IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

$5,000 -

97578

CAUSE NO. FSD 19 OF 2010

IN THE MATTER OF THE COMPANIES LAW (2009 REVISION)

AND IN THE MATTER OF CHINA TIME SHARE MEDIA CO. LTD

CLERK OF COURT

JAN 11 2010

CAYMAN ISLANDS GOVERNMENT

WINDING UP PETITION

To the Grand Court

The humble Petition of The Hongkong and Shanghai Banking Corporation Limited of Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong (the "**Petitioner**") shows that:

1. China Time Share Media Co. Ltd (the "**Company**") was incorporated on 4 October 2006 under the name of Time Share Media Co. Ltd and Registration No. 175145 as an exempted company under the laws of the Cayman Islands. It changed its name to its present legal name on 31 October 2007.

2. The registered office of the Company is situated at Offshore Incorporations (Cayman) Ltd, Scotia Bank Building, Cardinal Avenue, PO Box 2804GT, Grand Cayman KY1-1112, Cayman Islands.

3. The principal business of the Company is to provide clients with advertising opportunities on billboards in the People's Republic of China (the "**PRC**"). The Company also provides advertising services on other forms of "out-of-home" advertising media, including street furniture displays and transit area displays, as well as more advanced digital media such as liquid crystal displays and light-emitting diode displays. The Company belongs to a group of Companies and has a number of operating

subsidiaries (the "**Group**") which has developed a proprietary database that contains comprehensive information on the size, location, availability, pricing and appearance of the media in the Group's advertising supplier network (the "**Database**"). The Database also provides information on traffic and people flow and a history of advertisements that have previously been displayed on each advertising media unit. By using the information available on the Database, the Group offers tailored advertising packages to its customers which consist of ultimate users of advertising space and foreign and domestic advertising agents. The Group has expanded to also acquire billboards through long term leases, obtaining exclusive rights and special construction projects in prime locations and to sell advertising space on those billboards.

THE PETITIONER

4. Pursuant to a Note Trust Deed dated 19 December 2007 (the "**Note Trust Deed**") between the Company (as the Issuer), the Petitioner (as the Note Trustee and as the Security Trustee); a Warrant Trust Deed dated 19 December 2007 (the "**Warrant Trust Deed**") between the Company (as the Issuer), the Petitioner (as the Warrant Trustee and as the Security Trustee); and a Subscription Agreement dated 18 December 2007 between the Company (as the Issuer), He Ji Lun ("**Mr. He**"), Double Win Holdings Limited, Insighting Holdings Limited and Lucky Zone Limited and the person or persons set out in Schedule 4 of the said Subscription Agreement (as the Subscribers and each a Subscriber), the Company issued US$20,000,000.00 aggregate principal amount of 5% secured convertible notes due in 2010 (the "**Notes**") and 80 secured warrants with a face value of US$100,000.00 each (the "**Warrants**") to Blue Ridge Investments LLC ("**Blue Ridge**").

5. Blue Ridge is an investment vehicle set up by Bank of America Corporation ("**BoA**") and is held indirectly by BoA, who is the 100% beneficial owner of Blue Ridge. All of BoA's non-strategic private equity related investments in Asia are monitored by Bank of America Merrill Lynch Asia Private Equity ("**BAML**").

6. Pursuant to Condition 5 (*Interest*) of the Terms and Conditions of the Notes set out in Schedule 3 of the Note Trust Deed (the "**Terms and Conditions**"), the Company was required to pay interest on the Notes on 21 December 2009.

7. Pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions, at any time after the Notes have become due and repayable, the Note Trustee may take such proceedings against the Issuer as it may think fit to enforce repayment of the Notes and to enforce the provisions of the Note Trust Deed. Blue Ridge, as "Noteholder" (as defined in the Note Trust Deed) is not entitled to proceed directly against the Company as Issuer unless the Petitioner, as Note Trustee, failed or declined to do so.

8. The Petitioner, in its capacity as Note Trustee under the Note Trust Deed, is therefore Petitioner in these Proceedings to enforce the Notes which have now become due and payable (as set out below), notwithstanding the fact that they are 100% beneficially owned by Blue Ridge, which is therefore the party with the actual economic interest in the Company.

GROUNDS FOR THE PETITION

9. The Petitioner presents this Petition on behalf of Blue Ridge on the ground that the Company is insolvent and unable to pay its debts.

10. On 19 November 2009, the Petitioner, in its capacity as Paying Agent under the Notes, wrote to the Company to advise that the next interest payment under the Notes would fall due on 21 December 2009 and that the amount of interest payable on that date was US$1,005,400.00.

