CHINA GLOBAL MEDIA INC
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2012**

. **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE EXCHANGE ACT**

For the transition period from ___________ to _____________

China Global Media, Inc.

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

333-156457	**04-3626788**
(Commission File Number)	(I.R.S. Employer Identification No.)

25-26F Wanxiang Enterprise Building,

No.70 Station North Road,

Changsha, Hunan Province,

China, Postal Code: 410001
(Address of Principal Executive Office)

+86-731-89970899

(Issuer s Telephone Number)

Copy of Communications To**:**

Bernard & Yam, LLP

Attention: Bin Zhou, Esq.

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Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 last 90 days. **YES x** 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, non-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**	**x**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO x

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: 47,485,700 Shares of Common Stock, as of March 31, 2012 and as of May 11, 2012.

CHINA GLOBAL MEDIA, INC.

FORM 10-Q

MARCH 31, 2012

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHINA GLOBAL MEDIA, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012 AND 2011

(UNAUDITED)

CHINA GLOBAL MEDIA, INC.

Consolidated Balance Sheets

	March 31, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 2,918,870	$ 3,572,443
Accounts receivable, net of allowance for doubtful accounts of $184,107 and $182,945 at March 31, 2012 and December 31, 2011, respectively	9,738,970	9,844,032
Advance payments	16,008,045	14,389,042
Loans receivable, net	866,068	857,880
Other current assets	643,195	703,258
Total current assets	**30,175,148**	**29,366,655**
Property and equipment, net	**3,072,307**	**3,095,868**
Total assets	**$ 33,247,455**	**$ 32,462,523**
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 837,320	$ 1,635,432
Short-term bank loan	316,800	314,800
Advances from customers	4,738,732	5,819,444
Income taxes payable	6,021,168	5,349,962
Other taxes payable	2,025,452	1,888,866
Due to shareholders	133,533	125,684
Other current liabilities	107,365	103,079
Total current liabilities	**14,180,370**	**15,237,267**
Warrants liability	**241,471**	**505,015**
Long-term capital lease obligations	**43,776**	**51,769**

Total liabilities	**14,465,617**	**15,794,051**
Stockholders equity:		
Preferred stock, $0.001 par value, 1,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.001 par value, 99,000,000 shares authorized, 47,485,700 and 43,485,700 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	47,486	43,486
Additional paid-in capital	2,707,041	2,711,041
Statutory reserve	645,030	645,030
Retained earnings	14,818,945	12,726,742
Accumulated other comprehensive income	563,336	542,173
Total stockholders equity	**18,781,838**	**16,668,472**
Total liabilities and stockholders' equity	**$ 33,247,455**	**$ 32,462,523**

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

CHINA GLOBAL MEDIA, INC.

Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

	For the Three Months Ended March 31, 2012	For the Three Months Ended March 31, 2011
Sales	**$15,038,576**	**$4,914,616**
Cost of sales	**11,965,970**	**3,868,302**
Gross profit	**3,072,606**	**1,046,314**
Operating expenses:		
Selling, general and administrative expenses	708,896	209,825
Total operating expenses	**708,896**	**209,825**
Income from operations	**2,363,710**	**836,489**
Other income (expenses):		
Interest expense, net	(3,033)	(3,909)
Non-operating income	106,807	-
Non-operating expenses	-	(226)
Change in fair value of warrants liability	263,544	-
Total other income (expenses)	**367,318**	**(4,135)**
Income before provision for income taxes	**2,731,028**	**832,354**
Provision for income taxes	638,825	205,712
Net income	**2,092,203**	**626,642**
Other comprehensive income		
Foreign currency translation adjustment	21,163	43,929
Comprehensive income	**$ 2,113,366**	**$ 670,571**
Earnings per common share		
Basic	**$ 0.04**	**$ 0.02**
Diluted	**$ 0.04**	**$ 0.02**

Weighted average number of common shares outstanding		
Basic	**47,046,140**	**36,351,500**
Diluted	**47,776,779**	**36,351,500**

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

CHINA GLOBAL MEDIA, INC.

Consolidated Statements of Cash Flows

(Unaudited)

	For the Three Months Ended March 31, 2012	2011
Cash flows from operating activities:		
Net Income	$ 2,092,203	$ 626,642
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	58,925	50,234
Change in fair value of warrants liability	(263,544)	-
Changes in current assets and current liabilities:		
Accounts receivable	168,027	(126,377)
Advance payments	(1,531,443)	(1,197,383)
Other current assets	(76,063)	(229,152)
Accounts payable and accrued expenses	(808,931)	602,703
Advances from customers	(1,120,507)	127,343
Income taxes payable	638,825	205,712
Other taxes payable	124,901	(9,490)
Other current liabilities	3,716	(20,900)
Total adjustments	**(2,806,094)**	**(597,310)**
Net cash provided by (used in) operating activities	**(713,891)**	**29,332**
Cash flows from investing activities:		
Loans made to unrelated parties	136,568	-
Acquisition of property and equipment	(15,586)	(6,519)
Net cash provided by (used in) investing activities	**120,982**	**(6,519)**
Effect of foreign currency translation on cash	**(60,664)**	**5,323**
Net increase (decrease) in cash and cash equivalents	**(653,573)**	**28,136**
Cash and cash equivalents beginning	**3,572,443**	**797,093**
Cash and cash equivalents ending	**$ 2,918,870**	**$ 825,229**

Supplemental schedule of non-cash activities:

Capital lease payment made by a shareholder on behalf of the Company	$ 8,343	$ 5,180
Conversion of APIC to common stock	$ 4,000	$ -
Supplemental disclosure information:		
Cash paid for interest	$ 3,033	$ 3,917
Cash paid for income taxes	$ -	$ -

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

CHINA GLOBAL MEDIA, INC.

