FORM 10-Q

China Network Media, Inc. - CNNM

Filed: May 15, 2013 (period: March 31, 2013)

Quarterly report with a continuing view of a company's financial position

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 March 31, 2013

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: 333-152539

CHINA NETWORK MEDIA INC.

(Exact name of registrant as specified in its charter)

Delaware	**32-0251358**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Room 205, Building A No. 1 Torch Road, High-Tech Zone Dalian, China	**116023**
(Address of principal executive offices)	(Zip Code)

+86 (411) 3973-1515
(Registrant's telephone number, including area code)

N/A
(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 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 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 ☒

As of May 1, 2013, there were 60,145,232 shares of common stock, $0.001 par value issued and outstanding.

CHINA NETWORK MEDIA INC.
TABLE OF CONTENTS
FORM 10-Q REPORT
March 31, 2013

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as "anticipate," "believe," "estimate," "intend," "could," "should," "would," "may," "seek," "plan," "might," "will," "expect," "predict," "project," "forecast," "potential," "continue" negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management, any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

CERTAIN TERMS USED IN THIS REPORT

When this report uses the words "we," "us," "our," and the "Company," they refer to the combined business of China Network Media Inc. and its consolidated subsidiaries. "SEC" refers to the Securities and Exchange Commission.

In addition, unless the context otherwise requires and for the purposes of this Report only:

- "Closing Date" means October 29, 2012;
- "Dalian Tianyi" refers to our variable interest entity Dalian Tianyi Culture Development Co., Ltd., a PRC limited company;
- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "HK Science& Technology" refers to our subsidiary Science & Technology World Website Hong Kong Media Holding Co., Ltd., a Hong Kong company;
- "Hong Kong" refers to the Hong Kong Special Administrative Region of the People's Republic of China;
- "MGYS" refers to Metha Energy Solutions Inc., a Delaware corporation;
- "PRC" and "China" refers to the People's Republic of China, excluding, for the purpose of this prospectus, Taiwan and the special administrative regions of Hong Kong and Macau;

- “PRC Operating Subsidiaries” and “PRC Operating Entities” refers to “Science & Technology (Dalian)” and “Dalian Tanyi”;
- “Renminbi” and “RMB” refers to the legal currency of China;
- “Science & Technology Media” refers to Science & Technology World Website Media Group Co., Ltd., a British Virgin Islands company;
- “Science & Technology Holding” refers to Science & Technology World Website Media Holding Co., Ltd., a British Virgin Islands company;
- “Science & Technology Trading” or “WFOE” refers to our indirect subsidiary of Science & Technology World Website Trade (Dalian) Co., Ltd., a PRC limited company;
- “Science & Technology (Dalian)” refers to our variable interest entity Science & Technology World Network (Dalian) Co., Ltd., a PRC limited company;
- “SEC” refers to the Securities and Exchange Commission;
- “Securities Act” refers to the Securities Act of 1933, as amended; and
- “U.S. dollars,” “dollars,” “US$,” “$” and “USD” refers to the legal currency of the United States.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

INDEX TO FINANCIAL STATEMENTS

China Network Media, Inc
Consolidated Balance Sheets
(U.S. Dollars)

	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 331,656	$ 685,467
Accounts receivable	1,990	-
Prepaid taxes	365,395	260,174
Prepaid expenses and other current assets	237,240	287,102
Total current assets	936,281	1,232,743
Property and equipment, net	72,571	78,888
Total assets	$ 1,008,852	$ 1,311,631
Liabilities and shareholders' deficit		
Current Liabilities		
Advances from customers	$ 28,655	$ -
Deferred revenue	632,382	748,210
Due to a related party	80,872	80,429
Accrued expenses and other current liabilities	1,224,575	1,219,654
Total current liabilities	1,966,484	2,048,293
Deferred revenue, non current	188,403	271,352
Total liabilities	$ 2,154,887	$ 2,319,645
Shareholders' deficit		
Common stock ($0.001 par value,100,000,000 shares authorized; 60,145,232 and 56,300,452 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively)	60,145	56,300
Additional paid in capital	1,154,990	1,143,390
Accumulated deficit	(2,320,832)	(2,172,992)
Accumulated other comprehensive loss	(40,338)	(34,712)
Total shareholders' deficit	(1,146,035)	(1,008,014)
Total liabilities and shareholders' deficit	$ 1,008,852	$ 1,311,631

See accompanying notes to the consolidated financial statements.

** None of the assets of the VIEs can be used only to settle obligations of the consolidated VIEs. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets (Note 3).*

China Network Media, Inc
Consolidated Statements of Operations and Comprehensive Loss
(U.S. Dollars, except shares)

	For the Three Months Ended March 31, 2013 (Unaudited)	2012 (Unaudited)
Revenue		
- Third parties	$ 199,599	$ 41,268
- Related parties	6,629	6,363
	206,228	47,631
Cost of revenue		
- Third parties	119,289	47,226
- Related parties	3,962	7,282
	123,251	54,508
Gross profit (loss)	82,977	(6,877)
Operating expenses:		
Research and development expenses	24,681	13,616
Selling and marketing expenses	18,906	39,268
General and administrative expenses	196,374	118,679
Total operating expenses	239,961	171,563
Loss from Operations	(156,984)	(178,440)
Other income	9,144	15,357
Loss from operations before income taxes	(147,840)	(163,083)
Provision for income taxes	-	-
Net loss	(147,840)	(163,083)
Other comprehensive loss		
Foreign currency translation adjustment	(5,626)	(18,522)
Comprehensive loss	$ (153,466)	$ (181,605)
Basic and diluted loss per share	$ (0.002)	$ (0.003)
Weighted-average number of shares outstanding -Basic and diluted	60,145,232	50,000,000

See accompanying notes to the consolidated financial statements.

China Network Media, Inc
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2013 and 2012
(U.S. Dollars)

	For the Three Months Ended March 31,	
	2013	**2012**
	(Unaudited)	**(Unaudited)**
Cash Flows From Operating Activities		
Net loss	$ (147,840)	$ (163,083)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	11,273	7,456
Deferred income taxes	-	306
Issuance of shares to 2 employees and 37 part-time consultants	15,445	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,989)	20,833
Prepaid expenses and other current assets	51,404	12,559
Advance from customers	28,636	-
Deferred revenue	(204,240)	(41,566)
Prepaid taxes	(103,723)	(40,219)
Accrued expenses and other current liabilities	(1,774)	15,096
Net cash used in operating activities	(352,808)	(188,618)
Cash Flows From Investing Activities		
Cash received from a related party	-	15,562
Purchases of property and equipment	(4,528)	-
Net cash (used in) provided by investing activities	(4,528)	15,562
Cash Flows From Financing Activities		
Net cash provided by financing activities	-	-
Effect of exchange rate fluctuation on cash and cash equivalents	3,525	1,707
Net decrease in cash and cash equivalents	(353,811)	(171,349)
Cash and cash equivalents, beginning of period	685,467	250,107
Cash and cash equivalents, end of period	$ 331,656	$ 78,758
Supplemental disclosure information:		
Income taxes paid	$ 93,178	$ 13,899

See accompanying notes to the consolidated financial statements.

NOTE 1. DESCRIPTION OF BUSINESS AND ORGANIZATION

China Network Media, Inc. (formerly known as Metha Energy Solutions Inc.) was incorporated on April 18, 2008 under the laws of the State of Delaware.

Science & Technology World Website Media Holding Co., Ltd. ("Science & Technology Holding") was organized under the laws of the British Virgin Island on February 15, 2011.

Science & Technology World Website Media Group Co., Ltd. ("Science & Technology Media") was organized under the laws of the British Virgin Island on February 15, 2011 to serve as a holding company for the People's Republic of China (the "PRC") operations. On September 16, 2011, Science & Technology Media established Science & Technology World Website Hong Kong Media Holding Co., Ltd. ("HK Science & Technology") in Hong Kong to serve as an intermediate holding company.

On January 20, 2012, HK Science and Technology established Science& Technology World Website Trade (Dalian) Co., Ltd (the "WFOE" or "Science & Technology Trading") in the PRC. Its purposes are, among others, a platform for online B2B service.

