officer)	November 1, 2010
/s/ Chi-Chuan Chen Chi-Chuan Chen	Director	November 1, 2010
/s/ Glenn Halpryn Glenn Halpryn	Director	November 1, 2010
Jianzhong Qu	Director	
/s/ Steven D. Rubin Steven D. Rubin	Director	November 1, 2010
Earl Yen	Director	

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EXHIBIT INDEX

Description	Exhibit Number
Section 302 Certification of Chief Executive Officer	31.1
Section 302 Certification of Chief Financial Officer	31.2
Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *	32.1
Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *	32.2

* Furnished
herewith