



**Muddy Waters, LLC**  
www.muddywatersresearch.com  
info@muddywatersresearch

Director of Research: Carson C. Block, Esq.

**Disclaimer:**

Use of Muddy Waters LLC's research is at your own risk. You should do your own research and due diligence before making any investment decision with respect to securities covered herein. You should assume that as of the publication date of any report, Muddy Waters, LLC (possibly along with or through our members, partners, affiliates, employees, and/or consultants) along with our clients and/or investors has a short position in the stock (and/or options of the stock) covered herein, and therefore stands to realize significant gains in the event that the price of stock declines. Following publication of any report, we intend to continue transacting in the securities covered therein, and we may be long, short, or neutral at any time hereafter regardless of our initial recommendation. This is not an offer to sell or a solicitation of an offer to buy any security, nor shall any security be offered or sold to any person, in any jurisdiction in which such offer would be unlawful under the securities laws of such jurisdiction. To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. However, such information is presented "as is," without warranty of any kind – whether express or implied. Muddy Waters, LLC makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. All expressions of opinion are subject to change without notice, and Muddy Waters, LLC does not undertake to update or supplement this report or any of the information contained herein.

**Company:**

China Media Express Holdings (CCME)

**Industry:**

Outdoor Digital Advertising

**Recommendation:**

Strong Sell

**Estimated Value:**

\$3.54

**Report Date:**

March 2, 2011

**Price:**

\$12.27

**Market Cap:**

\$420.7 million

**Float:**

10.2 million

**Avg Volume:**

2.8 million

- Muddy Waters, LLC has amassed irrefutable evidence that CCME is a substantial fraud, and that management is engaging in a cover-up replete with further dissemination of fraudulent information.
- We present a recorded telephone conversation that contains an admission that CCME is engaging in securities fraud.
- We document that in the course of rebutting our Report, Chairman Cheng provided fabricated information.
- We present the sales presentation we received in January from the aforementioned salesperson (the "Sales Presentation") that shows CCME has fewer than half of the buses it claims.
- We present a mini-documentary of the largest purported operator – Shanghai Ba Shi – specifically focusing on its inter-city buses and drivers. The film shows that CCME's hardware is not installed on the buses, despite CCME's claim to have had hardware on these buses since at least mid-2008.

Muddy Waters, LLC has amassed irrefutable evidence that China MediaExpress Holdings, Inc. (“CCME”) is a substantial fraud, and that management is engaging in a cover-up replete with further dissemination of fraudulent information. In light of the nature of the evidence, we believe that a de-listing from NASDAQ is not improbable; further, we believe that management stands to lose additional credibility. We therefore reduce our estimated value by one-third to \$3.54.

We present a recorded telephone conversation that contains an admission that CCME is engaging in securities fraud. The conversation took place on February 23<sup>rd</sup> between the CCME salesperson who provided us with the advertiser kit we cited in our February 3, 2011 report (the “Report”) and one of our analysts. The CCME salesperson initiated the conversation without notice in response to investigative actions taken by CCME’s auditor, Deloitte Touche Tohmatsu (“Deloitte”). During the conversation, the salesperson stated that:

- CCME has been doubling the number of buses on which it has installed equipment for purposes of its SEC filings; and
- CCME recently replaced the salesperson’s hard drive due to the increased scrutiny.

The recording with subtitles is available at: <http://www.youtube.com/watch?v=cLAm-dJh2fl>

We document that in the course of rebutting our Report, Chairman Cheng provided fabricated information. In Chairman Cheng’s February 7, 2011 letter (the “Chairman’s Letter”), Chairman Cheng challenged our assertion that CCME’s largest purported contract does not exist. His proof includes an “excerpt” of buses he claims are covered by the disputed contract. The excerpt contains license plate numbers of three buses. We have official documentation (shown in Appendix A) from the Shanghai Public Security Bureau Traffic Management Administrator (the “Traffic Administrator”) that shows these three license plates numbers are fabricated.

We present the sales presentation we received in January from the aforementioned salesperson (the “Sales Presentation”) that shows CCME has fewer than half of the buses it claims. The Sales Presentation (Appendix B), which shows CCME’s buses by province and city, corroborates the following facts we presented in our earlier Report:

- CCME has fewer than half of the buses it claims; and
- its largest purported contract (with Shanghai Ba Shi for 1,892 buses) does not exist. The number of buses for Shanghai-based operators in the presentation matches the number in the spreadsheet we received – 296.

We present a mini-documentary of the largest purported operator – Shanghai Ba Shi – specifically focusing on its inter-city buses and drivers. The film shows that CCME’s hardware is not installed on the buses, despite CCME’s claim to have had hardware on these buses since at least mid-2008.

The video is available at: <http://www.youtube.com/watch?v=-COZ5l9ayzM>

If one questions whether it is Muddy Waters, LLC – and not CCME – that has fabricated information and documents, we point out the following. Our research director and sole member manager, Carson Block, is a United States citizen with assets and family in, and significant ties to, the United States. Although we do not know the extent of CCME management’s ties to the United States, we venture to guess that they are significantly less than those of Mr. Block.

## II. CCME Sales Representative's Admission of Securities Fraud

### *Background*

In January 2011, we cold called CCME's headquarters in Fuzhou. We asked to speak with the sales department, and we were transferred to a salesperson. During the course of our conversation with the representative, we described ourselves as a medium-sized company that was interested in advertising throughout China on CCME's buses. From that point on, our dialogue with the salesperson mainly took place over instant messenger. The salesperson sent the electronic version of the advertiser kit via instant messenger – including the Excel spreadsheet we subsequently posted on our website in PDF format, as well as the Sales Presentation shown in Appendix B. During the course of the dialogue, the representative and we discussed the fact that CCME is publicly traded in the United States.

As has been well documented, we released our February 3, 2011 report during the lengthy Chinese New Year holiday. Following the holiday, the sales representative followed up with us about buying the ads we had discussed. At that time, our analyst told the salesperson that he and his manager had left their jobs with the potential advertiser.

