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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 20, 2010, the issuer had 159,031,461 outstanding shares of Common Stock, \$.001 par value.

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## CHINA YOUTH MEDIA, INC.

## Consolidated Balance Sheet

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,287	\$ 181,723
Accounts receivable, net	1,475	-
Other current assets	28,411	157,432
<b>TOTAL CURRENT ASSETS</b>	<b>35,173</b>	<b>339,155</b>
Property and equipment, net	52,591	65,457
Intangible assets, net	4,398,479	4,664,879
Other Assets	23,141	24,916
<b>TOTAL ASSETS</b>	<b>\$ 4,509,384</b>	<b>\$ 5,094,407</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 114,983	\$ 106,382
Accrued liabilities	1,073,713	1,068,293
Note payable	20,000	-
Note payable - related party	6,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,214,696</b>	<b>1,174,675</b>
<b>LONG TERM LIABILITIES</b>		
Convertible notes payable - related party	150,000	150,000
Convertible note payable	250,000	250,000
Note payable	2,467,312	2,377,312
Beneficial conversion feature	(227,796)	(277,128)
<b>TOTAL LONG TERM LIABILITIES</b>	<b>2,639,516</b>	<b>2,500,184</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 3,854,212</b>	<b>\$ 3,674,859</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, \$0.001 par value: 2,000,000 shares authorized; Series A Preferred Stock, \$0.001 par value; 500,000 shares authorized; 3,000 shares issued and outstanding at June 30, 2010; 3,000 shares issued and outstanding at December 31, 2009;	—	3

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Common stock, \$0.001 par value: 500,000,000 shares authorized; 159,031,461 shares issued and outstanding at June 30, 2010; 158,631,461 shares issued and outstanding at December 31, 2009;	159,031	158,631
Paid-in capital	22,261,334	21,420,227
Accumulated other comprehensive income	(482)	(213)
Accumulated deficit	(21,764,711)	(20,159,100)
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>655,172</b>	<b>1,419,548</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 4,509,384</b>	<b>\$ 5,094,407</b>

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

## CHINA YOUTH MEDIA, INC.

## Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<b>REVENUE</b>				
Sales	\$ 40,301	\$ —	\$ 77,730	\$ —
Total revenue	40,301	—	77,730	—
<b>OPERATING EXPENSES</b>				
Selling, general and administrative expenses	553,840	1,931,046	1,623,894	2,625,855
Total operating expenses	553,840	1,931,046	1,623,894	2,625,855
Operating loss	(513,539)	(1,931,046)	(1,546,164)	(2,625,855)
Other Income (expense)				
Interest income	12	43	12	43
Interest expense	(79,693)	(70,640)	(158,384)	(140,979)
Rental Income	49,362	49,362	98,924	98,724
Total other income (expense)	(30,319)	(21,235)	(59,448)	(42,212)
<b>LOSS BEFORE INCOME TAXES</b>				
Provision for Income Taxes	—	—	—	—
<b>NET LOSS</b>	\$ (543,858)	\$ (1,952,281)	\$ (1,605,612)	\$ (2,668,067)
<b>BASIC AND DILUTED NET LOSS PER COMMON SHARE</b>				
	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.03)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
	158,838,054	118,052,142	158,735,328	96,127,372
Other Comprehensive Income				
Foreign currency translation adjustment	(482)	—	(482)	—
Net income	(543,858)	(1,952,281)	(1,605,612)	(2,668,067)
<b>COMPREHENSIVE INCOME</b>	\$ (544,340)	\$ (1,952,281)	\$ (1,606,094)	\$ (2,668,067)