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

China Global Media, Inc. (formerly TK Star Design, Inc.) (CGLO , formerly PUBCO), a publicly traded company, was incorporated under the laws of the State of Nevada on November 3, 2008. CGLO is a reporting company pursuant to the Securities Exchange Act of 1934 and its shares are currently quoted on the Over The Counter Bulletin Board. The accompanying consolidated financial statements include the financial statements of CGLO and its controlled subsidiaries (collectively, the Company). The Company s primary business is to design, produce and distribute advertisements in the People s Republic of China (PRC), especially in the Hunan Province and other southern Chinese provinces.

On July 20, 2011, PUBCO entered into a Share Exchange Agreement with the shareholders of Phoenix International (China) Limited (Phoenix International). Pursuant to the Share Exchange Agreement, PUBCO agreed to acquire all outstanding shares of Phoenix International from the Phoenix International Shareholders in exchange for an aggregate of 36,351,500 newly-issued common shares of PUBCO at $0.001 par value. The completion of the above transaction established a controlling majority of PUBCO s outstanding common stock. Upon the closing of the share exchange, Phoenix International became the wholly owned subsidiary of PUBCO. On December 13, 2011 PUBCO changed its name from TK Star Design, Inc. to China Global Media, Inc.

Phoenix International was incorporated on October 19, 2009 in Hong Kong, PRC. On June 7, 2010, Phoenix International formed Hunan Beiwei International Media Consulting Co., Ltd., a wholly foreign-owned enterprise (WFOE) in the county of Changsha, Hunan Province, PRC under the corporate laws of PRC.

On June 15, 2010, the WFOE entered into a series of agreements, the purpose of which was to restructure Changsha Zhongte Trade Advertising Co., Ltd. (Zhongte), Changsha North Latitude 30 Cultural Communications Co., Ltd. (North Latitude) and Changsha Beichen Cultural Communications Co., Ltd. (Beichen) in accordance with PRC law so that they could seek capital in order to grow their business (the Restructuring). Zhongte, North Latitude and Beichen were formed on September 27, 2002, August 26, 2003 and June 3, 2008, respectively, in the city of Changsha, Hunan Province, PRC. The Agreements, including a Consulting Services Agreement and an Operating Agreement, provide that all business revenues of Zhongte, North Latitude and Beichen will be directed in full into bank accounts designated by the WFOE, and the WFOE agrees to provide full guarantee for the performance of any contracts, agreements or transactions between Zhongte, North Latitude and Beichen and any third party. As a result of the above-described agreements, Zhongte, North Latitude, and Beichen became the WFOE s Variable Interest Entities (VIEs) as defined in FASB ASC 810 (formerly FIN-46R).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND CONSOLIDATION

As disclosed in Note 1, Zhongte, North Latitude and Beichen are VIEs of the WFOE. VIEs are those entities in which the WFOE, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with ownership of the entities, and therefore the WFOE is the primary beneficiary of these entities. As a result, the VIEs are consolidated by the WFOE following the provision of ASC 810 "Consolidation of Variable Interest Entities" ("ASC 810"), and eventually consolidated into the Company s financial statements. All inter-company transactions and balances have been eliminated in consolidation. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) applicable to financial information and the requirements of Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the Company does not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. Interim results are not necessarily indicative of results for a full year. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position and the results of operations and cash flows for the interim periods have been included.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION AND CONSOLIDATION (CONTINUED)

In preparing the accompanying unaudited consolidated financial statements, the Company evaluated the period from March 31, 2012 through the date the financial statements were issued for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

INTERIM FINANCIAL STATEMENTS

These consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, as not all disclosures required by US GAAP for annual financial statements are presented. The interim financial statements follow the same accounting policies and methods of computations as the audited consolidated financial statements for the year ended December 31, 2011.

RISK AND UNCERTAINTIES

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the PRC s political, economic and legal environments as well as by the general state of the PRC s economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable are stated at original invoice amount less allowance for doubtful receivables based on management s periodic review of aging of outstanding balances and customer credit history. Allowance for doubtful accounts amounted to $184,107 and $182,945 as of March 31, 2012 and December 31, 2011, respectively.

NOTE 4 ADVANCE PAYMENTS

As of March 31, 2012 and December 31, 2011, the advance payments to media vendors for advertising coverage amounted to $16,008,045 and $14,389,042, respectively.