On February 23<sup>rd</sup> at approximately 13:00 China time, we sent a detailed letter to various partners at Deloitte with previously unreleased evidence supporting our allegations of fraud. Around 19:00 the same evening, our analyst received a phone call from the sales representative. The purpose of her call was to ask our analyst whether someone inside his "former employer" disseminated the Sales Presentation outside of the company. She evidently had not considered it likely that the person with whom she had been speaking represents Muddy Waters, LLC.

Because our analyst was unprepared to receive the call, he was only able to begin recording it after approximately two minutes. He believes that substantially all information that had been discussed during the initial unrecorded period is repeated in the recorded portion.

### *The Conversation*

We encourage investors to listen to the recording with subtitles, available at: <http://www.youtube.com/watch?v=cLAm-dJh2fI>. However, we provide the following translated excerpts (emphasis in bold added) of the conversation – the complete transcript is in Appendix C:

...

Analyst: Yes. I could call him, but... Sorry, I want to help you – I don't want to cause you any trouble. So could you please explain the situation to me?

CCME Rep: The situation is just what I've told you. Say for example we have 1,000 vehicles, 1,000 is the number we quote to outsiders. But I have only quoted 500 vehicles to you, because these 500 vehicles are already signed with contracts and installed with devices. The other 500 vehicles don't have devices installed, so the number I quoted to you is the actual number, installed with devices, but our company has asked us to claim based on 1,000 vehicles.

Analyst: Ok, I see, but what's the relationship to your quoted price?

CCME Rep: There are some conflicts. For example...

Analyst: You've told me at the time that the base number is 1,000 vehicles to start – that's to say 1,000 is the base number. It doesn't matter if you need 500 vehicles, or 1,000 vehicles, or 100 vehicles. They're all based on the base number of 1,000. What's that have to do with whether the devices are installed or not?

CCME Rep: **When we reported the details to the stock market regulator, we didn't report the number of vehicles we quoted you. The number we reported is times two, or doubled. Do you understand now?**

Analyst: What's the relationship between the price you quoted me and the stock market regulator? I'm really confused.

CCME Rep: You don't understand, do you?

Analyst: No, I don't understand. The proposal you provided to me isn't some confidential business information. What's the relationship between your proposal and the stock market regulator?

CCME Rep: **Because we're a public company, we must meet the number of vehicles, and we've only installed devices on some of the vehicles, and some vehicles aren't installed with devices. The number of vehicles we've claimed to the public is the total number, but the number we gave you is the vehicles installed with devices. So there are some conflicts.**

Analyst: Ok, I see.

CCME Rep: **What really happened is that the number I told you is the actual number, and not the number we've reported to the market regulator. What we've reported to the market regulator is the number under contract. The number I've given you is contracted with devices installed.**

...

CCME Rep: I was so surprised. The auditors who came to investigate are so sharp. They have the same proposal I sent you before.

Analyst: Have you given the same proposal to other customers?

CCME Rep: Yes, we just...

Analyst: I mean, the proposal wasn't necessarily from you. Is it possible your colleague sent it out?

CCME Rep: Eh...I'm quite sure this proposal is mine because I know the proposal I made, and I can tell clearly.

Analyst: Ok.

CCME Rep: I'm afraid that the auditors might know some people from your company. They're very good. They'll keep on asking question until they get to the point.

Analyst: So you've been audited by the auditing firm?

CCME Rep: Yes, but of course I didn't admit that I did this proposal. But what happened is very serious in my company. They're searching QQ. I remember I've sent it to you on QQ. I'm in trouble.

Analyst: Delete it from your QQ

CCME Rep: But I'm home now. **There shouldn't be anything on QQ because our hard drives have been replaced at that time.**

Analyst: **You mean your company has replaced the hard drives?**

CCME Rep: **My computer's.**

...

## *Analysis*

The representative claimed that the discrepancy between the SEC filings and the buses quoted to us was because approximately 50% of the buses have not yet had equipment installed; however, this explanation does not hold water. As we pointed out in our earlier report, one of the major discrepancies is in Shanghai. As of July 2008, the company claimed to have 2,127 buses belonging to Shanghai-based operators in the network,<sup>1</sup> but the materials the sales representative sent only show 296 Shanghai buses as of January 2011. Thus, the overall discrepancy must be due to more than timing differences between when CCME signs contracts and when it installs equipment.

### **III. The License Plate Numbers in Chairman Cheng's Rebuttal are Fabrications**

#### *Background*

In the Report, we stated that CCME's advertiser kit shows only 12,565 buses under contract as of January 2011, versus over 27,200 that CCME claims to have for investor relation purposes.<sup>2</sup> We also stated that the largest bus operator CCME purports to have under contract, Shanghai Ba Shi<sup>3</sup> (purportedly 1,892 buses), does not in fact have a contract with CCME.<sup>4</sup>

Chairman Cheng denied these assertions in the open Chairman's Letter dated February 7, 2011 (Appendix D). Ping Luo (of Global Hunter Securities LLC) issued a report in support of Cheng's rebuttal on February 17, 2011 (the "Luo Report").

#### *The Fabrications*

The Chairman's Letter stated that CCME's official advertiser kit includes 1,892 buses belonging to 上海巴士实业（集团）股份有限公司 ("Ba Shi Industrial").<sup>5</sup> He then proceeded to show an "excerpt" from the purported kit that contains details on three Ba Shi Industrial buses, including license plate numbers. (The majority of the buses in the real advertiser kit include license plate numbers.) The license plate numbers the Chairman cited are: 沪 A65072, 沪 A65075, and 沪 A83822.<sup>6 7</sup>

The license plate numbers the Chairman provided are fabricated. Two of the plates – A65072 and A65075 – were issued for small passenger cars (a Santana and a Zheng Tian pickup truck), and not for buses.

---

<sup>1</sup> <http://www.ccme.tv/eng/pns/intercitybus.php>, and [http://www.muddywatersresearch.com/wp-content/uploads/2011/02/intercitybus\\_02.pdf](http://www.muddywatersresearch.com/wp-content/uploads/2011/02/intercitybus_02.pdf)

<sup>2</sup> See Report p. 5.