HK Science and Technology and the WFOE are considered foreign investor and foreign invested enterprise respectively under PRC law. As a result, HK Science & Technology and the WFOE are subject to limitations under PRC law on foreign ownership of Chinese companies. According to the Catalogue of Industries for Guiding Foreign Investment (2011 Revision) (the "Catalogue"), there are four kinds of industries which are encouraged, permitted, restricted and prohibited for foreign investment. The primary business of Dalian Tianyi Culture Development Co., Ltd ("Dalian Tianyi") and Science & Technology World Network (Dalian) Co., Ltd ("Science & Technology (Dalian)") are within the category in which foreign investment is currently restricted.

On January 21, 2012, the WFOE respectively entered into a series of agreements with Dalian Tianyi, Science & Technology (Dalian) and their respective shareholders ("Contractual Arrangements"). The relationship with Dalian Tianyi, Science & Technology (Dalian) and their respective shareholders are governed by the Contractual Arrangements. The Contractual Arrangements is comprised of a series of agreements, including Exclusive Technical Consulting Service Agreements and Operating Agreements, through which WFOE has the right to advise, consult, manage and operate Dalian Tianyi and Science & Technology (Dalian), and collect 85% of their respective net profits. The shareholders of Dalian Tianyi and Science & Technology (Dalian) have granted WFOE, under the Exclusive Equity Interest Purchase Agreement, the exclusive right and option to acquire all of their equity interests respectively in Dalian Tianyi and Science & Technology (Dalian). Furthermore, the shareholders of Dalian Tianyi and Science & Technology (Dalian) is under the procedure of pledging all of their equity interests respectively in Dalian Tianyi and Science & Technology (Dalian) to WFOE under the Exclusive Equity Interest Pledge Agreement, and through the Exclusive Equity Interest Pledge Agreement, WFOE can collect the remaining 15% of Dalian Tianyi and Science & Technology (Dalian)'s respective net profits.

According to the Power of Attorney executed by the shareholders of Dalian Tianyi and Science & Technology (Dalian), they exclusively authorized WFOE to perform and exercise any and all of the shareholder's rights in Dalian Tianyi and Science & Technology (Dalian).

As a result of the Contractual Arrangements, under generally accepted accounting principles in the United States, or U.S. GAAP, Science & Technology Media is considered the primary beneficiary of Dalian Tianyi and Science & Technology (Dalian) ("VIEs")

On October 29, 2012, Science & Technology Media entered into a Share Exchange Agreement by and among (i) Science & Technology Holding, (ii) the principal shareholders of China Network Media, Inc., (iii) China Network Media, Inc., (iv) the shareholders of Science & Technology Holding and (v) Science & Technology Media.

The acquisition is being accounted for as a “reverse merger,” and Science & Technology Media is deemed to be the accounting acquirer in the reverse merger. Consequently, the assets and liabilities and the historical operations that will be reflected in the financial statements prior to the acquisition will be those of Science &Technology Media and its wholly owned subsidiaries and VIEs, and will be recorded at the historical cost, and the consolidated financial statements after completion of the acquisition will include the assets, liabilities and operation of China Network Media, Inc, Science & Technology Media and its wholly owned subsidiaries and VIEs from the closing date of the acquisition. As a result of the issuance of the shares of common stock pursuant to the Exchange Agreement, a change in control of occurred as a result of the acquisition.

In connection with the closing of the Exchange Agreement, Toft ApS, China Network Media, Inc’ principal shareholder, agreed to cancel its 10,000,000 shares of the common stock that it owned in China Network Media, Inc and to issue 50,000,000 shares to shareholders of Science & Technology Holding, who acquired a majority interest in China Network Media, Inc, in October 2012 for the purpose of the reverse acquisition of Science & Technology Media. Additionally, the existing officers and directors from China Network Media, Inc resigned from its board of directors and all officer positions effective immediately after the closing of the reverse merger. Accordingly, China Network Media, Inc appointed Mr. Jiang Wei, the former major shareholder of Science & Technology Holding as the Chairman of the Board and appointed Mr. Peng HuiAn, the former major shareholder of Science & Technology Holding as the Chief Executive Officer. The shareholders of Science & Technology Media shareholder were issued common stock of China Network Media, Inc constituting approximately 95.02% of the fully diluted outstanding shares. After the RTO, 52,620,030 common stock were outstanding.

China Network Media, Inc’ directors approved the Exchange Agreement and the transactions contemplated thereby. Simultaneously, the directors of Science & Technology Media also approved the Exchange Agreement and the transactions contemplated thereby.

As a result of the Exchange Agreement, China Network Media, Inc acquired 100% of the processing and production operations of Science & Technology Media and its subsidiaries, the business and operations of which now constitutes its primary business and operations.

On March 19, 2013, the Company submitted dissolution application for Science & Technology Holding which was approved on April 2, 2013.

China Network Media, Inc., its wholly-owned subsidiaries and VIEs are collectively referred as “the Company”, “we”, “us”, “our” for the purposes of these notes.

We operate a multi-languages portal website that serves to the technology industry and provide advertising opportunities to the companies through our diverse business network in China. The Company currently operates its website through different versions in China.

As our main target, we provide online platform to business entrepreneurs and corporations with a B2B marketplace that can help our customers:

- Set their brand image through online magazine, online corporate multimedia advertisement, Executives interviews, institutional alliances and flexible membership package that tailor made based on what our customers need;
- Set up customer's online exhibition to introduce their products to the public, where they have our tailor-made corporate introduction with 3D product description and factory facilities online show room ;
- B2B product purchase platform for companies and end-users;
- Online job opportunity section for corporate clients; and
- Corporate blogs;

We currently derive a substantial portion of our revenues from online advertising membership services. Our advertising membership solutions present corporate users with attractive opportunities to combine the visual impact and engagement of traditional television-like multimedia advertisements and online magazines with the interactivity and precise targeting capabilities of the Internet. We strive to promote a novel and unique advertising environment on our website to attract technology enterprises.

NOTE 2. GOING CONCERN AND LIQUIDITY

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company currently has limited revenue and has accumulated deficit of $ 2,320,832 and $2,172,992 as of March 31, 2013 and December 31, 2012 and losses of $ 147,840 and $163,083 for the three months ended March 31, 2013 and 2012, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern. As of December 31, 2012, Mr. Jiang Wei, the shareholder of the Company loaned an aggregated amount of $ 988,796 to the Company for its operation, which was subsequently transferred from loan to capital injection in December 2012. There can be no assurance that the Company will be able to obtain additional debt or equity financing on terms acceptable to it, or if at all. Management plans to fund continuing operations through new financing from related parties and equity financing arrangements. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required until 2013 when it can generate sources of recurring revenues and to ultimately attain profitability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3. VARIABLE INTEREST ENTITIES

To satisfy PRC laws and regulations, the Company conducts certain business in the PRC through its Variable Interest Entities ("VIEs").

The significant terms of the VIE Agreements are summarized below:

Exclusive Technical Consulting Service Agreement: During the term of this Agreement, Science & Technology Trading shall provide the following technical consulting services to Dalian Tianyi and Science & Technology (Dalian) in accordance with this Agreement: (i) Provision of advanced management skills to offer a framework for the construction of a new management platform; (ii) Provision of technology information and materials related to Dalian Tianyi and Science & Technology (Dalian)'s business development and operation. The content of the technology information and documents may be enhanced or diminished during the performance of this Agreement and upon mutual agreement to address each Party's requirements; and (iii) Training of technical and managerial personnel for Dalian Tianyi and Science & Technology (Dalian) and provision of required training documents. Science & Technology Trading will send technologists and managerial personnel to Dalian Tianyi and Science & Technology (Dalian) to provide related technology and training services as necessary. Dalian Tianyi and Science & Technology (Dalian) hereby agrees to accept the technical consulting services provided by Science & Technology Trading. Dalian Tianyi and Science & Technology (Dalian) further agrees that, during the term of this Agreement, it shall not accept technical consulting and services from any other party without the prior written consent of Science & Technology Trading. Science & Technology Trading shall be the sole and exclusive owner of all right, title and interests to any and all intellectual property rights arising from the performance of this Agreement, including but not limited to, copyrights, patent, know-how and commercial secrets, whether such intellectual property is developed by Science & Technology Trading or Dalian Tianyi and Science & Technology (Dalian).