11. On 14 December 2009 BAML received an email from Xiaoming Pan, the Director of the Investment Management Centre of the Company ("**Pan Email**"), requesting an extension of time from 21 December 2009 to 19 January 2010 for the Company to make its interest payment under the Notes, and stated that:

"*As the advertising industry in the PRC is affected by the financial crisis, our company's performance in this year is* much worse than expected. *Moreover, as the year-end is approaching, the company faces problems relating to payment of employee wages and* *bonuses. At present, the company only has a few million cash. Although we have endeavoured to solve the problem of high level of accounts receivable in the preceding period, there is large amount of payment needed to be made and we still cannot raise adequate cash to meet the payments to be made at the year-end"* [emphasis added].

12. The Company failed to pay the interest amount due on 21 December 2009 to the Paying Agent. Pursuant to Condition 11 (*Events of Default*) of the Terms and Conditions, in particular sub-condition 11.1(a), the failure by the Company (as Issuer) to pay any interest due in respect of the Notes amounts to an event of default under the Notes (the "**Event of Default**").

13. On 23 December 2009, Blue Ridge instructed the Petitioner, as Note Trustee under the Notes, to enforce the Notes. On 4 January 2010, Blue Ridge instructed the Petitioner to file a Petition to wind-up the Company in the Grand Court of the Cayman Islands (in their capacity as Note Trustee) and to file an Application to appoint Messrs Cosimo Borrelli and Kenneth Krys as the joint and several provisional liquidators over the Company.

14. On 6 January 2010, the Petitioner served a notice to the Company that an Event of Default had occurred under the Note Trust Deed and was continuing on account of the Company's failure to pay interest as it fell due on 21 December 2009 (the "**6 January 2010 Notice**"). As a consequence of the occurrence of the Event of Default, all amounts of principal, premium and accrued and unpaid interest relating to the Notes became immediately due and payable together with the Early Redemption Amount (as defined in the Note Trust Deed). The notice also constituted a formal demand to the Company for payment of all amounts of principal, premium and accrued and unpaid interest relating to the Notes together with the Early Redemption Amount.

15. Following the issue of the 6 January 2010 Notice as set out in paragraph 14 above, the debt of US$25,108,145.21 fell due and payable (the "**Debt**"), as outlined below. Consequently, the Company is justly and truly indebted to Blue Ridge in the total sum of US$25,108,145.21 and the Company has failed to pay this sum.

16. The Debt demanded but not particularised in the 6 January 2010 Notice comprises of the following components:

(a) A principal payment of US$20,000,000.00 (the "**Principal**") being the principal value of the Notes pursuant to Condition 11.2 of Schedule 3 of a Note Trust Deed which provided that upon the Petitioner as Note Trustee (as defined in the Note Trust Deed) or any Noteholder (as defined in the Note Trust Deed) giving notice in accordance with Condition 11.1 of the Note Trust Deed, each Note shall be immediately due and repayable, together with any accrued and unpaid interest thereon, and the Early Redemption Amount (as defined in the Note Trust Deed).

(b) An interest payment of US$1,000,000.00 (the **"Interest"**), being interest on the Notes pursuant to Condition 5.1 of Schedule 3 of the Note Trust Deed which provided that the Notes would bear interest at the rate of 5 per cent per annum from the issue date (19 December 2007) up to but excluding 19 September 2010; payable annually in arrear on each anniversary of the issue date.

The Interest is accrued interest on the Notes for the period from 19 December 2008 to 18 December 2009, and fell due for payment on Saturday 19 December 2009. According to Condition 8.4 of Schedule 3 of the Note Trust Deed the Interest is payable for value on Monday, 21 December 2009 as the due date for payment (19 December 2009) is not a Payment Business Day. The Interest is calculated in the following manner:

US$1,000.00 (denomination of the Notes) x 5% (interest rate) x 365/365 (days) = US$50.00 per Note, x 20,000 Notes = US$1,000,000.00.

(c) A default interest payment of US$3,945.21 (the "**Default Interest**"), being the default interest in respect of the overdue sum in relation to the Notes pursuant to Condition 5.2 of Schedule 3 of the Note Trust Deed which provided that if the Company as Issuer failed to pay any sum in respect of the Notes when the same became due and payable, interest would accrue on the overdue sum at the rate of 4%. per annum over and above the Interest Rate (being 5.00 per cent. per annum) from the due date. Such interest accrues from day to day and is calculated on the basis of the actual number of days elapsed and a 365-day year until actually paid.

The Default Interest rate is calculated in the following manner:

(i) 4% + 5% (interest rate) = 9% (the Default Interest rate).

The Default Interest is calculated in the following manner:

(ii) US$1,000,000.00 (overdue sum) x 9% (Default Interest rate) x 16/365 (days) = US$3,945.21.