<sup>3</sup> CCME sowed some confusion about the name of the Ba Shi entity that operates long distance buses. We clarify the name issue *infra*.

<sup>4</sup> See Report p. 6.

<sup>5</sup> See Chairman's Letter pp. 4-5.

<sup>6</sup> *Id.*

<sup>7</sup> Note that "沪" ("Hu") is the character for Shanghai.

See below for representative pictures of the vehicles. We were unable to contact the registered owners to see whether they had CCME hardware installed in their cars.



a “Zheng Tian”, similar to 沪 A65072



a “Santana”, similar to 沪 A65075

We question the economics of installing hard drives and LCD panels in privately owned passenger cars.

In contrast, A83822 had actually once belonged to 上海交运巴士客运（集团）有限公司 (“JB”).<sup>8</sup> However, the 上海市公安局交通警察总队车管所 (the “Traffic Administrator”) had previously canceled the license plate. Thus, this license plate is no longer in use.

Appendix A provides the official documentation of these facts with seals from the Traffic Administrator.

We became aware of the possibility that the license plate numbers were fabricated when we showed the purported numbers to one of our operations contacts at JB. He told us that the plate numbers could not be correct because JB had retired all, perhaps save for “one or two”, license plates with a single letter “A” in the plate number; and, further that it had sold the buses that formerly had such plates. He stated that the retirement process had begun in 2006 or 2007. Shanghai used to issue license plates in alphabetical sequence. License plates with a single letter “A” – i.e., no additional letters contained in the license plate number – are among the oldest plates issued in Shanghai. Thus the operations contact immediately knew that any buses with such a license plate number were too old to be in the current fleet.

Chairman Cheng’s statements are false.

---

<sup>8</sup> Infra FN 9.

#### IV. CCME's Largest Purported Operator Relationship Still Does Not Exist

CCME had to fabricate the previously discussed Shanghai Ba Shi license plates because CCME does not actually have a relationship with its largest purported inter-city bus operator, Shanghai Ba Shi. The following items prove that the Shanghai Ba Shi relationship does not exist:

- The Sales Presentation we received with the advertiser kit, which resulted in the recorded fraud admission by CCME's sales representative (discussed in Part II), shows only 296 buses in Shanghai. This is far less than the 1,892 buses CCME claims to have under contract with Shanghai Ba Shi.
- We had approximately five hours of meetings with officials ranging from station level operations personnel, to top company managers at headquarters, of the Shanghai Ba Shi entity that operates the group's inter-city buses. We received confirmation at each level that CCME has not placed its hardware on Shanghai Ba Shi inter-city buses.
- We shot a mini documentary of Shanghai Ba Shi inter-city buses along with driver interviews that show CCME has placed no content or hardware on Shanghai Ba Shi inter-city buses.

#### *Background*

Whether as a result of confusion, or to cause it, neither CCME, Chairman Cheng, nor the Luo Report correctly refer to the Shanghai Ba Shi entity that operates the group's inter-city buses.<sup>9</sup> The only entity<sup>10</sup> that operates Shanghai Ba Shi inter-city buses is 上海交运巴士客运（集团）有限公司 ("Jaiyun Ba Shi" or "JB"). (More information on the entire Ba Shi group, including JB, is available at the group's website: [www.84000.com.cn](http://www.84000.com.cn). JB's site, which links directly to the aforementioned group site through the button that reads "Inter-city passenger transport" ("长途客运"), is [http://61.152.242.65/cygs/servlet/Srv?action\\_code=frontMenuToIndex&webSiteMemberId=1007](http://61.152.242.65/cygs/servlet/Srv?action_code=frontMenuToIndex&webSiteMemberId=1007).)

---

<sup>9</sup> CCME's CTR reports refer to the entity in question as "Shanghai Ba-Shi (Group) Industrial Co. Ltd." See [http://www.cCCME.tv/eng/pns/intercitybus\\_02.pdf](http://www.cCCME.tv/eng/pns/intercitybus_02.pdf). Chairman Cheng's letter refers to it as "上海巴士实业（集团）股份有限公司, which appears to refer to the same entity, Shanghai Ba Shi (Group) Industrial Co. Ltd. However, this entity is listed on the Shanghai Stock Exchange (600741), and changed its name to Hua Yu Automotive Systems Co. Ltd. Importantly, its business appears to be automotive parts, and not operating transportation; however, it likely has an equity stake in JB. The Luo Report calls the entity Shanghai Ba-Shi Public Transportation Group Co. Ltd., which appears to refer to 上海巴士公交（集团）有限公司. This entity only operates intra-city buses.

<sup>10</sup> For purposes of this discussion, "entity" includes JB's subsidiaries.



## Sales Presentation

We received a Sales Presentation titled “China MediaExpress Pricing (Nationwide)” from the CCME sales representative. The Sales Presentation shows the number of buses by province and certain cities, including Shanghai. Below is the page from the presentation that shows the number of buses CCME has in Shanghai. It shows only 296 buses, which is far fewer buses than the 1,892 CCME claims to have under its Shanghai Ba Shi relationship. We include the complete presentation as Appendix B.

<div>  <b>media express</b> </div> <div>           中国最大的城际巴士车载电视媒体   中国户外广告十强企业   中国百强广告传媒企业            免费热线: 400-703-1188/800-858-1171   中国一级广告资质企业   全国广告行业文明单位         </div>							
🔥 全国广告投放费用:							
投放城市	广告规格	发布车辆(部)	广告时段	刊例价元/月	车辆基数	优惠折扣	实收价格(元/月)
浙江	15秒	127	A段	16.6	0.1	4.5折	7470元
上海	15秒	296	A段	21.0	0.2	4.5折	18900元
江西	15秒	182	A段	9.9	0.1	4.5折	4455元
北京			A段	19.6	0.5	4.5折	44100元
			A段	16.6	0.7	4.5折	52290元
河北	15秒	321	A段	15.3	0.3	4.5折	20655元
江西	15秒	163	A段	10.8	0.1	4.5折	4860元

**296 buses  
in Shanghai**

The Sales Presentation shows 12,358 buses under contract nationwide – this is slightly fewer than what the spreadsheets in the Report show. Significantly, the Sales Presentation is the second version the salesperson sent us. The first version stated that there were approximately 1,600 buses under contract in Shanghai. Upon receiving the first presentation, we pointed out via instant messenger the inconsistency with the 296 buses in the spreadsheet. (Most dialogue with the salesperson took place through instant messenger.) In response, the salesperson wrote:

“Sorry, there are 296 vehicles in Shanghai. I made a mistake about the number. I'll quote another price.”