Exclusive Equity Interest Purchase Agreement: Under the Exclusive Option Agreements entered into by and among Science & Technology Trading, each of the PRC Shareholders irrevocably granted to Science & Technology Trading the exclusive right to purchase or designate one or more persons to purchase all or any portion of the Equity Interest from the PRC Shareholders subject to compliance with legal restrictions under applicable PRC laws. The PRC Shareholders shall not sell or transfer all or any portion of the Equity Interest to any party other than Science & Technology Trading and/or the Specified Person.

Equity Interest Pledge Agreement: Under the Equity Pledge Agreements entered into by and among Science& Technology Trading, the PRC Operating Entities and each of the PRC Shareholders, the PRC Shareholders pledged all of their equity interests in the PRC Operating Entities as security to ensure that Science& Technology Trading collects the Consulting Fee under the Service Agreement. The Pledge shall be effective as of the date that the Pledge is recorded in the register of shareholders of Dalian Tianyi and Science & Technology (Dalian) and shall remain effective so long as this Agreement remains in effect. During the Term of the Pledge, Science& Technology Trading shall be entitled to foreclose on the Pledge in accordance with this Agreement in the event that Dalian Tianyi and Science & Technology (Dalian) fail to pay the Consulting Fees in accordance with the Service Agreement. Science& Technology Trading shall be entitled to exercise, dispose of or assign the Pledge in accordance with this Agreement.

Powers of Attorney: The PRC Shareholders have each executed an irrevocable power of attorney to appoint Science& Technology Trading as their sole representative with full authority to perform and exercise any and all shareholder's rights associated with the Equity Interest, including but not limited to, the right to attend shareholders' meetings, the right to execute shareholders' resolutions, the right to sell, assign, transfer or pledge any or all of the Equity Interest and the right to vote the Equity Interest for all matters, including but not limited to, the appointment of legal representatives, board members, executive directors, inspectors, chief managers and other senior management officers and the submission of all the Company's related documentations to the competent authorities. The term of each power of attorney is valid so long as such shareholder is a shareholder of the respective PRC Operating Entity.

As a result of these VIE Agreements, the Company through its wholly-owned subsidiary, Science& Technology Trading, was granted with unconstrained decision making rights and power over key strategic and operational functions that would significantly impact the PRC Operating Entities or the VIEs' economic performance, which includes, but is not limited to, the development and execution of the overall business strategy; important and material decision making; decision making for merger and acquisition targets and execution of merger and acquisition plans; business partnership strategy development and execution; government liaison; operation management and review; and human resources recruitment and compensation and incentive strategy development and execution. Science& Technology Trading also provides comprehensive services to the VIEs for their daily operations, such as operational technical support, OA technical support, accounting support, general administration support and technical support for products and services. As a result of the Exclusive Business Cooperation Agreements, the Equity Pledge Agreements and the Exclusive Option Agreements, the Company will bear all of the VIEs' operating costs in exchange for 100% of the net income of the VIEs. Under these agreements, the Company has the absolute and exclusive right to enjoy economic benefits similar to equity ownership through the VIE Agreements with our PRC Operating Entities and their shareholders.

These contractual arrangements may not be as effective in providing the Company with control over the VIEs as direct ownership. Due to its VIE structure, the Company has to rely on contractual rights to effect control and management of the VIEs, which exposes it to the risk of potential breach of contract by the shareholders of the VIEs for a number of reasons. For example, their interests as shareholders of the VIEs and the interests of the Company may conflict and the Company may fail to resolve such conflicts; the shareholders may believe that breaching the contracts will lead to greater economic benefit for them; or the shareholders may otherwise act in bad faith. If any of the foregoing were to happen, the Company may have to rely on legal or arbitral proceedings to enforce its contractual rights, including specific performance or injunctive relief, and claiming damages. Such arbitral and legal proceedings may cost substantial financial and other resources, and result in a disruption of its business, and the Company cannot assure that the outcome will be in its favor. Apart from the above risks, there are no significant judgments or assumptions regarding enforceability of the contracts.

In addition, as all of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through either arbitration or litigation in the PRC, they would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. 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 further limit the Company's ability to enforce these contractual arrangements. Furthermore, these contracts may not be enforceable in China if PRC government authorities or courts take a view that such contracts contravene PRC laws and regulations or are otherwise not enforceable for public policy reasons. In the event the Company is unable to enforce these contractual arrangements, it may not be able to exert effective control over the VIEs, and its ability to conduct its business may be materially and adversely affected.

None of the assets of the VIEs can be used only to settle obligations of the consolidated VIEs. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets.

Most of our operations are conducted through our affiliated companies which the Company controls through contractual agreements in the form of variable interest entities. Current regulations in China permit our PRC subsidiaries to pay dividends to us only out of its accumulated distributable profits, if any, determined in accordance with their articles of association and PRC accounting standards and regulations. The ability of these Chinese affiliates to make dividends and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations.

A. Under PRC law, our subsidiary may only pay dividends after 10% of its after-tax profits have been set aside as reserve funds, unless such reserves have reached at least 50% of its registered capital. Such cash reserve may not be distributed as cash dividends.

B. The PRC Income Tax Law also imposes a 10% withholding income tax on dividends generated on or after January 1, 2008 and distributed by a resident enterprise to its foreign investors, if such foreign investors are considered as non-resident enterprise without any establishment or place within China or if the received dividends have no connection with such foreign investors' establishment or place within China, unless such foreign investors' jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

As of March 31, 2013, there were no such retained earnings available for distribution.

The following financial statement amounts and balances of the VIEs were included in the accompanying consolidated financial statements as of and for the three months ended March 31, 2013 and 2012, respectively:

	March 31, 2013 (Unaudited)	December 31, 2012
Total assets	$ 1,008,852	$ 1,311,631
Total liabilities	$ 2,154,887	$ 2,319,645

	Three Months Ended March 31,	
	2013 (Unaudited)	2012 (Unaudited)
Revenues	$ 206,228	$ 47,631
Net loss	$ 147,840	$ 163,083

All of our current revenue is generated in PRC currency Renminbi ("RMB"). Any future restrictions on currency exchanges may limit our ability to use net revenues generated in Renminbi to make dividends or other payments in U.S. dollars or fund possible business activities outside China.

Foreign currency exchange regulation in China is primarily governed by the following rules:

- Foreign Exchange Administration Rules (1996), as amended in August 2008, or the Exchange Rules;
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Administration Rules, RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. Foreign-invested enterprises like ours that need foreign exchange for the distribution of profits to their shareholders may affect payment from their foreign exchange accounts or purchase and pay foreign exchange rates at the designated foreign exchange banks to their foreign shareholders by producing board resolutions for such profit distribution. Based on their needs, foreign-invested enterprises are permitted to open foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments of foreign exchange at certain designated foreign exchange banks.

NOTE 4. SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The accompanying consolidated balance sheet as of December 31, 2012, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements as of March 31, 2013 and for the three month period ended March 31, 2013 and 2012 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures, which are normally included in financial statements prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation. The interim financial information should be read in conjunction with the Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, previously filed with the SEC.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's consolidated financial position as of March 31, 2013, its consolidated results of operations and cash flows for the three month periods ended March 31, 2013 and 2012, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

b. Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries and VIEs. Upon consolidation, all balances and transactions between the Company and its subsidiaries and VIEs have been eliminated.

c. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management makes these estimates using the best information available at the time the estimates are made; however actual results could differ from those estimates. Significant items subject to such estimates and assumptions include valuation allowances for receivables and recoverability of carrying amount and the estimated useful lives of long-lived assets.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit with various financial institutions in PRC and all highly-liquid investments with original maturities of three months or less at the time of purchase. Cash accounts are not insured or otherwise protected. Should any bank or trust company holding cash deposits become insolvent, or if the Company is otherwise unable to withdraw funds, the Company would lose the cash on deposits with that particular bank or other financial institutions.

e. Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts as needed. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on aging data, historical collection experience, customer specific facts and economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company did not have any off-balance-sheet credit exposure relating to its customers, suppliers or others. As of March 31, 2013 and December 31, 2012, management has determined that no allowance for doubtful accounts is required.

f. Property and equipment

Property and equipment mainly comprise computer equipment, hardware and office furniture. Property and equipment are recorded at cost less accumulated depreciation with no residual value.

Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets:

Office and other equipment	5 years
Computers	3 years

Depreciation expense is allocated among Research and development expenses, Selling and marketing expenses and General and administrative expenses.

When office equipment and electronic devices are retired or otherwise disposed of, resulting gain or loss is included in net income or loss in the year of disposition for the difference between the net book value and proceeds received thereon. Maintenance and repairs which do not improve or extend the expected useful lives of the assets are charged to expenses as incurred.

g. Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount of the asset and its fair value. There were no impairment losses for the three months ended March 31, 2013 and 2012, respectively.

h. Revenue recognition

The Company recognizes revenue in accordance with ASC 605, *Revenue Recognition*. Revenues are recognized when the four of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the service has been rendered, (iii) the fees are fixed or determinable, and (iv) collectability is reasonably assured. The recognition of revenue involves certain management judgments. The amount and timing of our revenues could be materially different for any period if management made different judgments or utilized different estimates.

Online Membership Revenue

Online membership revenue includes revenue from members for brand advertising services as well as others services.

The Company has the arrangements with nonrefundable up-front fees model ("the Model") to recognize revenue for the online membership business. We apply the Model, where a contract is signed to establish a fixed price for our services to be provided for a period of time as a membership enrollment, for a majority of our online membership revenue. Revenue is recognized ratably over the membership periods on a straight line basis, unless evidence suggests that the revenue is earned or obligations are fulfilled in a different pattern, over the contractual term of the arrangement or the expected period during which those specified services will be performed, whichever is longer. We provide advertisement placements to our advertising customers on our different Website channels and in different formats, which can include, among other things, banners, links, logos, buttons, rich media, pre-roll and post-roll video screens, pause video screens and content integration, as specified in the contracts with the members. The members can choose various on line services from the membership contracts based on their yearly membership.

For online membership revenue recognition, we recognize revenue when all revenue recognition criteria are met.

Others Revenues

Other revenues are primarily generated from online advertisement planning services which introduce our customer's profile, product, and awareness promotion for their executive officers to build a better brand name for non-member companies. We follows the guidance of the Securities and Exchange Commission's FASB Accounting Standards Codification No. 605 for revenue recognition for others revenues. The Company recognize others revenue when they are realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement that the services have been rendered to the customer, the sales price is fixed or determinable, the services are rendered and collectability is reasonably assured.

i. Related parties

A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

j. Loss per common share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding for all periods. Diluted earnings per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding, increased by common stock equivalents. Common stock equivalents represent incremental shares issuable upon exercise of outstanding warrants. However, potential common shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

k. Foreign currency transactions and translations

An entity’s functional currency is the currency of the primary economic environment in which it operates, normally that is the currency of the environment in which the entity primarily generates and expends cash. Management’s judgment is essential to determine the functional currency by assessing various indicators, such as cash flows, sales price and market, expenses, financing and inter-company transactions and arrangements. The reporting currency of the Company is United States dollars (“U.S. dollars” or “$”), and the functional currency of HK Science & Technology is Hong Kong dollars (“HK dollar”). The functional currency of the Company’s PRC subsidiary and VIEs is the Renminbi (“RMB’), and PRC is the primary economic environment in which the Company operates. The reporting currency of these consolidated financial statements is the United States dollar.

For financial reporting purposes, the financial statements of the Company’s PRC subsidiary and VIEs, which are prepared using the RMB, are translated into the Company’s reporting currency, the United States dollar. Assets and liabilities are translated using the exchange rate at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and shareholders' equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income in owners’ equity.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. The resulting exchange differences are included in the determination of net loss of the consolidated financial statements for the respective periods.

The exchange rates used for foreign currency translation were as follows (US$1 = RMB):

	Period End	Average
03/31/2013	6.2816	6.2858
03/31/2012	6.3247	6.3201
12/31/2012	6.3161	6.3198

No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

In the statement of operations and comprehensive loss and resulted in the accumulated other comprehensive balance of $(40,338) at March 31, 2013 and $(34,712) at December 31, 2012. The accumulated other comprehensive loss balance is included as a component of shareholder’s deficit.

l. Fair Value Measurements

The Company applies the provisions of ASC Subtopic 820-10, Fair Value Measurements, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

There were not transfers between level 1, level 2 or level 3 measurements for the periods ended March 31, 2013 and 2012.

As of March 31, 2013, the Company used Level 2 to measure the fair value of the shares as no quoted price for those shares for the Company's shares were still not active on OTCBB.

The carrying values of the Company’s financial assets and liabilities, including accounts receivables, other current assets, and accrued expenses and other current liabilities, are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and if applicable, their stated interest rate approximates current rates available.

m. Share-Based Compensation

Pursuant to ASC Topic 718, *Compensation - Stock Compensation*, the Company measures the cost of employee services received in exchange for an award of stock-based compensation based on the grant-date fair value of the award. The cost is recognized over the requisite service period, except for awards granted to employees for past services, which are fully expensed by the grant date.

n. Recently adopted accounting pronouncements

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income", The ASU does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, this ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The guidance is effective prospectively for reporting periods beginning after December 15, 2012 for public entities. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial position or results of operations.

The Company does not believe other recently issued but not yet effective accounting standards from ASU 2013-03 to ASU 2013-05, if currently adopted, would have a material effect of the consolidated financial position, results of operation and cash flows.

NOTE 5. EARNINGS (LOSS) PER SHARE

The FASB's accounting standard for earnings (loss) per share requires presentation of basic and diluted earnings (loss) per share in conjunction with the disclosure of the methodology used in computing such earnings (loss) per share. Basic earnings (loss) per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings (loss) per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. In addition, the Company had a net loss during current period so dilutive securities would decrease negative EPS and have an anti-dilutive effect.

The following is a reconciliation of the basic and diluted earnings (loss) per share computations for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	(Unaudited)
Net loss for basic and diluted earnings (loss) per share	$ (147,840)	$ (163,083)
Weighted average shares used in basic and diluted computation	60,145,232	50,000,000
Earnings (loss) per share:		
Basic and diluted	$ (0.002)	$ (0.003)

NOTE 6. CONCENTRATION OF RISK

Credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivables The Company places its cash and cash equivalents with financial institutions, which management believes are of high-credit ratings and quality.

The Company conducts credit evaluations of customers and generally does not require collateral or other security from its customers. The Company establishes an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

Concentration

During the three months ended March 31, 2013 and 2012, the Company had concentration of sales to four and two customers accounting for 65% and 47%, respectively. For the three months ended March 31, 2013, four customers accounted for 23%, 14%, 14% and 14% of the Company's sales, respectively. For the three months ended March 31, 2012, two customers accounted for 38% and 9% of the Company's sales, respectively.

For the three months ended March 31, 2013, one supplier accounted for 32% of the Company's purchases. For the three months ended March 31, 2012, one supplier accounted for 29% of the Company's purchases.

NOTE 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At March 31, 2013 and December 31, 2012, prepayment and other current assets consist of:

	March 31, 2013 (Unaudited)	December 31, 2012
Prepaid rental, phone and to other vendors	$ 10,741	$ 10,682
Prepayment to advertisement and internet resources providers	192,311	232,682
Other current assets	34,188	43,738
	$ 237,240	$ 287,102

Prepayment to advertisement and internet resources providers consists of the deposits required by and made to the telecommunication platform operators for using their network services.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consists of network equipment and servers used for hosting Company's website and furniture, equipment and computers used in the office.

Property and equipment consists of the following:

	March 31, 2013 (Unaudited)	December 31, 2012
Office and other equipment	$ 99,005	$ 93,958
Computers	63,129	62,784
Property and equipment, cost	162,134	156,742
Less: accumulated depreciation	(89,563)	(77,854)
Property and equipment, net	$ 72,571	$ 78,888

Depreciation expense for the three months ended March 31, 2013 and 2012 were $11,273 and $7,456, respectively.