NOTE 5 LOANS RECEIVABLE

As of March 31, 2012 and December 31, 2011, the Company had outstanding loans to unrelated parties of $866,068 and $857,880, respectively. These loans are payable on demand, do not bear interest, and are made in good faith.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2012 and December 31, 2011 consists of the following:

	March 31, 2012	December 31, 2011
Office equipment and furniture	$ 196,325	$ 179,637
Vehicles	220,991	219,596
Vehicles capital lease	151,214	150,259
Buildings and improvements	2,993,760	2,974,860
Subtotal	3,562,290	3,524,352
Less: accumulated depreciation	489,983	428,484
Total	$ 3,072,307	$ 3,095,868

NOTE 6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the three months ended March 31, 2012 and 2011 was $58,925and $50,234, respectively. Amortization of vehicles under capital leases included in depreciation expense for the three months ended March 31, 2012 and 2011 was $8,343 and $5,180, respectively.

NOTE 7 CAPITAL LEASES FUTURE MINIMUM LEASE PAYMENTS

The Company leases certain vehicles under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the property and equipment and was $151,214 and $150,259 as of March 31, 2012 and December 31, 2011, respectively. Accumulated amortization of the leased vehicles as of March 31, 2012 and 2011 was $118,307 and $83,425, respectively. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of March 31, 2012 are as follows:

Year Ending December 31,		Amount
2012	$	13,240
2013		15,248
2014		7,624
2015		7,624
2016		7,624
Thereafter		13,649
Total minimum lease payments	$	65,009
Less: Current maturities of capital lease obligations		21,233
Long-term capital lease obligations	$	43,776

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	March 31, 2012	December 31, 2011
Accounts payable	$ 588,495	$ 1,346,826
Accrued expenses	248,825	288,606
Total	$ 837,320	$ 1,635,432

The carrying value of accounts payable and accrued expenses approximates their fair value due to the short-term nature of these obligations.

NOTE 9 SHORT-TERM BANK LOAN

Short-term bank loan consists of the following:

	March 31, 2012	December 31, 2011
On August 8, 2011, the Company signed a loan agreement with Bank of Changsha with a lien on the Company s revenue. The loan is to be repaid in full on August 2, 2012 and the interest is calculated using annual fixed interest rate of 7.98%, paid monthly. The loan is insured by Hunan Furong Surety for Small to Mid-size Enterprise, Ltd.	$316,800	$314,800
Total short-term bank loan	$316,800	$314,800

NOTE 10 ADVANCES FROM CUSTOMERS

As of March 31, 2012 and December 31, 2011, the Company had advances from customers of $4,738,732 and $5,819,444, respectively. These advances are interest-free and unsecured.

NOTE 11 INCOME TAXES

The Company is a Nevada corporation and conducts all of its business through its Chinese subsidiaries, which solely operate in the PRC. As the Company is a U.S. holding company, it did not generate any revenues for the three months ended March 31, 2012 and 2011, and therefore there was no income tax provision or benefit for U.S. income tax purpose.

Phoenix International (China) Limited was incorporated in Hong Kong, China. Under the corporate tax laws of Hong Kong, it is not subject to tax on income or capital gains.

The Company s Chinese subsidiaries are governed by the Income Tax Law of the PRC and are subject to statutory income tax rate of 25%. For the three months ended March 31, 2012 and 2011, the income tax provision for the Company was $638,825 and $205,712, respectively.

On February 22, 2008, the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) jointly issued Cai Shui [2008] Circular 1 (Circular 1). According to Article 4 of Circular 1, distributions of accumulated profits earned by a Foreign Invested Entity (FIE) prior to January 1, 2008 to foreign investor(s) in 2008 or after will be exempt from withholding tax (WHT) while distribution of the profit earned by an FIE after January 1, 2008 to its foreign investor(s) shall be subject to WHT. Since the Company intends to reinvest its earnings to further expand its businesses in mainland China, its foreign invested enterprises do not intend to declare dividends to their immediate foreign holding companies in the foreseeable future.

NOTE 12 OTHER TAXES PAYABLE

Other taxes payable consist of the following:

	March 31, 2012	December 31, 2011
Business taxes payable	$ 1,335,447	$ 1,216,308
Fees and surcharges payable	690,005	672,558
Total	$ 2,025,452	$ 1,888,866

On July 20, 2011, Phoenix International (China) Limited and its shareholders, Guolin Yang, Zhenping Wang, Hongdong Xu, and Jun Liang, (collectively, the Shareholders) entered into a Share Exchange Agreement with TK Star Design Inc (PUBCO), which later changed its name to China Global Media, Inc. (CGLO). Pursuant to the Share Exchange Agreement, PUBCO agreed to acquire all outstanding shares of Phoenix International from the Phoenix International Shareholders in exchange for an aggregate of 36,351,500 newly-issued common shares of PUBCO at $0.001 par value. The completion of the above transaction established a controlling majority of PUBCO s outstanding common stock. Upon consummation of the share exchange, Phoenix International became a wholly-owned subsidiary of PUBCO.

