

NETWORK CN INC  
Form 10-Q  
November 19, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2014

- 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: 000-30264

NETWORK CN INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or other jurisdiction of  
incorporation  
or organization)

90-0370486  
(I.R.S. Employer Identification No.)

Room 2120 and 2122, Leighton Centre,  
77 Leighton Road, Causeway Bay, Hong Kong  
(Address of principal executive offices, Zip Code)

(852) 2833-2186  
(Registrant's telephone number, including area code)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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

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submit and post such files). Yes  No

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.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of each of the issuer’s classes of common stock, as of November 14, 2014 is as follows:

Class of Securities	Shares Outstanding
Common Stock, \$0.001 par value	115,919,467

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PART I

FINANCIAL INFORMATION

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NETWORK CN INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	Note	As of June 30, 2014	As of December 31, 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 9,148	\$ 111,889
Accounts receivable, net	5	1,032,312	759,977
Prepayments for advertising operating rights, net	6	-	-
Prepaid expenses and other current assets, net	7	349,986	333,360
<b>Total Current Assets</b>		<b>1,391,446</b>	<b>1,205,226</b>
Equipment, Net		74,292	83,160
<b>TOTAL ASSETS</b>		<b>\$ 1,465,738</b>	<b>\$ 1,288,386</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>			
<b>Current Liabilities</b>			
Accounts payable, accrued expenses and other payables	8	\$ 5,380,490	\$ 4,839,861
1% convertible promissory notes due 2014, net	10	-	4,064,412
Capital lease obligation	9	11,690	11,236
<b>Total Current Liabilities</b>		<b>5,392,180</b>	<b>8,915,509</b>
<b>Non-Current Liabilities</b>			
1% convertible promissory notes due 2016, net	10	5,000,000	-
Capital lease obligation, net of current portion	9	23,789	29,748
<b>Total Non-Current Liabilities</b>		<b>5,023,789</b>	<b>29,748</b>
<b>TOTAL LIABILITIES</b>		<b>10,415,969</b>	<b>8,945,257</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	11		
<b>STOCKHOLDERS' DEFICIT</b>			
Preferred stock, \$0.001 par value, 5,000,000 shares authorized None issued and outstanding		-	-
Common stock, \$0.001 par value, 400,000,000 shares authorized Shares issued and outstanding: 115,919,467 and 106,419,467 as of June 30, 2014 and December 31, 2013 respectively		115,919	106,419
Additional paid-in capital		123,167,972	122,359,290
Accumulated deficit		(133,942,905)	(131,823,174 )
Accumulated other comprehensive income		1,708,783	1,700,594
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	12	<b>(8,950,231 )</b>	<b>(7,656,871 )</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		<b>\$ 1,465,738</b>	<b>\$ 1,288,386</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.



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NETWORK CN INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013  
(UNAUDITED)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>REVENUES</b>					
Advertising services		\$ 219,516	\$ 150,318	\$ 463,518	\$ 556,955
<b>COST OF REVENUES</b>					
Cost of advertising services		(442,511)	(152,375)	(871,503)	(617,052)
<b>GROSS LOSS</b>		<b>(222,995)</b>	<b>(2,057)</b>	<b>(407,985)</b>	<b>(60,097)</b>
<b>OPERATING EXPENSES</b>					
Selling and marketing		(19,324)	(3,600)	(41,392 )	(56,479)
General and administrative		(235,880)	(284,366)	(571,196)	(785,799)
Total Operating Expenses		(255,204)	(287,966)	(612,588)	(842,278)
<b>LOSS FROM OPERATIONS</b>		<b>(478,199)</b>	<b>(290,023)</b>	<b>(1,020,573)</b>	<b>(902,375)</b>
<b>OTHER INCOME, NET</b>					
Interest income		10	4	28	13
Other income, net		3,344	19,305	5,075	19,305
Total Other Income, Net		3,354	19,309	5,103	19,318
<b>INTEREST AND OTHER DEBT-RELATED EXPENSES</b>					
Amortization of deferred charges and debt discount	10	(7,993)	(423,058)	(935,588)	(786,663)
Interest expense	8, 9&10	(86,127)	(55,522)	(168,673)	(102,899)
Total Interest and Other Debt-Related Expenses		(94,120)	(478,580)	(1,104,261)	(889,562)
<b>NET LOSS BEFORE INCOME TAXES</b>		<b>(568,965)</b>	<b>(749,294)</b>	<b>(2,119,731)</b>	<b>(1,772,619)</b>
Income taxes		-	-	-	-
<b>NET LOSS</b>		<b>\$ (568,965)</b>	<b>\$ (749,294)</b>	<b>\$ (2,119,731)</b>	<b>\$ (1,772,619)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Foreign currency translation gain (loss)		1,190	(4,572)	8,189	(5,596)
Total other comprehensive income (loss)		1,190	(4,572)	8,189	(5,596)

COMPREHENSIVE LOSS		\$	(567,775)	\$	(753,866)	\$	(2,111,542)	\$	(1,778,215)
NET LOSS PER COMMON SHARE – BASIC AND DILUTED	14	\$	(0.005)	\$	(0.007)	\$	(0.019)	\$	(0.017)
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC AND DILUTED	14		115,919,467		105,419,467		114,051,399		104,742,809

The accompanying notes are an integral part of the condensed consolidated financial statements.



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NETWORK CN INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013  
(UNAUDITED)

	Six Months Ended	
	June 30,	June 30, 2013
	2014	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(2,119,731)	\$ (1,772,619 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization:		