NOTE 9. RELATED PARTY TRANSACTIONS

At March 31, 2013 and December 31, 2012, the Company had a balance due to Xie He Si Decoration Co., Ltd, a related company owned by the Chairman, Mr. Jiang Wei, of $80,872 and $80,429, respectively, for advances made to fund operations. This payable is due on demand, is non-interest bearing and has no maturity date.

NOTE 10. ADVANCES FROM CUSTOMERS AND DEFERRED REVENUE

Advances from customers represent customer payments for membership contracts but memberships have not started. Deferred revenue represents customer payments made in advance for membership contracts while services have not been fully provided. Membership contracts are typically billed on full basis in advance and revenue is recognized ratably over the membership period. Deferred revenue, non-current consists of customer payments made in advance for membership contracts with terms of more than 12 months.

As of March 31, 2013 and December 31, 2012, advances from customers and deferred revenue consisted of the following:

	March 31, 2013 (Unaudited)	December 31, 2012
Advances from customers	$ 28,655	$ -
Deferred revenue, current	632,382	748,210
Deferred revenue, non-current	188,403	271,352
Total	$ 849,440	$ 1,019,562

NOTE 11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	March 31, 2013 (Unaudited)	December 31, 2012
Customer deposit	$ 1,182,820	$ 1,176,359
Payroll payable	30,919	32,405
Other payable	10,836	10,890
Total	$ 1,224,575	$ 1,219,654

NOTE 12. TAXATION

A) Income Tax

Science & Technology Trading and our combined VIEs are established in Dalian, Province, PRC, and governed by the Income Tax Law of the PRC concerning privately-held enterprises, which are generally subject to tax at a statutory rate of 25% on income reported in the statutory financial statements after appropriate tax adjustments in 2013 and 2012.

The Company has deferred taxes as the Company has prepaid enterprise income tax caused by the temporary difference between accounting basis and tax basis and the Company has tax losses in both three months ended March 31, 2013 and 2012.

The effective tax rate for the Company for the three months ended March 31, 2013 and 2012 was 25%.

A reconciliation of the provision for income taxes determined at the U.S. federal corporate income tax rate to the Company's effective income tax rate is as follows:

	March 31, 2013 (Unaudited)	March 31, 2012 (Unaudited)
US federal rate	35%	35%
Taxable losses	147,840	163,083
Computed expected income tax benefit	51,744	57,079
Reconciliation items:		
Rate differential for domestic earnings	(14,784)	(16,308)
(Non-deductible expenses)/non-taxable income	(1,271)	(1,625)
Valuation allowance on deferred tax assets	(35,689)	(39,146)
Effective income tax expense	$ -	$ -

Realization of the net deferred tax assets is dependent on factors including future reversals of existing taxable temporary differences and adequate future taxable income, exclusive of reversing deductible temporary differences and tax loss or credit carry forwards. The Company evaluates the potential realization of deferred tax assets on an entity-by-entity basis. As of March 31, 2013, valuation allowances were provided against deferred tax assets in entities where it was determined it was more likely than not that the benefits of the deferred tax assets will not be realized. The Company had deferred tax assets which consisted of tax loss carry-forwards, which can be carried forward to offset future taxable income. The management determines it is more likely than not that these deferred tax assets could not be recognized, so full allowances were provided as of March 31, 2013 and December 31, 2012. The deferred tax assets arising from net operating losses will expire from 2016 if not utilized.

B) Business Tax and relevant surcharge

Revenue of our membership and advertising planning services are subject to 5% business tax and 0.6% total surcharge of the gross service income. Business tax charged was included in cost of sales.

The Company pays the business tax when the contracts payments are received from customers and estimates the income tax as the full received amounts had been recognized as revenue. The prepaid business tax and income tax are deductable in the following years.

At March 31, 2013 and December 31, 2012, prepaid taxes consist of:

	March 31, 2013 (Unaudited)	December 31, 2012
Business tax and surcharges receivable	$ 112,521	$ 101,412
Income tax receivable	252,874	158,762
Prepaid taxes	$ 365,395	$ 260,174

NOTE 13. SHAREHOLDERS' DEFICIT AND STATUTORY RESERVES

On October 29, 2012, Science & Technology Media entered into a Share Exchange Agreement by and among (i) Science & Technology Holding, (ii) the principal shareholders of China Network Media, Inc (iii) China Network Media, Inc and (iv) the shareholders of Science &Technology Holding.

As a result of the Exchange Agreement, China Network Media, Inc acquired 100% of the processing and production operations of Science & Technology Media and its subsidiaries, the business and operations of which now constitutes its primary business and operations. Specifically, as a result of the Exchange Agreement on October 29, 2012:

£ China Network Media, Inc acquired and now owns 100% of the issued and outstanding shares of capital stock of Science &Technology Media, a British Virgin Islands holding company which controls Dalian Tianyi, Science &Technology (Dalian) and their telecommunications business;

£ China Network Media, Inc issued 50,000,000 shares of common stock to the shareholders of Science & Technology Media shareholders; and

£ Science & Technology Media were issued common stock of China Network Media, Inc constituting approximately 95.02% of the fully diluted outstanding shares.

As stipulated by the laws and regulations for enterprises operating in PRC, the subsidiaries of the Company are required to make annual appropriations to a statutory surplus reserve fund. Specifically, the subsidiaries of the Company are required to allocate 10% of their profits after taxes, as determined in accordance with the PRC accounting standards applicable to the subsidiaries of the Company, to a statutory surplus reserve until such reserve reaches 50% of the registered capital of the subsidiaries of the Company. The Company can use the statutory surplus reserve to offset deficits, expand its plant or increase capital when and only when the reserve balance exceeds 50% of the registered capital, and the amount capitalized should be limited to 50% of the statutory surplus reserve. The Company is not yet subject to the requirement to appropriate statutory reserves as they have not produced a profit to date.

NOTE 14. SHARES GRANTED AND ISSUED TO EMPLOYEES

On January 16, 2013 and January 17, 2013, the Company determined to grant equity awards of 5,950 shares and 3,838,830 shares to 2 employees and 37 part-time consultants, respectively, for the services rendered. The total fair value of these shares at the date of grant was estimated to be $15,445.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Based on the guidance and background noted above, no quoted price for those shares as the Company's shares still not active on OTCBB. The Company decided to use Level 2 to measure the fair value of the shares.

The fair value of the shares granted was $0.004 per share calculated through the application of an income approach technique known as Discounted Cash Flow (“DCF”) method to devolve the future value of the operation into a present market value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation.

Major assumptions used for measuring the fair value as follow:

- It is assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect the business of the Company;
- The Company will adhere to the terms that bond with the contracts and agreements;
- The Company’s competitive advantages and disadvantages will not change significantly during the period.

NOTE 15. SUBSEQUENT EVENTS

There were no significant events occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on our consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition for the three months ended March 31, 2013 and 2012. The discussion should be read along with our financial statements and notes thereto contained elsewhere in this Report. The following discussion and analysis contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ significantly from the results, expectations and plans discussed in these forward-looking statements. See "Cautionary Statement On Forward-Looking Information."

Overview

China Network Media Inc. is an emerging online media, search, community and mobile service group. We operate a multi-lingual portal website that serves the technology industry and provides advertising opportunities to companies through our diverse business network in China. The Company currently operates its website through different versions in China.

As our main target, we provide an online platform to business entrepreneurs and corporations with a B2B marketplace that can help our customers:

- Set their brand image through online magazine, online corporate multimedia advertisement, executives interviews, institutional alliances and flexible membership package that tailor made based on what our customers need.
- Set up customer's online exhibition to introduce their products to the public, where they have our tailor-made corporate introduction and factory facilities online show room;
- B2B product purchase platform for companies and end-users;
- Online job opportunity section for corporate clients;
- Corporate blogs;

We currently derive a substantial portion of our revenues from online advertising services. Our advertising solutions present corporate users with attractive opportunities to combine the visual impact and engagement of traditional television-like multimedia advertisements and online magazines with the interactivity and precise targeting capabilities of the Internet. We strive to promote a novel and unique advertising environment on our website to attract technology enterprises.