Following the above exchange, the salesperson sent over the presentation shown above and in Appendix B. It shows only 296 buses in Shanghai.

### *JB Meetings*

We had approximately five hours of meetings with JB officials ranging from station level operations personnel to top company managers at its headquarters. The following summarizes the information we received during our meetings:

- None of the four JB representatives had ever heard of CCME – not by the name of CCME’s operating company nor its trade name. Earlier in the discussions, another Ba Shi contact (not from JB) telephoned in our presence a division manager of the advertising arm of the Ba Shi group (which is a different entity than JB). The advertising division manager also stated that he had never heard of the company nor its trade name. Thus, none of four JB people with extensive operations knowledge, nor the Ba Shi advertising division manager, were familiar in any way with CCME.
- JB has only around 800 buses, all of which are inter-city. The entire Shanghai Ba Shi group has approximately 2,000 buses, including intra-city, charter, and JB’s buses. The above mentioned website for JB also states that it has approximately 800 inter-city buses. Assuming that a contract did exist, this number contradicts the 1,892 cited by CCME, Chairman Cheng, and the Luo Report.
- JB only authorizes televisions produced by each bus’s manufacturer (e.g., King Long) and certain approved aftermarket vendors, which does not include CCME, to be placed on its buses.

### *Video*

We filmed a mini documentary of JB inter-city buses and drivers. The video is available at:

<http://www.youtube.com/watch?v=-COZ5l9ayzM>

The footage shows:

- Prior to the Shanghai 2010 World Expo, the JB buses had standard DVD players for showing movies.
- The Shanghai government gave JB hard drive controllers for the Expo. The controllers show Expo content and Expo ads. They do not show content or ads provided by CCME or other parties.
- The manufacturer of the hard drive controllers is Inspur, which is a different company than CCME’s exclusive supplier, Zhejiang Yusong (which CCME’s filings erroneously refer to as Hangzhou Yusong).<sup>11</sup>
- The drivers can choose whether to turn on the controllers and TVs. Because passengers like to sleep on the buses, at least one driver generally keeps the equipment off.
- Coca-Cola (one of CCME’s purported top advertisers) and similarly large companies have not shown ads on JB buses.
- The controllers are supposed to be removed, and replaced with DVD players.

The below are recent still photographs of a JB inter-city bus.

---

<sup>11</sup> CCME December 31, 2009 Form 10-K, p. 18.



*JB inter-city bus. Note the “JB” logo, which is on the sides of the buses shown in the video.*



*King Long CRT television (the bus manufacturer) – not CCME / Yusong LCD.*



*No CCME controller. There is a media control box manufactured by Inspur in the dashboard. (For more information, see [http://www.inspur.com/Products/images\\_numeric/2010/6/12/56BA53E357CB41CB9AC8C83169492BC8.pdf](http://www.inspur.com/Products/images_numeric/2010/6/12/56BA53E357CB41CB9AC8C83169492BC8.pdf)). CCME's exclusive hardware supplier is Zhejiang Yusong (supra p. 8). The Shanghai government provided JB with the Inspur controllers in order to show Expo-related content.*

# **Appendix A**

## **Traffic Administrator documents**

## 机动车基本信息详细信息

号牌种类	小型汽车	号牌号码	A65072
身份证明号码	NULL00000	身份证明名称	组织机构代码证书
机动车所有人	崇明县建筑材料供应公司	使用性质	非营运
管理辖区	崇明县	住所详细地址	南门港西门路35号
住所邮政编码	200000	联系电话	9611554
机动车状态	注销	暂住详细地址	南门港西门路35号
备注		初次登记日期	2001-09-30
车辆类型	轻型普通货车	中文品牌	征天
车辆型号	SQ1020S	英文品牌	
车身颜色	灰	登记证书编号	
燃料种类	汽油	抵押标记	未抵押
车辆识别代号	920912747	发动机号	929105
国产/进口	国产	管理部门	310903
检验有效期至	2002-09-30	强制报废期止	2016-09-30



# 机动车基本信息详细信息

号牌种类	小型汽车	号牌号码	A65075
身份证明号码	NULL00000	身份证明名称	组织机构代码证书
机动车所有人	崇明县机电设备供应公司	使用性质	非营运
管理辖区	崇明县	住所详细地址	上海市城西门外
住所邮政编码	200000	联系电话	9621171
机动车状态	转出	暂住详细地址	上海市城西门外
备注		初次登记日期	2001-09-30
车辆类型	轿车	中文品牌	上海桑塔纳
车辆型号	车辆型号暂缺	英文品牌	
车身颜色	红	登记证书编号	
燃料种类	汽油	抵押标记	未抵押
车辆识别代号	014863	发动机号	165801
国产/进口	国产	管理部门	310903
检验有效期至	2002-09-30	强制报废期止	2099-12-31

流水号	1	所有人	崇明县机电设备供应公司	详细地址	城西门外	固定电话	9621171	转入地	暂缺	获得方式	购买	转出登记日期	1995-05-16	销售发票	000000000000	1	经办人	1	流水号	1
档案更	止	抵押	责任险	变更历史	转入	检验	锁定	停复驶	委托检	准予变	所有权变	更	转出	档案更	注销	档案更	注销	档案更	注销	档案更