Immediately upon the execution of the Share Exchange Agreement on July 20, 2011, PUBCO entered into Subscription Agreements with a group of accredited investors (Investors). Pursuant to the Subscription Agreements, the Investors purchased (i) 615,000 shares of PUBCO s common stock (the Purchased Shares) for the purchase price of $1.00 per share; (ii) Series A share purchase warrants to purchase, individually one share of PUBCO s common stock and, collectively, 1,230,000 shares of PUBCO s common stock (the Series A Warrants); (iii) Series B share purchase warrants to purchase, individually one share of PUBCO s common stock and, collectively, 1,230,000 shares of PUBCO s common stock (the Series B Warrants); (iv) Series C share purchase warrants to purchase, individually one share of PUBCO s common stock and, collectively, 615,0000 shares of PUBCO s common stock (the Series C Warrants); and (v) Series D share purchase warrants to purchase , individually one share of PUBCO s common stock and, collectively, 615,000 shares of PUBCO s common stock (the Series D Warrants) (collectively, the Series A Warrants, the Series B Warrants, the Series C Warrants and the Series D Warrants, the Warrants). Each purchase of a Purchased Shares entitles the Investors to two shares of Series A Warrants, two shares of Series B Warrants, one share of Series C Warrants and one share of Series D Warrants.

Pursuant to the Subscription Agreements and the related Registration Rights Agreements, PUBCO has agreed to file a resale Registration Statement on Form S-1 within 45 days following the closing of the Subscription Agreements (Required Filing Date) registering the Purchased Securities (together the Registrable Securities) with the Securities and Exchange Commission (the SEC). In the event PUBCO fails to file the Registration Statement by the Required Filing Date, or the Registration Statement is not declared effective by the SEC within 120 days after the Required Filing Date, PUBCO has agreed to pay liquidated damages to each investor. Liquidated damages begin accruing from and including the day following such Filing Default, until the date that the Registration Statement is filed, or declared effective, as applicable, at a rate per month (or portion thereof) equal to 0.50% of the total purchase price of the Shares purchased by such investor pursuant to the Purchase Agreement. However, the penalties may not exceed an aggregate of 9% of the total purchase price. As of March 31, 2012, the Company incurred $12,300 in registration rights liability and included such amount in other current liabilities in the accompanying consolidated financial statements.

Upon entering the Share Exchange Agreement and Purchase Agreement on July 20, 2011, PUBCO authorized the conversion of unpaid convertible promissory notes in the total amount of $5,870.20 into 5,870,200 shares of common stock, at the conversion price of $0.001 per share.

Upon entering the Subscription Agreements on July 20, 2011, PUBCO entered into a Communications Services Agreement (Services Agreement) with JOL Group, LLC under which JOL Group, LLC will provide PUBCO with communications and marketing services, and PUBCO will pay $400,000 for those services. $260,000 will be paid upon the closing of the said Subscription Agreements and $140,000 will be paid by the 105th day following the closing of the Subscription Agreements. Upon completion of the share exchange transaction, Mr. Guolin Yang, a major shareholder of PUBCO, will place 900,000 of his personal shares of common stock in an escrow account as collateral for the timely payment of $140,000.

On December 12, 2011, the Company entered into two stock purchase agreements with Min Yang and Chang Yang, respectively. Pursuant to the agreement terms, the Company issued 4,000,000 shares of common stock to Min Yang and Chang Yang for an aggregate consideration of $1,600,000. The cash proceeds were received on December 16, 2011, but the stocks were not issued until January 11, 2012.

The fair value of the warrants liability as of March 31, 2012 was as following:

		March 31, 2012
Series A Warrants issued on July 20, 2011, at fair value	$	103,011
Series B Warrants issued on July 20, 2011, at fair value		77,090
Series C Warrants issued on July 20, 2011, at fair value		30,685
Series D Warrants issued on July 20, 2011, at fair value		30,685
Total	$	241,471

The terms of these warrants issued on July 20, 2011, as described in Note 13, are as follows: (a) Series A warrants, with an expected term of 5 years, entitle holders to purchase an aggregate of 1,230,000 shares of PUBCO s common stock at an exercise price of $0.5 per share; (b) Series B warrants, with an expected term of 5 years, entitle holders to purchase an aggregate of 1,230,000 shares of PUBCO s common stock at an exercise price of $0.75 per share; (c) Series C warrants, with an expected term of 5 years, entitle holders to purchase an aggregate of 615,000 shares of PUBCO s common stock at an exercise price of $1.00 per share; and (d) Series D warrants, with an expected term of 5 years, entitle holders to purchase an aggregate of 615,000 shares of PUBCO s common stock at an exercise price of $1.00 per share. Pursuant to the agreement of these warrants, these warrants may be settled by physical or net share settlement at a choice of the holder. In addition, these warrants are subject to the Registration Rights Agreement as described in Note 13. Under such agreement, the Company agreed to pay liquidated damages to each investor at a rate per month (or portion thereof) equal to 0.50% of the total purchase price of $615,000 in the event the Company has not filed the Registration Statement by the Required Filing Date, or the Registration Statement is not declared effective by the SEC within 120 days after the Required Filing Date. However, the penalties may not exceed an aggregate of 9% of $615,000. Since the Company has an absolute obligation to make cash payments to the holder of the warrants in the event the Company fails to make timely filings with the SEC, under FASB ASC 815 (formerly EITF 00-19), the series A, B, C, D warrants issued by the Company on July 20, 2011 are accounted for as liability. The Company used the Binomial model in calculating the fair market value of the Warrants. The principal assumptions used in the computation of the Warrants are: expected term of 5 years; a risk-free rate of return of 1.04%; dividend yield of zero percent; and a volatility of 70%.