Science & Technology Media was organized under the laws of the British Virgin Islands on February 15, 2011 to serve as a holding company for our PRC operations.

On September 16, 2011, Science & Technology Media established HK Science and Technology in Hong Kong to serve as an intermediate holding company.

On January 20, 2012, HK Science and Technology established Science& Technology Trading in the PRC. Its purposes are, among others, a platform for online B2B service.

On January 21, 2012, the "WFOE" ("Science & Technology Trading") respectively entered into a series of agreements with Dalian Tianyi, Science & Technology (Dalian) and their respective shareholders ("Contractual Arrangements"). The relationship with Dalian Tianyi, Science & Technology (Dalian) and their respective shareholders are governed by the Contractual Arrangements. The Contractual Arrangements is comprised of a series of agreements, including Exclusive Technical Consulting Service Agreements and Operating Agreements, through which Science & Technology Trading has the right to advise, consult, manage and operate Dalian Tianyi and Science & Technology (Dalian), and collect 85% of their respective net profits. The shareholders of Dalian Tianyi and Science & Technology (Dalian) have granted Science & Technology Trading, under the Exclusive Equity Interest Purchase Agreement, the exclusive right and option to acquire all of their equity interests respectively in Dalian Tianyi and Science &Technology (Dalian). Furthermore, the shareholders of Dalian Tianyi and Science & Technology (Dalian) are under the procedure of pledging all of their equity interests respectively in Dalian Tianyi and Science & Technology (Dalian) to Science & Technology Trading under the Exclusive Equity Interest Pledge Agreement, and through the Exclusive Equity Interest Pledge Agreement, Science & Technology Trading can collect the remaining 15% of Dalian Tianyi and Science & Technology (Dalian)'s respective net profits.

HK Science and Technology and WFOE are considered foreign investor and foreign invested enterprise respectively under PRC law. As a result, HK Science and Technology and WFOE are subject to limitations under PRC law on foreign ownership of Chinese companies. According to the Catalogue of Industries for Guiding Foreign Investment (2011 Revision) (the "Catalogue"), there are four kinds of industries which are encouraged, permitted, restricted and prohibited for foreign investment. The primary business of Dalian Tianyi and Science & Technology (Dalian) are within the category in which foreign investment is currently restricted. The Contractual Arrangements with Dalian Tianyi and Science & Technology (Dalian) allow the Company to substantially control Dalian Tianyi and Science & Technology (Dalian) through WFOE without any equity relationship.

According to the Power of Attorney executed by the shareholders of Dalian Tianyi and Science & Technology (Dalian), they exclusively authorized WFOE to perform and exercise any and all of the shareholder's rights in Dalian Tianyi and Science & Technology (Dalian).

As a result of the Contractual Arrangements, under generally accepted accounting principles in the United States, or U.S. GAAP, the Company is considered the primary beneficiary of Dalian Tianyi and Science & Technology (Dalian) ("VIEs") and thus consolidates their results in its consolidated financial statements from January 21, 2012 on.

Science & Technology World Website Media Holding Co., Ltd ("Science & Technology Holding") is a corporation organized under the laws of British Virgin Islands on February 15, 2011. It was the sole shareholder of Science & Technology Media.

On October 29, 2012, Science & Technology Media entered into a Share Exchange Agreement by and among (i) Science & Technology Holding, (ii) the principal shareholders of China Network Media Inc ("China Network Media") (iii) China Network Media Inc and (iv) the shareholders of Science & Technology Holding.

The acquisition is being accounted for as a "reverse merger," and Science & Technology Media is deemed to be the accounting acquirer in the reverse merger. Consequently, the assets and liabilities and the historical operations that will be reflected in the financial statements prior to the acquisition will be those of Science &Technology Media and its wholly owned subsidiaries and VIEs, and will be recorded at the historical cost, and the consolidated financial statements after completion of the acquisition will include the assets, liabilities and operation of China Network Media, Science & Technology Media and its wholly owned subsidiaries and VIEs from the closing date of the acquisition. As a result of the issuance of the shares of common stock pursuant to the Exchange Agreement, a change in control of occurred as a result of the acquisition.

In connection with the closing of the Exchange Agreement, Toft ApS, China Network Media' principal shareholder, has cancelled its 10,000,000 shares of the common stock that it owned in China Network Media and issued 50,000,000 shares to shareholders of Science & Technology Holding, who acquired a majority interest in China Network Media in October 2012 for the purpose of the reverse acquisition of Science & Technology Media. Additionally, the existing officers and directors from China Network Media resigned from its board of directors and all officer positions effective immediately after the closing of the reverse merger. Accordingly, China Network Media appointed Mr. Jiang Wei, the former major shareholder of Science & Technology Holding as the Chairman of the Board and appointed Mr. Peng HuiAn, the former major of shareholder of Science & Technology Holding as the Chief Executive Officer.

China Network Media's directors approved the Exchange Agreement and the transactions contemplated thereby. Simultaneously, the directors of Science & Technology Media also approved the Exchange Agreement and the transactions contemplated thereby.

Prior to the Exchange Agreement, China Network Media operated in the energy solution industry in New York City. China Network Media was formed as a corporation pursuant to the laws of the State of Delaware on April 18, 2008.

As a result of the Exchange Agreement, China Network Media acquired 100% of the processing and production operations of Science & Technology Media and its subsidiaries, the business and operations of which now constitutes its primary business and operations. Specifically, as a result of the Exchange Agreement on October 29, 2012:

- China Network Media acquired and now owns 100% of the issued and outstanding shares of capital stock of Science &Technology Media, a British Virgin Islands holding company which controls Dalian Tianyi, Science &Technology (Dalian) and their telecommunications business;

- China Network Media issued 50,000,000 shares of common stock to the shareholders of Science & Technology Media shareholders; and

- The shareholders of Science & Technology Media shareholder were issued common stock of China Network Media constituting approximately 95.02% of the fully diluted outstanding shares.

As a result of China Network Media' reverse acquisition of Science & Technology Media, China Network Media has assumed the business and operations of Science & Technology Media with its principal activities engaged in the internet service business in the city of Dalian, Liaoning Province of the People's Republic of China.

On December 3, 2012, China Network Media Inc. filed a Certificate of Amendment to its Articles of Incorporation to change its name from "Metha Energy Solutions Inc." to "China Network Media Inc.".

Critical Accounting Policies and Management Estimates

Our discussion and analysis of our financial condition and results of operations relates to our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the consolidation, revenue recognition, income taxes and uncertain tax positions, computation of net loss per share, determination of net accounts receivable, and determination of functional currencies represent critical accounting policies that reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries and VIEs. Upon consolidation, all balances and transactions between the Company and its subsidiaries and VIEs have been eliminated.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management makes these estimates using the best information available at the time the estimates are made; however actual results could differ from those estimates. Significant items subject to such estimates and assumptions include valuation allowances for receivables and recoverability of carrying amount and the estimated useful lives of long-lived assets.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 605, *Revenue Recognition*. Revenues are recognized when the four of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the service has been rendered, (iii) the fees are fixed or determinable, and (iv) collectability is reasonably assured. The recognition of revenue involves certain management judgments. The amount and timing of our revenues could be materially different for any period if management made different judgments or utilized different estimates.

Online Membership Revenue

Online membership revenue includes revenue from members for brand advertising services as well as others services.

The Company has the arrangements with nonrefundable up-front fees model ("the Model") to recognize revenue for the online membership business. We apply the Model, where a contract is signed to establish a fixed price for our services to be provided for a period of time as a membership enrollment, for a majority of our online membership revenue. Revenue is recognized ratably over the membership periods on a straight line basis, unless evidence suggests that the revenue is earned or obligations are fulfilled in a different pattern, over the contractual term of the arrangement or the expected period during which those specified services will be performed, whichever is longer. We provide advertisement placements to our advertising customers on our different Website channels and in different formats, which can include, among other things, banners, links, logos, buttons, rich media, pre-roll and post-roll video screens, pause video screens and content integration, as specified in the contracts with the members. The members can choose various on line services from the membership contracts based on their yearly membership.

For online membership revenue recognition, we recognize revenue when all revenue recognition criteria are met.