# 机动车基本信息详细信息

号牌种类	大型汽车	号牌号码	A83822
身份证明号码	132215505	身份证明名称	组织机构代码证书
机动车所有人	上海交运巴士客运(集团)有限公司	使用性质	公路客运
管理辖区	闸北区	住所详细地址	上海市中山北路1015号
住所邮政编码	200070	联系电话	51000001
机动车状态	注销	暂住详细地址	上海市中山北路1015号
备注		初次登记日期	1998-12-09
车辆类型	大型普通客车	中文品牌	桂林
车辆型号	GL6110	英文品牌	
车身颜色	绿	登记证书编号	310001575882
燃料种类	柴油	抵押标记	未抵押
车辆识别代号	GL61109810029	发动机号	D2366800011B0
国产/进口	国产	管理部门	310901
检验有效期至	2008-06-30	强制报废期止	2013-12-09

补换领牌	档案更	抵押	责任险	变更所	转入	检验	锁定	停驶	委托检	准予变	所有权变	转出	档案	校车	注销
车辆识别代号	注册日期	身份证明号码	名称	机动车所有人	号牌号码	号牌种类	GL61109810029	2008-06-20 09:40:41.0	132215505	组织机构代码	上海交运巴士客运(集团)有限公司	A83822	大型汽车		

查询结果列表



# Appendix B

## Sales Presentation



media 高速频道  
express

中国最大的城际巴士车载电视媒体  
免费热线: 400-703-1188 / 800-858-1171

■ 中国户外广告十强企业  
■ 中国一级广告资质企业

■ 中国百强广告传媒企业  
■ 全国广告行业文明单位

# 中国高速频道城际巴士车载电视 广告投放方案



media 高速巴士  
express

中国最大的城际巴士车载电视媒体  
免费热线: 400-703-1188/800-858-1171

■中国户外广告十强企业  
■中国一级广告资质企业

■中国百强广告传媒企业  
■全国广告行业文明单位

## 👉 全国广告投放费用:

投放城市	广告规格	发布车辆(部)	广告时段	刊例价 万元/月	车辆 基数	优惠 折扣	实收价格 (元/ 月)
四川	15秒	1039	A段	13.5	/	4.5折	60750元
重庆	15秒	750	A段	14.5	0.7	4.5折	45675元
江苏	15秒	2901	A段	16.6	2	4.5折	149400元
福建	15秒	1564	A段	10.8	1.5	4.5折	72900元
广东	15秒	1532	A段	19.6	1.5	4.5折	132300元
湖北	15秒	1087	A段	13.5	/	4.5折	60750元
青岛(山东省)	15秒	750	A段	15.3	0.7	4.5折	48195元
合肥(安徽省)	15秒	338	A段	12.8	0.3	4.5折	18280元



media express

中国最大的城际巴士车载电视媒体  
免费热线:400-703-1188/800-858-1171

中国户外广告十强企业  
中国一级广告资质企业

中国百强广告传媒企业  
全国广告行业文明单位

## 👉 全国广告投放费用:

投放城市	广告规格	发布车辆(部)	广告时段	刊例价元/月	车辆基数	优惠折扣	实收价格(元/月)
浙江	15秒	127	A段	16.6	0.1	4.5折	7470元
上海	15秒	296	A段	21.0	0.2	4.5折	18900元
江西	15秒	182	A段	9.9	0.1	4.5折	4455元
北京	15秒	548	A段	19.6	0.5	4.5折	44100元
天津	15秒	760	A段	16.6	0.7	4.5折	52290元
河北	15秒	321	A段	15.3	0.3	4.5折	20655元
江西	15秒	163	A段	10.8	0.1	4.5折	4860元



media 高速传媒  
express

中国最大的城际巴士车载电视媒体  
免费热线: 400-703-1188/800-858-1171

■中国户外广告十强企业  
■中国一级广告资质企业

■中国百强广告传媒企业  
■全国广告行业文明单位

## 👉 特别支持

### 1、买一赠一”活动

① 即买一个时段**15秒**赠送另一个时段**15秒** 实播两个时段。

②即买一个月**15秒**赠送另一个月**15秒** 实做一个月送一个月。

**注：单时段：每车每小时播一次广告，**

**双时段：每车每小时播两次广告**

### 2、投播全国赠送：

转场冠名广形式为投放方式：如\*\*\*\*\*提醒您精彩稍后继续 （排在常规广告前，增加品牌关注度）

### 3、折上折：

投播全国地区的可在刊例折后的基础上再予以**8折**支持优惠。



media 高速传媒  
express

中国最大的城际巴士车载电视媒体  
免费热线: 400-703-1188/800-858-1171

■中国户外广告十强企业  
■中国一级广告资质企业

■中国百强广告传媒企业  
■全国广告行业文明单位

感谢您的关注,  
真诚希望能够与贵司携手开拓市场,  
实现共赢!  
并祝  
商祺!

# **Appendix C**

## **Telephone call transcript**



(The conversation has already been in progress for about two minutes before the recording started. The parties had discussed in prior QQ conversations that CCME is listed in the United States.)

...

Analyst: You want me to talk to my manager? What do you want me to say? What's the situation?

CCME Rep: If you can, can you just tell him that the quoted proposal is for particular bus lines?

Analyst: Talk to my manager? But the manager who worked on this project and I are no longer working for the company. Does it still make sense to talk with him?

CCME Rep: Oh, he also left this company?

Analyst: Yes. I could call him, but... Sorry, I want to help you – I don't want to cause you any trouble. So could you please explain the situation to me?

CCME Rep: The situation is just what I've told you. Say for example we have 1,000 vehicles, 1,000 is the number we quote to outsider. But I have only quoted 500 vehicles to you, because these 500 vehicles are already signed with contracts and installed with devices. The other 500 vehicles don't have devices installed, so the number I quoted to you is the actual number, installed with devices, but our company has asked us to claim based on 1,000 vehicles.

Analyst: Ok, I see, but what's the relationship to your quoted price?

CCME Rep: There are some conflicts. For example...

Analyst: You've told me at the time that the base number is 1,000 vehicles to start – that's to say 1,000 is the base number. It doesn't matter if you need 500 vehicles, or 1,000 vehicles, or 100 vehicles. They're all based on the base number of 1,000. What's that have to do with whether the devices are installed or not?