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share has been computed by dividing net earnings by the weighted average number of shares outstanding. Diluted earnings per share has been computed by dividing net earnings by the weighted average number of shares outstanding including the dilutive effect of equity securities. The weighted average number of shares calculated for Diluted EPS excludes the potential common stock that would be exercised under the warrants granted to investors because of their anti-dilutive effect.

	For the Three Months Ended March 31	
	2012	**2011**
Net income	$ 2,092,203	$ 626,642
Weighted average common shares (denominator for basic earnings per share)	47,046,140	36,351,500
Effect of dilutive securities:		
Warrants	730,639	-
Weighted average common shares (denominator for basic earnings per share)	47,776,779	36,351,500
Basic earnings per share	$ 0.04	$ 0.02
Diluted earnings per share	$ 0.04	$ 0.02

For the three months ended March 31, 2012, two major media vendors accounted for approximately 92% of the Company s cost for issuing advertisements. For the three months ended March 31, 2011, five major media vendors accounted for approximately 85% of the Company s cost for issuing advertisements. Total advertisements issued by these media vendors were $11,030,492 and $3,287,291 for the three months ended March 31, 2012 and 2011, respectively.

Two major customers accounted for approximately 67% for the Company s sales for the three months ended March 31, 2012. Five major customers accounted for approximately 59% of the Company s sales for the three months ended March 31, 2011. Total sales to these customers were $10,086,871 and $2,901,919 for the three months ended March 31, 2012 and 2011, respectively.

Financial instruments which potentially subject the Company to credit risk consist principally of cash on deposit with financial institutions. Management believes that the financial institutions where the Company maintains its cash and cash equivalents are financially sound and minimal credit risk exists with respect to these investments.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and result of operations contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of the other reports we file with the Securities and Exchange Commission. Actual results may differ materially from those contained in any forward-looking statements

The following discussion and analysis of financial condition and results of operations relates to the operations and financial condition reported in the financial statements of TK Star for the three months ended March 31, 2012 and 2011 and should be read in conjunction with such financial statements and related notes included in this report and the Company s Annual Report for the year ended December 31, 2011.

Overview

We mainly engage in the business of advertisement and brand name development in China, especially in Hunan Province and other southern Chinese provinces. Our business operations are carried out through our variable interest entities Changsha North Latitude 30 Cultural Communications Co., Ltd., a limited liability company organized under the laws of the People s Republic of China (North Latitude); Changsha Beichen Cultural Communications Co., Ltd., a limited liability company organized under the laws of the People s Republic of China (Beichen) and Changsha Zhongte Trade Advertising Co., Ltd., a limited liability company organized under the laws of the People s Republic of China (Zhongte). Each of the North Latitude, Beichen and Zhongte has its own focus area: North Latitude and Beichen are both specialized in automobile industrial advertisement and brank name development while North Latitude focuses on organizing the auto exhibitions and product promotional events and Beichen focuses on the advertisement coverage on regular media such as TV channels, radio and newspaper. Zhongte focuses on advertisement of other industries, especially food and textile industries.

Company History

We were incorporated under the laws of the State of Nevada on November 3, 2008. Originally we engaged in the business of repairing, maintaining and servicing metal gym and heavy duty weight equipment for commercial gyms and health club facilities located in the Metropolitan New York Area

On July 20, 2011, we entered into a Share Exchange Agreement with the shareholders of Phoenix International (China) Limited, a company organized under the laws of Hong Kong (Phoenix International). Pursuant to the terms of the Share Exchange Agreement, we acquired all of the issued and outstanding shares of Phoenix International from the Phoenix International Shareholders in exchange for the issuance by us to the Phoenix International Shareholders of an aggregate of 36,351,500 newly-issued shares of common stock, $ 0.001 par value per share (the Share Exchange), which, upon completion of the transactions contemplated by the Share Exchange Agreement, constitutes a controlling majority of our issued and outstanding shares of common stock. Upon the closing of the share exchange transaction, Phoenix International became our wholly owned subsidiary and we ceased the business of repairing, maintaining and servicing metal gym and heavy duty weight equipment, and became engaged in the advertising and brand name development business in China through Phoenix International and its subsidiary and affiliated companies in China.

Phoenix International is a holding company that owns 100% of the equity of Hunan Beiwei. Hunan Beiwei, a PRC company established in June 2010, is a wholly owned subsidiary of Phoenix International. On June 15, 2010, Hunan Beiwei entered into a set of contractual arrangements with three operating companies in Changsha, Hunan Province, China, which were North Latitude, Beichen and Zhongte. The contractual arrangements are comprised of a series of agreements, including a Consulting Service Agreement and an Operating Agreement, through which Hunan Beiwei has the right to advise, consult, manage and operate North Latitude, Beichen and Zhongte and to collect and own all of North Latitude, Beichen and Zhongte s net profits and net losses. Additionally, under a Proxy Agreement, the shareholders of North Latitude, Beichen and Zhongte have vested their voting control over North Latitude, Beichen and Zhongte to Hunan Beiwei. In order to further reinforce Hunan Beiwei s rights to control and operate North Latitude, Beichen and Zhongte, North Latitude, Beichen and Zhongte and its shareholders have granted Hunan Beiwei, under an Option Agreement, the exclusive right and option to acquire all of their equity interests in North Latitude, Beichen and Zhongte, or, alternatively, all of the assets of North Latitude, Beichen and Zhongte. Further, the shareholders of North Latitude, Beichen and Zhongte agreed to pledge all of their rights, titles and interests in North Latitude, Beichen and Zhongte to Hunan Beiwei under an Equity Pledge Agreement.