Others Revenues

Other revenues are primarily generated from online advertisement planning services which introduce our customer's profile, product, and awareness promotion for their executive officers to build a better brand name for non-member companies. We follows the guidance of the Securities and Exchange Commission's FASB Accounting Standards Codification No. 605 for revenue recognition for others revenues. The Company recognize others revenue when they are realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement that the services have been rendered to the customer, the sales price is fixed or determinable, the services are rendered and collectability is reasonably assured.

Income Taxes and Uncertain Tax Positions

Income Taxes

The Company follows ASC 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company adopted ASC 740-10-25, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. Our estimated liability for unrecognized tax benefits, may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. The Company has elected to classify interest and penalties related to an uncertain tax position, if and when required, as part of income tax expense in the combined statements of operations. The Company did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of ASC 740-10-25.

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts as needed. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on aging data, historical collection experience, customer specific facts and economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company did not have any off-balance-sheet credit exposure relating to its customers, suppliers or others. As of March 31, 2013 and December 31, 2012, management has determined that no allowance for doubtful accounts is required.

Property and equipment

Property and equipment mainly comprise computer equipment, hardware and office furniture. Property and equipment are recorded at cost less accumulated depreciation with no residual value.

Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets:

Office and other equipment	5 years
Computers	3 years

Depreciation expense is included in Selling and marketing expenses and general and administrative expenses.

When office equipment and electronic devices are retired or otherwise disposed of, resulting gain or loss is included in net income or loss in the year of disposition for the difference between the net book value and proceeds received thereon. Maintenance and repairs which do not improve or extend the expected useful lives of the assets are charged to expenses as incurred.

Foreign currency transactions and translations

An entity's functional currency is the currency of the primary economic environment in which it operates, normally that is the currency of the environment in which the entity primarily generates and expends cash. Management's judgment is essential to determine the functional currency by assessing various indicators, such as cash flows, sales price and market, expenses, financing and inter-company transactions and arrangements. The reporting currency of the Company is United States dollars ("U.S. dollars" or "$"), and the functional currency of HK Science & Technology is Hong Kong dollars ("HK dollar"). The functional currency of the Company's PRC subsidiary and VIEs is the Renminbi ("RMB'), and PRC is the primary economic environment in which the Company operates. The reporting currency of these consolidated financial statements is the United States dollar.

For financial reporting purposes, the financial statements of the Company's PRC subsidiary and VIEs, which are prepared using the RMB, are translated into the Company's reporting currency, the United States dollar. Assets and liabilities are translated using the exchange rate at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and shareholders' equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income in owners' equity.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. The resulting exchange differences are included in the determination of net loss of the consolidated financial statements for the respective periods.

The exchange rates used for foreign currency translation were as follows (US$1 = RMB):

	Period End	Average
03/31/2013	6.2816	6.2858
03/31/2012	6.3247	6.3201
12/31/2012	6.3161	6.3198

No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

Translations adjustments resulting from this process are included in accumulated other comprehensive loss in the shareholder's deficit were $40,338 and $34,712 as of March 31, 2013 and December 31, 2012, respectively.

Results of Operations for the Three Months Ended March 31, 2013 and 2012

The following table shows key components of the results of operations during the three months ended March 31, 2013 and 2012:

	For the Three Months Ended March 31, 2013 (Unaudited)	2012 (Unaudited)
Revenue		
- Third parties	$ 199,599	$ 41,268
- Related parties	6,629	6,363
	206,228	47,631
Cost of revenue		
- Third parties	119,289	47,226
- Related parties	3,962	7,282
	123,251	54,508
Gross profit (loss)		
	82,977	(6,877)
Operating expenses:		
Research and development expenses	24,681	13,616
Selling and marketing expenses	18,906	39,268
General and administrative expenses	196,374	118,679
Total operating expenses	239,961	171,563
Loss from Operations	(156,984)	(178,440)
Other income	9,144	15,357
Loss from operations before income taxes	(147,840)	(163,083)
Provision for income taxes	-	-
Net loss	(147,840)	(163,083)
Other comprehensive loss		
Foreign currency translation adjustment	(5,626)	(18,522)
Comprehensive loss	$ (153,466)	$ (181,605)

Revenue

Total revenues were $206,228 for the three months ended March 31, 2013, compared to $47,631 for the corresponding period in 2012. The increase in total revenues from the three months ended March 31, 2013 to the three months ended March 31, 2012 was $158,597. The increase was mainly attributable to increases in online members to 30 with average annual contract price of $26,400 from 9 with average annual contract price of $16,927.

Costs and Expenses

Cost of revenue

Total cost of revenues was $123,251 for the three months ended March 31, 2013, compared to $54,508 for the corresponding period in 2012. The increase in cost of revenues from the three months ended March 31, 2012 to the three months ended March 31, 2013 was $68,743. The main factors attributable to the increase in cost of revenues were that the cooperation fee for network building increased by $23,863, labor cost increased by $13,740, information cost increased by $14,628, sales tax increased by $8,860 and other cost increased by $7,652.

Operating Expenses

Total operating expenses were $239,961 for the three months ended March 31, 2013, compared to $171,563 for the corresponding period in 2012. The increase in operating expenses from the three months ended March 31, 2012 to the three months ended March 31, 2013 was $68,398. The increase was mainly attributable to a $48,453 increase in professional fees for the annual audit of fiscal year 2012.

Research and Development Expenses

Research and development expenses mainly consist of personnel-related expenses incurred for costs associated with new research in new products and services, development and enhancement of existing products and services, and enhancement of our websites, which mainly include the development costs of online advertisement and maintenance costs after the website is available for marketing.

Research and development expenses were $24,681 for the three months ended March 31, 2013, compared to $13,616 for the corresponding period in 2012.The increase in research and development expenses from the three months ended March 31, 2012 to the three months ended March 31, 2013 was $11,065. The increase mainly was driven by increase in salary and benefits expenses, which was mainly attributable to increased headcount from 9 to 13 employees.

Sales and Marketing Expenses

Sales and marketing expenses mainly consist of advertising and promotional expenditures, salary and benefits expenses, sales commissions and travel expenses.

Sales and marketing expenses were $18,906 for the three months ended March 31, 2013, compared to $39,268 for the corresponding period in 2012.The decrease in sales and marketing expenses from the three months ended March 31, 2012 to the three months ended March 31, 2013 was $20,362. The decrease mainly was driven by decrease in travel expenses by $9,666, printing expense by $4,060 and decrease in miscellaneous expense by $6,636. The Company put more effort on the sizable customers' exploration and focused on those located in the northeast district of China, which led to less marketing expenses incurred in 2013.

General and Administrative Expenses
General and administrative expenses mainly consist of salary and benefits expenses, professional service fees, and website hosting service fee, and office rental expenses.

General and administrative expenses were $196,374 for the three months ended March 31, 2013, compared to $118,679 for the corresponding period in 2012. The increase in general and administrative expenses from the three months ended March 31, 2012 to the three months ended March 31, 2013 was $77,695. The increases were mainly from a $15,445 for stocks issued to employees, and a $48,453 increase in professional fees for the filing with SEC and a $13,797 increase in miscellaneous fee.

Loss from Operations

As a result of the foregoing, our operating loss was $156,984 for the three months ended March 31, 2013, compared to loss of $178,440 for the three months ended March 31, 2012.

Other Income

Other income was $9,144 for the three months ended March 31, 2013, compared to other income of $15,357 for the corresponding period in 2012. The decreases were mainly due to decrease on government subsidy. The subsidy was called "Enterprise Development Fund", which was appropriated by the government of Dalian Huayuankou Economic Zone. The time of appropriation is decided by the government, which resulted in the fluctuations between two periods.

Income Tax Expense

Income tax expense was $nil for the three months ended March 31, 2013, compared to $nil for the three months ended March 31, 2012. The Company has not generated any net income and has no income tax expenses.

Net Loss

For the three months ended March 31, 2013, we had net loss of $147,840, compared to the net loss of $163,083 for the three months ended March 31, 2012.