CCME Rep: When we reported the details to the stock market regulator, we didn't report the number of vehicles we quoted you. The number we reported is multiplied by two, or doubled. Do you understand now?

Analyst: What's the relationship between the price you quoted me and the stock market regulator? I'm really confused.

CCME Rep: You don't understand, do you?

Analyst: No, I don't understand. The proposal you provided to me isn't some confidential business information. What's the relationship between your proposal and the stock market regulator?

CCME Rep: Because we're a public company, we must meet the number of vehicles, and we've only installed devices on some of the vehicles, and some vehicles aren't installed with devices. The number of vehicles we've claimed to the public is the total number, but the number we gave you is the vehicles installed with devices. So there are some conflicts.

Analyst: Ok, I see.

CCME Rep: What really happened is that the number I told you is the actual number, and not the number we've reported to the market regulator. What we've reported to the market regulator is the number under contract. The number I've given you is contracted with devices installed.

Analyst: I see. And what do you want me to do to help you?

CCME Rep: There's nothing you can help me with right now.

Analyst: Does your company know that it's you?

CCME Rep: I have one question. Have you told your colleagues I'm the person you contacted?

Analyst: No. I'm the only person communicating with you from my company. In my company, the person initially in charge of something is responsible until it finishes. When you wanted to meet with my manager, he asked me to communicate with you and make sure everything is ok through the finish. Therefore, I'd be your only contact the entire time.

CCME Rep: That's good. If there are people checking with you about me, then just tell them you don't know me.

Analyst: ok, and actually those who were working on this matter have already left the company with my boss. There are only two or three still staying in that company. I'm not sure if they're the people who passed out the information. But they don't know you, and I've never mentioned you.

CCME Rep: I was so surprised. The auditors who came to investigate are so sharp. They have the same proposal I sent you before.

Analyst: Have you given the same proposal to other customers ?

CCME Rep: Yes, we just...

Analyst: I mean, the proposal wasn't necessarily from you. Is it possible your colleague sent it out?

CCME Rep: Eh...I'm quite sure this proposal is mine because I know the proposal I made, and I can tell clearly.

Analyst: Ok.

CCME Rep: I'm afraid that the auditors might know some people from your company. They're very good. They'll keep on asking question until they get to the point.

Analyst: So you've been audited by the auditing firm?

CCME Rep: Yes, but of course I didn't admit that I did this proposal. But what happened is very serious in my company. They're searching QQ. I remember I've sent it to you on QQ. I'm in trouble.

Analyst: Delete it from your QQ

CCME Rep: But I'm home now. There shouldn't be anything on QQ because our hard drives have been replaced at that time.

Analyst: You mean your company has replaced the hard drives?

CCME Rep: My computer's.

Analyst: Oh, I see. Then you'll be ok.

CCME Rep: The problem is that they may find it in the server. I feel so bad....

Analyst: I don't think they're able to investigate me. Are they able to find out who I am?

CCME Rep: I don't know. They might find your QQ, or they might talk with you. Just tell them you don't know whom you've been in contacted with? Anyway, anything about China MediaExpress, please just don't mention me.

Analyst: Ok, don't worry. I won't talk about you, and also I've left that company already.

CCME Rep: You say you've left that company, but you're still working for the old boss?

Analyst: Yes, but the company that was going to hire you doesn't exist anymore.

CCME Rep: You mean that the company doesn't exist anymore?

Analyst: No, the company still exists, but the people who used to work on this matter don't work there anymore. So if the auditing firm finds the company, there's nobody there who knows what's going on.

CCME Rep: Is it possible that any of your colleagues have passed on the proposals?

Analyst: All of them have this proposal because I sent it out to them before the meeting so they can prepare. The chance of leakage from my sources is very slight.

CCME Rep: Maybe not possible, but maybe they found out from the managers who were at the meeting.

Analyst: I don't know, maybe the computers in your company were hacked?

CCME Rep: Really?

Analyst: I don't know, but anything's possible.

CCME Rep: It's lucky that I didn't leave my number on the proposal.

Analyst: If someone calls me asking about you, I'll definitely tell them I don't know. Don't worry, the chances are very low.

CCME Rep: Ok.

Analyst: If there's something you need help with, you can always call me.

CCME Rep: Please tell the manager to not pass out this proposal to anyone else.

Analyst: Ok, actually the proposal isn't useful to us now. Just as I told you yesterday – this matter won't move forward. So don't worry, and I'll tell them to delete it. We don't keep things that we're not using.

CCME Rep: How many people were at the meeting?

Analyst: Maybe seven or eight, and not all of us have this proposal. Each person on our team handles different things. Some focused on Bus Online, some are in charge of China MediaExpress, and some are in charge of other media companies. For example, my colleague got the proposal from Bus online. He'll email it to me, and of course I'll email your proposal to him as well. And our company isn't big, there are only a few who know about this.

CCME Rep: Maybe the auditing firm was asking around and found your company?

Analyst: Most people in my company don't know about this. Even if the auditing company asks them, they'll have no idea. The people who were working on this case have left that company, and I'll tell my colleagues and manager to keep quiet.

CCME Rep: Tell them that the vehicles we quoted before are all for particular lines. That is yet.

Analyst: Ok.

CCME Rep: Well, thank you.

Analyst: Don't worry, nothing will happen.

CCME Rep: Thanks, Bye

# **Appendix D**

## **Chairman Cheng's letter**



### **To Our Shareholders and Friends:**

During the week of Chinese New Year, CCME's stock was the subject of an attack by short sellers that caused volatile swings in its stock price. Management and CCME's Board of Directors are keenly aware of their responsibility to protect our investors from these reckless and baseless attacks and, accordingly, the Company's board has authorized the engagement of outside counsel and other consultants to advise it with regard to appropriate countermeasures.

To allay the concerns of those shareholders who have read the blog posts of the short sellers and wondered if there is any basis to their statements, management has provided below a preliminary review of the factual inaccuracies and misleading innuendo employed by these bloggers for their self-benefit.