(d) A payment of an early redemption amount of US$4,104,200.00 pursuant to Condition 11.2 of Schedule 3 of the Note Trust Deed and calculated in accordance with Condition 9.7 of Schedule 3 of the Note Trust Deed (the "**Early Redemption Amount**"). The Early Redemption Amount per Note is calculated in the following manner:

0.1 x **n** x US$1,000.00 (denomination of the Notes) = 0.1 x 749/365 (2 years and 19 days) x US$1,000.00 (per Note) = US$205.21 (per Note and rounded to two decimal places with 0.005 rounded upwards)

where **n** = (Days Outstanding/365) "Days Outstanding" means the number of days from and including the issue date to, but excluding, the date for redemption, purchase and/or full repayment of the outstanding principal amount of the Notes, calculated on the basis of a 365-day year. The Days Outstanding has been calculated from the issue date (19 December 2007) to 6 January 2010.

The Early Redemption Amount for the aggregate principal amount of the Notes outstanding is thus calculated in the following manner:

= US$205.21 (per note) x 20,000 Notes= US$4,104,200.00.

17. The Company has failed to pay the sum of US$25,108,145.21 or any sum, as demanded by the Petitioner in its notice of 6 January 2010, and is therefore obviously unable to pay its debts.

18. Mr. He, the Managing director, Chairman and CEO of the Company, wrote an email to BAML on 8 January 2010, in which he expressly admitted the Company is insolvent and unable to pay its debts. He wrote:

"*It has been difficult to go through the end of the year. Recently, my company has respectively received lawyers' letters and debt collecting letters from the senior employees of the company and various debt collecting companies asking for the payment of wages and other payments (please see attached the lawyer's letter in regard to the senior employees, etc.). They have asked the company to pay all the outstanding wages and sums of money and said that if these payments are delayed for too long, the company will possibly encounter legal disputes.*

My company in fact is unable to make payment for the wages and sums of money referred to above. As at 31 December 2009, the cash appearing on the financial statement of my company is RMB6,680,000 [US$978,260.04]. *With the cash that we have, we are simply unable to bear the pressure of this urgent cash payment. If we are unable to pay these amounts in accordance with the contracts, it will cause the company's main senior employees to leave their jobs one by one in a short period of time and drag the company into situations of custody of assets, legal proceedings and bankruptcy. In order to prevent the company not to incur greater losses because of interim cash shortage, could your company please lend my company RMB100,000,000 [US$14,644,611.45] within a week to settle these sums of money, to maintain the company's relative stability and to prevent the incurrence of greater losses of the company's interests as a result of legal proceedings and bankruptcy procedures derived from the company's interim cash shortage. Please reply as soon as possible.*"

19. In the circumstances, it is clear the Company is unable to pay its debts, without incurring further substantial liabilities in order to do so.

20. In addition to the Company being insolvent on a cash flow basis, it appears the Company is also substantially insolvent on a balance sheet basis. Borrelli Walsh Limited ("**BWL**"), a leading provider of insolvency, restructuring and forensic accounting services throughout Hong Kong, the PRC and the Asia Pacific Region undertook, at the

request of BAML/Blue Ridge, a review of the Company's Balance Sheets for June and September 2009 (the "**Balance Sheets**") and of the Company's profit and loss projection and cash flow for the second half of 2009 (which showed significant losses and cash outflow). The analysis of BWL shows the following:

(a) The Balance Sheets which appear to have been prepared by the Company in house and they purport to show the Company as solvent with net assets of RMB39,585,346.00 (US$5.80 million) as at 30 June 2009, but insolvent as at 30 September 2009 with liabilities greater than assets by RMB37,311,188.00 (US$5.46 million).

(b) Cash and bank balances were recorded as RMB52,807,398.00 (US$7.73 million) in June 2009 and RMB36,914,308.00 (US$5.41 million) in September 2009. BWL consider that the stated cash and bank balances are very substantial for a company of this size and turnover may have been materially overstated primarily because it is not possible to reconcile the large cash balance with the current poor financial position of the Company only a few months later. The view that the cash and bank balances (RMB36,914,308 (US$5.41 million) in September 2009) are materially overstated is supported by the Pan Email where Xiaoming Pan stated the Company only had a "*few million*" in cash. This statement is inconsistent with these figures in the Balance Sheets. Blue Ridge were also informed by the Company's director Mr. He that the cash balance was RMB9 million (US$1.32million) as of 27 October 2009. This figure is substantially lower than the balance stated in the September 2009 Balance Sheets. After taking into account all of these factors, BWL have estimated the true cash position as at 31 December 2009 was zero.