Upon entry of these contractual arrangements, North Latitude, Beichen and Zhongte became the Variable Interest Entities (VIE) of Hunan Beiwei pursuant to FIN 46 (R) and Hunan Beiwei was able to carry out business operations through North Latitude, Beichen and Zhongte.

Sales and Marketing

Our business operations are carried out through our variable interest entities North Latitude, Beichen and Zhongte. Each of their customers vary depending on the focus of each of their own business.

North Latitude is one of the largest automobile advertising and brand name developing companies in Hunan Province, China. North Latitude is the designated national advertising agency of Changsha Automobile Plant, a local division of FOTON which is one of the largest commercial vehicle manufacturers in Asia. North Latitude is the Hunan Province exclusive advertising agent for over 10 well-known automobile brands, including Faw-Volkswagen, Shanghai Volkswagen, Dongfeng Citroen, Faw Toyota, Guangzhou Honda, SAIC MG and etc. It also represents, on non-exclusive basis, more than 30 other automobile brands in Hunan and neighboring provinces. It has designed and organized hundreds of product exhibitions and promotional events and gained high reputation in automotive industry in Hunan region.

Beichen, like North Latitude, also provides advertising services for automobile industries. Its customers include Faw-Volkswagen, Shanghai Volkswagen, Dongfeng Citroen, Faw Toyota, Guangzhou Honda, SAIC MG and etc.

Zhongte provides comprehensive advertising services for a variety of industries, especially food and textile industries. Its customers include several China s most famous brands such as SEVEN brand apparel, WangBuLiao apparel, Huang Ye Bing-Lang, Ausnutria Dairy and many others.

Strategy

1. We are the leading advertising and brand name developing company in Hunan Province, China and we occupied more than 73% of the Hunan market for automobile industry advertisement. Our major competitors, including Hunan Public Channel Automobile Program, Changsha Economics and Trade Television Channel Automobile Program and other scattered automobile advertising companies, only have 27% of the Hunan market.

2. We have a group of highly regarded professionals to serve our customers. We also have a top-level management team who has had more than 10 years experiences in advertising business.

3. We have strong relationship with a number of famous automobile companies which enables us to expand our business to other parts of China by becoming the national and multi-regional advertising agencies for our existing customers.

4. We have access to a lot of high quality media resources, such as television stations, radio, newspaper and magazines. Our strong connections with these media enable us to negotiate better contract terms and prices for the media coverage.

Strategies

We believe that we are well-positioned to address the advertising demands of our clients by securing additional advertising media resources and also entering the new advertisement media areas such as elevator door advertisement. Our strategies are:

1. Expand our business to more regions and the entire China. Currently we own the majority market shares in Hunan. We plan to first expand to Yangtze River delta. Then we will expand to Pearl River delta region and Beijing-Tianjin metro region.

2. Expand and enhance our portfolio of advertising media resources. We plan to enter exclusive advertising coverage contracts with 20 more media programs. These efforts will increase the volume of our media coverage by 35% annually.

3. Enter new advertisement media area and develop our own media programs. We plan to expand the Elevator Door Advertisement business to 7 major cities in South and South-Central China and sign up 21,600 new elevator door locations. We also plan to develop our own media program such as websites.

4. Continue to expand our advertising customer base.

Results of Operations

The following table shows the results of operations of our business.

Comparison of the quarter ended March 31, 2012and2011

The Quarters Ended March 31,		**2012**		**2011**
Sales	$	15,038,576	$	4,914,616
Cost of sales	$	11,965,970	$	3,868,302
Gross profit	$	3,072,606	$	1,046,314
Selling, general and administrative expenses	$	708,896	$	209,825
Other income (expense)	$	367,318	$	(4,135)
Income taxes	$	638,825	$	205,712
Net income	$	2,731,028	$	832,354
Foreign currency translation adjustment	$	21,163	$	43,929
Comprehensive income	$	2,113,366	$	670,571

Sales:

Our sales for the quarter ended March 31, 2012 were $15,038,576, an increase of $10,123,960, or 206% from our sales of $4,914,616 for the quarter ended March 31, 2011. This increase was mainly due to our continued sales and marketing efforts to locate and develop new customers who contributed to the sales growth.