Going Concern

The financial statements have been prepared assuming that the Company will continue as a going concern. The Company currently has limited recurring revenue and has generated accumulated deficit of $2,320,832 and $2,172,992 as of March 31, 2013 and December 31, 2012 and losses of $147,840 and $163,083 for the three months ended March 31, 2013 and 2012 , respectively. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. As of December 31, 2012, Mr. Jiang Wei, the shareholder of the Company loaned an aggregated amount of $ 988,796 to the Company for its operation, which was subsequently transferred from loan to capital injection in December 2012. There can be no assurance that the Company will be able to obtain additional debt or equity financing on terms acceptable to it, or if at all. Management plans to fund continuing operations through new financing from related parties and equity financing arrangements. The Company’s continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required until 2013 when it can generate sources of recurring revenues and to ultimately attain profitability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, short-term investments, loans from shareholders, as well as the cash flows generated from our operations.

As of March 31, 2013, we had cash and cash equivalents of approximately $ 331,656. As of December 31, 2012, we had cash and cash equivalents of approximately $685,467. Cash equivalents primarily comprise petty cash and cash in the bank accounts.

We believe our current liquidity and capital resources are sufficient to meet anticipated working capital needs, commitments and capital expenditures over the next twelve months. We may, however, require additional cash resources due to changes in business conditions and other future developments, or changes in general economic conditions.

Cash Generating Ability

We believe we will continue to generate strong cash flow from our membership business and other business, which, along with our available cash, will provide sufficient liquidity and financial flexibility.

Our cash flows were summarized below:

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	(Unaudited)
Net cash used in operating activities	$ (352,808)	$ (188,618)
Net cash (used in) provided by investing activities	(4,528)	15,562
Net cash provided by financing activities	-	-
Effect of exchange rate change on cash and cash equivalents	3,525	1,707
Net increase in cash and cash equivalents	(353,811)	(171,349)
Cash and cash equivalents at beginning of period	685,467	250,107
Cash and cash equivalents at end of period	$ 331,656	$ 78,758

Net Cash Used in Operating Activities

For the three months ended March 31, 2013, $352,808 net cash used in operating activities was primarily attributable to our net loss of $147,840 adjusted by non-cash items of depreciation and amortization of $11,273 and issuance of stocks to employees of $15,445, and prepaid expenses decreased by $51,404 due to decreased advanced payment for advertising strategic cooperation fee, and advanced from customers increased by $28,636 and offset by accounts receivable increased by $1,989, deferred revenue decreased by $204,240, accrued expenses and other current liabilities decreased by $1,774, taxes receivable increased by $103,723. As such, the net cash used in operating activities increased higher than net loss.

For the three months ended March 31, 2012, $188,618 net cash used in operating activities was primarily attributable to our net loss of $163,083, adjusted by non-cash items of depreciation and amortization of $7,456, accounts receivable decreased by $20,833, prepaid expenses decreased by $12,559 due to the payment for telecommunication platform services, deferred tax assets decreased by $306 and accrued expenses and other current liabilities increased by $15,096 and offset by deferred revenue decreased by $41,566 and taxes receivable increased by $40,219. As such, the net cash used in operating activities increased in line with net loss.

Net Cash (Used in) Provided by Investing Activities

For the three months ended March 31, 2013, net cash used in investing activities of $4,528 was primarily the result of the purchase of office equipment for $4,528.

For the three months ended March 31, 2012, net cash provided by investing activities of $15,562 was primarily the result of the paid back of loans from related parties for $15,562.

Net Cash Provided by Financing Activities

For the three months ended March 31, 2013 and 2012, there was no cash provided by financing activities.

Off-Balance Sheet Commitments and Arrangements

As of March 31, 2013 and December 31, 2012, we had lease agreements for the principal offices with commitment amount of $76,065 and $13,198, respectively. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or product development services with us.

Impact of Recently Issued Accounting Standards

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income", The ASU does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, this ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The guidance is effective prospectively for reporting periods beginning after December 15, 2012 for public entities. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial position or results of operations.

The Company does not believe other recently issued but not yet effective accounting standards from ASU 2013-03 to ASU 2013-05, if currently adopted, would have a material effect of the consolidated financial position, results of operation and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CFO concluded that despite our hiring of a financial consultant who is familiar with U.S. GAAP in January 2013, more training offered to our staff in the accounting department and improvements in internal control over financial reporting, our disclosure controls and procedures were not effective as of March 31, 2013.

Our internal controls over financial reporting were not effective as of March 31, 2013 based on the significant deficiency described below:

- Lack of US GAAP expertise - Despite substantial efforts to improve the Company's controls and procedures, our accounting personnel do not have sufficient knowledge, experience and training in maintaining our books and records and preparing financial statements in accordance with US GAAP standards and SEC rules and regulations. The accounting skills and understanding necessary to fulfill the requirements of US GAAP-based reporting, including the skills of US GAAP-based period end closing, consolidation of financial statements, and US GAAP conversion, are inadequate and were inadequately supervised.

Our management has identified the following steps to address the above deficiency:

(1) We will hire, as needed, key accounting personnel with technical accounting expertise and reorganize the finance department to ensure that accounting personnel with adequate experience, skills and knowledge relating to complex, non-routine transactions are directly involved in the review and accounting evaluation of our complex, non-routine transactions.

(2) We will employ, as needed, outside professionals to provide key accounting personnel ongoing technical trainings to ensure their proper understanding of newly announced accounting standards.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

We are a smaller reporting company and are not required to provide the information under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On January 16, 2013 and January 17, 2013, the Company granted equity awards of 5,950 shares and 3,838,830 shares of the common stock of the Company to 2 employees and 37 part-time consultants, respectively, for the services rendered. The total fair value of these shares at the date of grant was estimated to be $15,445.

The issuances of the shares were offered and sold in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act, Rule 506 of Regulation D and/or Regulation S. We made this determination based on the representations of each investor which included, in pertinent part, that each such investor was (a) an "accredited investor" within the meaning of Rule 501 of Regulation D, (b) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act or (c) not a "U.S. person" as that term is defined in Rule 902(k) of Regulation S and upon such further representations from each investor that (i) such investor is acquiring the securities for his, her or its own account for investment and not for the account of any other person and not with a view to or for distribution, assignment or resale in connection with any distribution within the meaning of the Securities Act, (ii) the investor agrees not to sell or otherwise transfer the purchased shares unless they are registered under the Securities Act and any applicable state securities laws, or an exemption or exemptions from such registration are available, (iii) the investor has knowledge and experience in financial and business matters such that he, she or it is capable of evaluating the merits and risks of an investment in us, (iv) the investor had access to all of our documents, records, and books pertaining to the investment and was provided the opportunity to ask questions and receive answers regarding the terms and conditions of the offering and to obtain any additional information which we possessed or were able to acquire without unreasonable effort and expense, and (v) the investor has no need for the liquidity in its investment in us and could afford the complete loss of such investment. In addition, there was no general solicitation or advertising for securities issued in reliance upon Regulation D.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Exhibit Title
31.1	Certification of Principal Executive and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Schema
101.CAL *	XBRL Taxonomy Calculation Linkbase
101.DEF *	XBRL Taxonomy Definition Linkbase
101.LAB *	XBRL Taxonomy Label Linkbase
101.PRE *	XBRL Taxonomy Presentation Linkbase

In accordance with SEC Release 33-8238, Exhibit 32.1 is being furnished and not filed.

* Furnished herewith. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements 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.

CHINA NETWORK MEDIA INC.

Dated: May 15, 2013

By: *[/s/ HuiAn Peng]*
HuiAn Peng
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Accounting and Financial Officer)

Exhibit 31.1

CERTIFICATION
OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL,
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, HuiAn Peng, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of China Network Media Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information;

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2013

By: /s/ HuiAn Peng
Name: HuiAn Peng
Title: Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of China Network Media Inc. (“Company”) on Form 10-Q for the period ended March 31, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, HuiAn Peng, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2013	By:	/s/ HuiAn Peng
	Name:	HuiAn Peng
	Title:	President, Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Accounting and Financial Officer)

A signed original of this written statement required by Section 906 has been provided to China Network Media Inc. and will be retained by China Network Media Inc. and furnished to the Securities and Exchange Commission or its staff upon request.