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



## CHINA YOUTH MEDIA, INC.

## Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended	
	June 30, 2010	June 30, 2009
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,605,612)	\$ (2,668,067)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Loss on Abandonment	—	—
Loss on Impairment of Goodwill	—	—
Loss on Impairment of IP Holdings	—	—
Depreciation	13,936	5,113
Amortization of licenses	266,400	338,649
Amortization of beneficial conversion feature	49,332	43,529
Stock-based compensation to employees and directors	801,504	1,179,380
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(1,475)	14,033
Inventories	—	—
Other assets	170,797	54,733
Accounts payable and accrued liabilities	14,021	164,873
<b>Net cash used in operating activities</b>	<b>(291,097)</b>	<b>(867,757)</b>
<b>Cash flows from investing activities:</b>		
Purchases of licenses and developed content	—	—
Purchases of property and equipment	(1,070)	(24,574)
Purchases of intangible assets	—	(5,823)
<b>Net cash used in investing activities</b>	<b>(1,070)</b>	<b>(30,397)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	—	4,000
Proceeds from note related party	6,000	—
Proceeds from note	20,000	—
Proceeds from note - XSEL	90,000	1,271,321
<b>Net cash provided by financing activities</b>	<b>116,000</b>	<b>1,275,321</b>
Effect of exchange rate	(269)	—
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(176,436)</b>	<b>377,167</b>
Cash and cash equivalents at beginning of period	181,723	34,425
<b>Cash and cash equivalents at end of period</b>	<b>\$ 5,287</b>	<b>\$ 411,592</b>
<b>Supplemental disclosures of cash flow information:</b>		



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Cash paid for income taxes	\$	—	\$	—
Interest paid	\$	—	\$	—
Non-cash investing and financing activity:				
Beneficial conversion feature		49,332		—
Shares issued pursuant to consulting agreement	\$	40,000	\$	22,500
Acquisition of intangible assets for stock	\$	—	\$	600,000

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

CHINA YOUTH MEDIA, INC.

Notes to Consolidated Interim Financial Statements - Unaudited  
June 30, 2010

1. Description of Business

China Youth Media, Inc. ("the Company") was organized under the laws of the State of Utah on July 19, 1983 under the name of Digicorp. Pursuant to shareholder approval, on October 6, 2006, the Board of Directors of the Company approved and authorized the Company to enter into an Agreement and Plan of Merger by and between the Company and Digicorp, Inc., a Delaware corporation and newly formed wholly-owned subsidiary of the Company that was incorporated under the Delaware General Corporation Law for the purpose of effecting a change of domicile. Effective February 22, 2007, the Company changed its domicile from Utah to Delaware with the name of the surviving corporation being Digicorp, Inc.

Pursuant to a Certificate of Amendment to our Certificate of Incorporation filed with the State of Delaware, which took effect as of October 16, 2008, the Company's name changed from "Digicorp, Inc." to "China Youth Media, Inc." (the "Corporate Name Change"). As a result of the Corporate Name Change, our stock symbol changed to "CHYU" with the opening of trading on October 16, 2008 on the OTCBB.

China Youth Media, Inc.

China Youth Media, Inc. is a China focused youth marketing and media company whose business is to provide advertisers and corporations with direct and centralized access to China's massive but difficult to reach student population.

Youth Media (BVI) Limited

On May 8, 2008, under the laws of the British Virgin Islands, the Company formed Youth Media (BVI) Limited ("YM BVI"). YM BVI is a wholly-owned subsidiary of the Company and was established for the purpose of incorporating the Company's wholly-owned subsidiary in Hong Kong.

Youth Media (Hong Kong) Limited and Youth Media (Beijing) Limited

Youth Media (Hong Kong) Limited ("YMHK"), a company organized under the laws of Hong Kong on May 19, 2008, and Youth Media (Beijing) Limited ("YMBJ"), a company organized under the laws of the People's Republic of China on December 10, 2008, are wholly-owned subsidiaries of YM BVI and were formed by the Company to take advantage of its shift in business to aggregation and distribution of international content and advertising for Internet or online consumption in China.

Rebel Crew Films, Inc.

Rebel Crew Films is a wholly-owned subsidiary of the Company and was organized under the laws of the State of California on August 7, 2002. In January 2008, the Company entered into a license and distribution agreement with Westlake Entertainment, Inc. which effectively shifted all day-to-day operations related to our home video library (the "Westlake Agreement"). Effective the date of the Westlake Agreement, Rebel Crew Films ceased operations and is currently maintained as a corporation in good standing with no operations.

Recent Developments

Although written demand for payment has not yet been made, we have been advised by XSEL that it will not provide any addit