Sales generated by the portfolio of advertising media resources are as follows:

	The Quarter Ended March 31,					
	2012		2011		Variance	
	Amount (in '000 USD)	% to total sales	Amount (in '000 USD)	% to total sales	Amount (in '000 USD)	%
TV	13,806	92%	3,869	79%	9,937	257%
Radio	556	4%	550	11%	6	1%
Newspaper and magazine	201	1%	205	4%	(4)	-2%
Exhibition and events	141	1%	128	3%	13	10%
Elevator door display	50	0%	41	1%	9	22%
Outdoor billboard	174	1%	93	2%	81	87%
Internet	111	1%	29	1%	82	283%
Total	15,039	100%	4,915	100%	10,124	

Sales generated from TV advertisements increased by $9.9 million due to expansion of our TV advertising business. In April 2011, Hunan TV had released a new show called Top Gear , which was introduced from BBC. It is an entertainment program to introduce new cars to the audience. We had purchased material advertising coverage rights for this show and released advertisements for our automobile customers in the second quarter of 2011. Also, in 2010, Hunan TV acquired Qinghai TV as a subsidiary and we started our advertising coverage in Qinghai TV from late 2011. Additionally, we acquired advertising coverage rights from a third party in 2012, instead of obtaining the rights directly from Hunan TV. The sales contributed from the rights acquired were $598,695 in the quarter ended March 31, 2012

Sales generated from outdoor billboards and internet increased by $81,000 and $82,000, respectively, due to engagements with a new partner to display advertisements for our clients on outdoor billboards and our continuing effort to expand our business in various media resource. We started our billboard display and internet commercial business in 2010, thus, the sales generated were limited for the quarter ended March 31, 2011.

From late 2011, the Company has been focusing on the expansion of TV advertising coverage and more working capital has been invested in a buy-out of advertising coverage for a certain period of time on TV programs.

Cost of Sales:

Our cost of sales for the quarter ended March 31, 2012 was $11,965,970, an increase of $8,097,668 as compared to $3,868,302 for the quarter ended March 31, 2011. This increase was primarily due to the expansion of our business and more revenue generated. Our cost of sales consists primarily of expenses associated with the service, including fees paid to third parties for advertisements.

Cost of sales from portfolio of advertising media resources is as follows:

	The Quarter Ended March 31,		
	2012	2011	Variance

	Amount (in '000 USD)	% to total cost	Amount (in '000 USD)	% to total cost	Amount (in '000 USD)	%
TV	11,229	94%	3,084	80%	8,145	264%
Radio	343	2%	450	12%	(107)	-24%
Newspaper and magazine	138	1%	152	4%	(14)	-9%
Exhibition and events	82	1%	66	2%	16	24%
Elevator door display	18	0%	17	0%	1	6%
Outdoor billboard	110	1%	83	2%	27	33%
Internet	46	0%	16	0%	30	188%
Total	11,966	100%	3,868	100%	8,098	

Gross Profit:

As a result of the foregoing, we generated an operating profit of $3,072,606 for the quarter ended March 31, 2012, a $2,026,292 increase from the comparable period in 2011. Gross profit rate decreased by 1% from 21% to 20%. The decrease in gross profit is mainly due to the change of combinations of revenue from different media. Gross profit percentage from the portfolio of advertising media resources is as follows:

	The Quarter Ended March 31, 2012	2011	Variance
TV	19%	20%	-1%
Radio	49%	18%	31%
Newspaper and magazine	31%	26%	5%
Exhibition and events	42%	48%	-6%
Elevator door display	64%	59%	5%
Outdoor billboard	37%	11%	26%
Internet	59%	45%	14%

Gross profit percentage for sales mainly generated from radio, outdoor billboard and internet: We started our commercial business on radio, outdoor billboard and internet in 2010. In the quarter ended March 31, 2011, we generated limited sales from these media and the gross margin was low because we had material fixed costs for sales. In the quarter ended March 31, 2012, sales from those media increased and it lowered average cost of sales since the fixed cost was stable from year to year. The gross profit in the first quarter of 2011 was not representing normal profitability from these media resources and we expect the gross margin will keep the same level in the near future.

Gross profit percentage for sales generated from other media resources fluctuates in normal range in our business operations.

Operating Expenses:

Operating expenses, including selling expenses and general and administrative expenses, were $708,896 for the quarter ended March 31, 2012 as compared to $209,825 for the quarter ended March 31, 2011, an increase of $499,071. The increase of these major expenses was mainly due to our expansion of business and increased public listing fees that occurred after the reverse merger in July, 2011.

The primary changes in the operating expense include the following:

· Payroll expense increased by approximately $203,000, which was due to the expansion of our business that required more administrative and sales staff from 2011 to 2012. The increase in payroll is in proportion to the increase of net sales.

·Public listing related expenses, including audit and accounting fees, attorney service expenses and other professional service expenses, increased by approximately $83,000 due to our public listing effort since July 2011. We anticipate that our professional expenses related to the public listing in US will remain at its current level in the near future.

· Other expenses, including office, hospitality and other miscellaneous expenses increased by approximately $213,000 due to the expansion of our business and operation.

Income Taxes:

Our income taxes were $638,825 for the quarter ended March 31, 2012, comparing to $205,712 for the quarter ended March 31, 2011, an increase of $433,113. Such increase is due to the increased income before taxes from operations.

Net Income:

We reported net income of $2,092,203 and $626,642 for the quarters ended March 31, 2012 and 2011, respectively. Basic and diluted earnings per common share were identical for quarter ended March 31, 2011, which were $ 0.02. For the quarters ended March 31, 2012, basic and diluted earnings per share were $0.04 and $0.04, respectively. Shares totalling 730,639 were included in weighted average diluted shares due to the dilution effect of the warrants outstanding. This increase was the result of the commencement of normal operations in 2011. We believe that this trend will continue during our 2012 fiscal year and beyond.