(c) Accounts receivables were recorded as RMB207,398,354.00 (US$30.38 million) in June 2009 and RMB95,556,613.00 (US$14.00 million) in September 2009. The accounts receivables appear to be disproportionately large when compared to sales, which is indicative of significant doubtful debts that would be difficult to recover. The substantial decrease in accounts receivables of over RMB111million (US$16.38 million) is also inconsistent with the decrease in the cash position as recorded in paragraph (b) above. The collection of these accounts receivables should have produced substantial cash. Furthermore, the bad debt provision from the September 2009 Balance Sheets was RMB14.6 million (US$2.14 million) which shows that it is unlikely that a portion of the accounts receivables will be recoverable.

(d) BAML/Blue Ridge were informed by the management of the Company that 70% of the accounts receivables were over 180 days and that whether these receivables can be recovered would depend on Mr. He's efforts. The Balance Sheets do not indicate any plausible explanation for these various inconsistencies and as a result, BWL discounted the accounts receivable position by 40% in its analysis. This is still an optimistic recovery rate for accounts receivables of a distressed trading entity in the PRC.

(e) Advance to suppliers was recorded as RMB78,558,913.00 (US$11.51 million) in June 2009 and RMB95,616,202.00 (US$14.00 million) in September 2009. BWL consider that both the nature and size of this item is very unusual for a business of the Company's size and nature and therefore discounted its book value by 40% to reflect the likelihood that some of these advances may not be recoverable.

(f) The non-current "intangible assets" were recorded as RMB24,377,451.00 (US$3.57 million) in June 2009 and RMB21,894,791.00 (US$3.21 million) in September 2009 and "goodwill" was recorded as RMB15,014,867.00 (US$2.20 million) in June 2009 and September 2009. BWL consider that "intangible assets" and "good will" are unlikely to be recovered in a business that is not performing well and therefore they wrote down both of these non-current assets to zero. Such write downs are very common for businesses that are not performing well.

(g) Accrued expenses were recorded as RMB35,095,231.00 (US$5.14 million) in June 2009 and RMB34,788,302.00 (US$5.10 million) in September 2009. BWL consider that these figures are extremely large for a business and/or turnover of the size of the Company. The substantial accrued expenses suggest that the

Company has been incurring expenses but not paying for them, which is indicative of severe cash flow problems.

21. In conclusion, BWL's analysis of the Balance Sheets suggest that the Company's liabilities in fact exceed its assets in the approximate sum of RMB158 million (US$23.19 million) and that it is therefore unable to pay its debts, as confirmed by the Pan Email and the email from Mr. He on 8 January 2010.

22. The failure to pay the interest payment under the Notes on the interest due date is consistent with and supportive of, as set out above, a company that is substantially insolvent on both a cash flow and a balance sheet basis and unable to pay its debts.

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

1. the Company be wound up by the Court under the provisions of the Companies Law (2009 Revision);

2. Kenneth M. Krys of Krys & Associates Cayman Ltd. of Governors Square, Building 6, 2nd Floor, 23 Lime Tree Bay Avenue, PO Box 31237, Grand Cayman KY1-1205, Cayman Islands and Cosimo Borrelli of Borrelli Walsh Limited of Level 17, Tower 1 Admiralty Centre, 18 Harcourt Road, Hong Kong, be appointed as Joint Official Liquidators of the Company (the "**Liquidators**");

3. the Liquidators be authorised to exercise any of the powers conferred on them by the Court pursuant to Section 110(2) and Parts I and II of the Third Schedule of the Companies Law (2007 Revision) without the further sanction or intervention of the Court;

4. the Liquidators be authorised to do any act or things considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding-up of its affairs and to prevent the dissipation of the Company's assets;

5. the Liquidators do file with the Clerk of the Court a report in writing of the position of and progress made with the winding up of the Company with the realisation of the assets

thereof and to any other matters connected to the winding up of the Company, as the Court may direct;

6. the Liquidators be at liberty to appoint counsel, attorneys, professional advisors, whether in the Cayman Islands or elsewhere as they may consider necessary to advise and assist them in the performance of their duties and on such terms as they may think fit and to remunerate them out of the assets of the Company;

7. the Liquidators and their staff be remunerated out of the assets of the Company at the usual customary rate;

8. the Liquidators be at liberty to apply generally;

9. the costs of the Petition and the Petitioner be paid out of the assets of the Company;

10. the Liquidators cause a copy of this Petition to be delivered to the Registrar of Companies;

Dated this 11th day of January 2010

Harneys

HARNEY WESTWOOD & RIEGELS
Attorneys-at-Law for and on behalf of the Petitioner

NOTE: This Petition is intended to be served on the Company

THIS PETITION was presented by Harney Westwood & Riegels, Attorneys-at-Law for the Petitioner, whose address for service is 3rd Floor, Genesis Building, 13 Genesis Close, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands (**Ref:SED/NAF:040844.0002)**

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman on ______________________________ at 10:00am.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone 345 949 4296.