

NETWORK CN INC  
Form 10-Q  
May 15, 2008

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U.S. 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, 2008

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

For the transition period from \_\_\_\_ to \_\_\_\_

Commission file number 000-30264

NETWORK CN INC.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

11-3177042  
(I.R.S. Employer  
Identification Number)

21/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong  
(Address of principal executive offices)

(852) 2833-2186  
(Registrant's Telephone Number, Including International Code and Area Code)

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 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  Smaller reporting company

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

The number of shares outstanding of the Registrant's Common Stock as of May 13, 2008 was 71,546,608 shares

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All financial information in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 ("Quarterly Report") is in United States dollars, referred to as "U.S. Dollars" or "\$".

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

On one or more occasions, we may make forward-looking statements in this Quarterly Report on Form 10-Q regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events.

Words or phrases such as “anticipates”, “may”, “will”, “should”, “believes”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “targets”, “will likely result”, “will continue” or similar expressions identify forward-looking statements. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties, including, but not limited to those listed below and those business risks and factors described elsewhere in this report and our other Securities and Exchange Commission filings.

Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed. We caution that while we make such statements in good faith and believe such statements are based on reasonable assumptions, including without limitation, management’s examination of historical operating trends, data contained in records and other data available from third parties, we cannot assure you that our projections will be achieved. Factors that may cause such differences include but are not limited to:

- our ability to maintain normal terms with vendors and service providers;
- our ability to fund and execute our business plan;
- adverse changes in general economic and competitive conditions;
- potential additional adverse laws or regulations could have a material adverse affect on our liquidity, results of operations and financial condition; and
- our ability to maintain an effective internal control structure.

We have attempted to identify, in context, certain of the factors that we believe may cause actual future experience and results to differ materially from our current expectation regarding the relevant matter or subject area. In addition to the items specifically discussed above, our business and results of operations are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under “Part II — Other Information, Item 1A. Risk Factors” and elsewhere herein.

From time to time, oral or written forward-looking statements are also included in our reports on Forms 10-K, 10-Q and 8-K, Proxy Statements on Schedule 14A, press releases, analyst and investor conference calls, and other communications released to the public. Although we believe that at the time made, the expectations reflected in all of these forward-looking statements are and will be reasonable, any or all of the forward-looking statements in this Quarterly Report, our reports on Forms 10-K and 8-K, our Proxy Statements on Schedule 14A and any other public statements that are made by us may prove to be incorrect.

This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this Quarterly Report on Form 10-Q, certain of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Quarterly Report or other public communications that we might make as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent annual and periodic reports filed with the SEC on Forms 10-K, 10-Q and 8-K and Proxy Statements on Schedule 14A.

Unless the context requires otherwise, references to “we”, “us”, “our” and the “Company” refer specifically to Network CN Inc. and its subsidiaries.

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

NETWORK CN INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 31, 2008 (Unaudited)	As of December 31, 2007 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 17,384,582	\$ 2,233,528
Accounts receivable, net	1,222,706	1,093,142
Prepayments for advertising operating rights	16,322,662	13,636,178
Prepaid expenses and other current assets	7,156,117	3,101,699
<b>Total Current Assets</b>	<b>42,086,067</b>	<b>20,064,547</b>
Equipment, Net	5,386,824	257,403
Intangible Assets, Net (Note 7)	8,379,781	6,114,550
Deferred Charges, Net	1,579,567	670,843
<b>TOTAL ASSETS</b>	<b>\$ 57,432,239</b>	<b>\$ 27,107,343</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable, accrued expenses and other payables	\$ 5,977,331	\$ 3,490,586
Current liabilities from discontinued operations	3,655	3,655
12% convertible promissory note, net (Note 8)	-	4,740,796
<b>Total Current Liabilities</b>	<b>5,980,986</b>	<b>8,235,037</b>
3% Convertible Promissory Notes Due 2011, Net (Note 8)	42,045,203	12,545,456
<b>TOTAL LIABILITIES</b>	<b>48,026,189</b>	<b>20,780,493</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>MINORITY INTERESTS</b>	<b>278,470</b>	<b>347,874</b>
<b>STOCKHOLDERS' EQUITY (Note 10)</b>		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized none issued and outstanding	--	--
Common stock, \$0.001 par value, 800,000,000 shares authorized Issued and outstanding: 71,546,608 and 69,152,000 as of March 31, 2008 and December 31, 2007, respectively	71,547	69,152
Additional paid-in capital	57,024,237	35,673,586
Accumulated deficit	(48,642,819)	(29,829,059)

Accumulated other comprehensive income	674,615	65,297
TOTAL STOCKHOLDERS' EQUITY	9,127,580	5,978,976
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 57,432,239	\$ 27,107,343

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

NETWORK CN INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE  
 LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007  
 (Unaudited)

	For the Three Months Ended	
	March 31, 2008	March 31, 2007
<b>REVENUES</b>		
Travel services	\$ 8,458,482	\$ 2,375,828
Advertising services	584,167	393,899
<b>Total Revenues</b>	<b>9,042,649</b>	<b>2,769,727</b>
<b>COSTS AND EXPENSES</b>		
Cost of travel services	8,301,823	2,364,924