### **The "Research Reports"**

On January 31, 2011, Citron Research published a report entitled "The China Reverse Merger stock that is 'Too Good to be True.'" On February 1, 2011, Bronte Capital issued "China MediaExpress the Wall Street Drama Continues." On February 3, 2011, Muddy Waters said that it was "initiating research" with a strong sell recommendation. Each of these reports makes certain allegations about China MediaExpress's reported financial statements and operating data, although none of the authors of these "reports" even attempted to speak with management of CCME or, to our knowledge, performed any meaningful due diligence on the Company or sought to develop a rigorous financial model of its business in the manner any Wall Street research analyst would. We have every reason to believe that each of these "researchers" is actually a short seller, and each stands to make money – at the expense of our stockholders – when they succeed in driving down the price of our stock. This conflict of interest gives rise to understandable doubts about their motivation and intentions and, of course, the objectivity and legitimacy of their "reports."

The manner in which the short sellers seem to have timed and coordinated their

efforts plays into their ultimate strategy. By using the anonymity of the internet and publicizing as many unfounded allegations as they can craft, they can make it look as if there is a ground swell of criticism against the Company when in reality all the claims emerge from a small group of self-interested parties. Their ultimate plan is not a complicated one. As long as they can drive down the stock price when the U.S. markets are open (even if there is a holiday in China) and then cover their short position cheaply and quickly, they have accomplished their goal. It does not take long for them to make a profit at the expense of the company and other shareholders, particularly, if allegations are made while businesses in China are closed.

The Company will actively resist the efforts of these short sellers. First and foremost, **THE COMPANY CATEGORICALLY DENIES THE ALLEGATIONS MADE IN THESE PUBLICATIONS.** We address below the most significant claims made in these materials – all of which contain large factual errors. To the extent it is necessary, we will provide a more comprehensive response at the appropriate time.

We also note that the attacks are continuing and we fully expect to continue to have to take appropriate countermeasures.

### **Important Examples of the Bloggers’ Factual Inaccuracies and Misleading Tactics**

**ALLEGATION:** The Company is a fraud and reported revenue is exaggerated by tens of millions of dollars.

**FACT:** The Company is strong and doing well. Its revenues and cash position have been audited by reputable and well-known auditors who have confirmed both.

**ALLEGATION:** The media kit obtained from CCME’s sales personnel indicates that CCME has less than half of the buses under contract compared to CCME representations.

**FACT:** As of today, the Company currently has 27,200 buses under contract, and in addition to our regular monthly independent audit and verification by CTR Market Research – which we perform for the benefit of our agents and customers -- we will engage a professional third party to verify that fact. Although Muddy Waters claims to base its attack on our own advertising kit, and has appended to its “report” some spread sheets that Muddy Waters claims to come from our kit, that simply is not the case. The spread sheets on which Muddy Waters purports to rely (a) do not look like ours, (b) are not in the same format as ours, (c) appear to have been authored by

an individual unknown to us (based on a review of the pdf document's properties section, the name of the author does not appear to be a name of any of our Chinese staff), and most importantly (d) do not have the same information as the spread sheets that are included in our advertising kit. We obviously do not know where Muddy Waters sourced this information, but what we do know is that, contrary to what Muddy Waters said in its "report," the information is not the same as our advertising kit.

The spread sheets linked to the Muddy Waters "report" clearly have significant discrepancies from the Company's actual advertising kit, as the following charts indicate:

Muddy Waters' spreadsheet:

Bus Route Information from CCME Media Kit (current as of January 2011)

高速频道已覆盖线路及锁定车辆明细							
福建车辆总数 共1564辆							
福州始发 计400辆							
序号	始发点	到达点	车号	序号	始发点	到达点	车号
1	福州	泉州	闽AY6509	201	福州	杭州	浙AY75075
2	福州	泉州	闽AY6539	202	福州	下白石	闽AY6256
3	福州	泉州	闽AY6500	203	福州	宁化	闽AY2862
4	福州	泉州	闽AY6510	204	福州	宁化	闽AY2626
5	福州	泉州	闽AY6536	205	福州	将乐	闽AY7336
6	福州	泉州	闽AY1205	206	福州	将乐	闽AY2888
7	福州	泉州	闽AY5515	207	福州	将乐	闽AY3241
8	福州	泉州	闽AY5576	208	福州	将乐	闽GY5067
9	福州	泉州	闽AY5030	209	福州	将乐	闽AY7737
10	福州	泉州	闽CY0083	210	福州	建宁	闽AY6535
11	福州	泉州	闽CY0085	211	福州	建宁	闽AY5068
12	福州	泉州	闽CY0086	212	福州	建宁	闽AY3094

Spread sheet from the Company's official advertising kit (showing some of the same buses, with screen counts and entirely different sequencing):

序号	车号	液晶数
197	闽AY7738	2
198	闽AY7751	2
199	闽AY7752	2
200	闽AY5068	2
201	闽AY3094	2

Moreover, the numbers reported by Muddy Waters are entirely different from those appearing in our advertising kit. We have tried to figure out how and why Muddy Waters could have gotten it so wrong, but of course we do not know what they did. We have some theories, but the reality is that it is wrong, dramatically so.



**ALLEGATION:** Fewer than half of the buses in CCME's network actually show CCME content.

**FACT:** This claim relies entirely on anecdotal evidence. Under our contracts, bus operators are not allowed to remove our players and display content not provided by our company. Our media players operate on a hard-drive based system that is locked. We have tailor-made our media players (with a patent) so that it is nearly impossible to play content other than that which we supply. The content on the media players can only be updated by CCME operators and is typically updated on our contracted buses twice a month. Drivers are not able to switch off the LCD screens during the trip. In fact, the system automatically loads and plays the content when the bus engine starts and automatically shuts down when the bus engine is turned off.

**ALLEGATION:** CTR research reports are inaccurate and manipulated by CCME's management.

**FACT:** CTR is an independent and very reputable research provider. Among other things, CTR used a questionnaire survey to gather basic data from bus companies and the AV Center under the Ministry of Communication. Through the questionnaire, CTR is able to quantify the number of contracted vehicles, LCD screens and monthly sum of passengers. It also obtained statistical data of advertising in inter-city buses, LCD screens, hard disk playback mode, and monthly sum of passengers in the whole of China. All of this data is provided by third parties – the bus operators and the AV Center under the Ministry of Communication – not the Company.

**ALLEGATION:** CCME's relationship with its largest bus operator does not exist and CCME has misstated the number of buses it contracts with Beijing A-er-sha Passenger Transaction Co. Ltd ("Alsa") and Beijing Xiang Long A-er-sha Passenger Transportation Co. Ltd. ("Xiang Long Alsa").

**FACT:** The largest operator in CTR's 2008 report, Shanghai Bus Industrial Group Co., Ltd., contracted with us in 2008 (and now) for 1,892 buses. We obviously cannot comment on why Muddy Waters would report otherwise, other than as mentioned above regarding the unknown nature of their 'official advertiser kit,' but the contract does, in fact, exist and they are listed in our current advertiser kit.

From the Muddy Waters report:

Bus Companies Discussed in CTR Report	CTR Report - Number of Buses	Advertiser Kit - Number of Buses	Difference
Shanghai Ba-Shi (Group) Industrial Co. Ltd	1,892	Company Not Listed	1,892

From our official advertiser kit (only the first three buses out of the 1,892 total are shown in the excerpt):

上海巴士实业（集团）股份有限公司（车:1892 液晶:4622）

序号	车号	液晶数
1	沪A65072	2
2	沪A65075	2
3	沪A83822	2

Muddy Waters alleges that it contacted representatives of Alsa and Xiang Long Alsa to find out that they only have 20 buses and 60 buses, respectively. Muddy Waters provides screen shots of these two companies’ websites to support this allegation. Because of the scale of CCME’s operations, we often enter into a contract with a bus operator on behalf of itself and other bus operators. Of course Alsa or Xiang Long Alsa would not misrepresent to the public that they operate more buses than they do, but neither would they include all the details of their subcontracting arrangements regarding advertising matters in their corporate website. This fact also explains Muddy Waters’ exaggerated concern over the number of operators we do business with – it is simply the case that at as of December 31, 2010 we had signed agreements with only 70 bus operators but that those operators had subcontracting arrangements with many others comprising the CCME network. The extraordinary deficiencies in Muddy Waters’ “proof” and “analysis” – including presenting information for the wrong customer, failing to investigate and report publicly available information, and failing to make follow-up inquiries with CCME – naturally casts doubt both on their capabilities and/or their objectivity.

**ALLEGATION:** Apple does not have a deal with CCME’s Switow platform.

**FACT:** We signed a contract with Apple’s authorized distributor, Eading Group, in December 2010. We encourage you, when in China, to buy an iPad from them.

**ALLEGATION:** CCME’s Target Audience is Mainly a “SubGreyhound Demographic”

**FACT:** Our target audience consists of members of households with above-average income in China. CTR’s independent research shows that the average household

income of our audience is about RMB 4,500-6,000 per month. This demographic is attractive to the advertisers with whom we have contracted. Some of the global companies that advertise on our platform are Lenovo, China Mobile, Siemens, Toyota and Pepsi.

**ALLEGATION:** Our “competitors” and certain media buyers do not know CCME.

**FACT:** The companies listed in the Muddy Waters report are not in the same industry group as CCME. FMCN focuses on the commercial real estate, retail, outdoor billboard, and Internet advertising platforms in China. AMCN is in the airport and airplane segment. VISN and Bus Online are in the intra-city bus segment. We are the media market leader in intercity and airport express buses in China, and there are no comparable competitors, either in size or experience.

**ALLEGATION:** The 2009 SAIC revenue does not match with our SEC reported financial results.

**FACT:** CCME’s SAIC reports were prepared in accordance with pertinent SAIC rules and policies. Our consolidated financial results reported in the Company's audited financial statements are prepared in accordance with US GAAP.

**ALLEGATION:** CCME has misled investors regarding government approval of its operations by calling it an “exclusive license from the Ministry of Transport.”

**FACT:** The bloggers are playing disingenuous word games. However you want to translate the name of the approval, the Company has lucrative agreements throughout China that are providing strong revenues for the Company and its shareholders. This allegation is an example of how far the bloggers will go to try to create the illusion that there is something wrong with the Company. CCME has been issued a “tongzhi” by the Transportation Television Audio Visual Center, a department under the Ministry of Transport, which has binding effect on the bus operators. We have made a copy of this approval available on our corporate website, which includes the relevant TTAVC Seal (red stamp). What the bloggers don’t say – and can’t say – is that this approval is not lucrative, important, or enforceable or even that this approval does not give the Company the exclusive right to access and advertise to the passengers on these buses. The proof of the pudding is in the eating. The Company has benefited greatly from the “tongzhi” from the TTAVC with operators in cities throughout China.

\* \* \* \* \*

As noted above, our ability to respond completely to these bloggers is limited due to the Chinese New Year holidays –a fact that we believe was pivotal to the timing of the release of these “reports.” Although we hope that the investing public will recognize the bloggers’ attacks for what they are, to the extent that a further and more comprehensive response is useful, we will provide further information to the investing public after the Chinese New Year to respond to these defamatory allegations.

**Thank you all.** I particularly hope that the those shareholders who have remained loyal to CCME and share the vision I have to responsibly leverage our “tongzhi” and designation as the exclusive inter-city bus TV media by China's Ministry of Transport and thereby grow our revenue and profitability will accept my sincere and humble thanks for their trust and support. I am also heartened by the fact that many people have, unbidden, posted responses to these scurrilous attacks and have strongly supported the Company. They have done this on their own, and I thank them for their support. For the stock market speculators interested in enriching themselves through manipulation, information arbitrage and a “zero sum” gain, all at the expense of our investors, I am certain that their actions will ultimately catch up with them.

Zheng Cheng  
Chairman, CEO and President  
February 7, 2011