Comprehensive income:

Comprehensive income, which adds the currency adjustment to net income, was $2,113,366 for the quarter ended March 31, 2012 as compared to $670,571 for the quarter ended March 31, 2011. The increase of comprehensive income was mainly due to an increase of our net income.

Liquidity and Capital Resources

We fund our working capital needs from operations, advance payments from customers, bank borrowings, and capital from shareholders. Our working capital requirements are influenced by the level of our operations, the numerical and dollar volume of our sales contracts, the progress of our contract execution, and the timing of accounts receivable collections.

Based on our current operating plan, we believe that our existing resources, including cash generated from operations as well as the bank loans, will be sufficient to meet our working capital requirement for our current operations over the next twelve months. In order to fully implement our business plan and continue our growth, however, we will require additional capital either from our shareholders or from outside sources.

As of March 31, 2012, we had cash and cash equivalents of $2,918,870. Our current assets were $30,175,148 and our current liabilities were $14,180,370 as of March 31, 2012, which resulted in a current ratio of approximately 2.13:1.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Quarter Ended March 31,	
	2012	2011
Cash flows by operating activities	(731,891)	29,332
Cash flows by investing activities	120,982	(6,519)
Cash flows by financing activities	-	-

Net cash provided by operating activities decreased by $743,223 for the quarter ended March 31, 2012 compared to the net cash provided by operating activities of $29,332 for the quarter ended March 31, 2011. The decrease was mainly due to an increase in advance payments, increased recognition of revenue due to advances from customers to vendors and non-cash gain from changes in fair value of warranty liability, partially offset by an increase in net income and taxes payable.

Net cash provided by investing activities in the quarter ended March 31, 2012 was $120,982 as compared to cash used in investing activities of $6,519. The increased net cash provided by investing activities in 2012 was mainly due to the increased cash proceeds from repayment of unrelated party receivables of $136,568.

Accounts Receivable, and Allowance for Doubtful Accounts.

Substantial portions of our business operations are conducted in the People s Republic of China. During the normal course of business, we extend unsecured credit to our customers. Our standard collection term is three to six months. We review our accounts receivable based on the customers financial condition and their prior payment history to determine if the allowance for doubtful accounts is adequate. The Company reserves 5% of accounts receivable balances that have been outstanding for more than six months and less than one year, 20% of accounts receivable balances that have been outstanding for more than one year and less than two years, and 100% of accounts receivable balances that have been outstanding for more than two years. The collection of accounts receivable will substantially increase our liquidity and we will maintain the current level of accounts receivable balance in the near future. As of March 31, 2012, there was $8.69 million of accounts receivable that were aged more than 90 days..

Advance payments

The Company periodically makes advance payments to a number of media companies to acquire exclusive contracts for advertising coverage, including Hunan Daily (newspaper), Golden Eagle 955 Radio Station, Hunan People s Radio Station-Traffic channel, Changsha TV News channel, Voices Online Auto Channel. The advance payments generally represent 5-10% of the contract price. When an advertisement is completed, related advance payments are debited to cost of sales according to matching principle. The recoverability of the advance payments is highly dependent on our sales of the advertising coverage to our customers. If we fail to do so, the advance payments will be recognized as cost of sales even if no revenue is recognized. Historically, the company has not experienced any material losses in advance payments.

With the expansion of our business, we expect that the advance payments to media will increase when we buy more advertising coverage on certain media.

Advances from customers

Advances from customers represent cash received in advance from customers according to the contracts for advertising service fees and advertisement production.

The customer is required to make an initial deposit amounting to 5% of the contract amount. The deposit is recorded as an advance payment and is recognized as revenue when the contractual services are provided or when the advertisement is released on the designated media.

The advances from customers are usually not refundable to the customers.

Income tax liabilities

The Company s Chinese subsidiaries are governed by the Income Tax Law of the PRC and are subject to a statutory income tax rate of 25%. The subsidiaries are accruing the income tax expense but have not paid any since 2009. The Company is being propositioned by local governments of several counties in Changsha that if the Company could relocate its registration address to those counties, the Company would be granted favorable tax treatments. We have not paid any of the accrued tax liability since we are still in the process of selecting the location. When we reach a final decision, we will use our working capital to make tax payments, which can significantly impact our liquidity since all income tax liability needs to be paid off. We expect to make our decision by the end of 2012 and all tax payments will be made accordingly.

Loan Facility

Loan payable to Changsha Bank has a one-year term from August 8, 2011 to August 8, 2012 at a fixed interest rate of 7.98% per year. This loan has been guaranteed by an unrelated company, Hunan Furong Surety for Small to Mid-size Enterprise, Ltd.

Loans receivable from unrelated parties

Loans receivable from unrelated parties consist of various cash advances to unrelated companies and individuals with which the Company has business relationships. Loans to outside parties are reviewed periodically for impairment. The Company considers the assets to be impaired if the collectability of the balances becomes doubtful.

Off -Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of its financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. Our financial statements reflect the selection and application of accounting policies which require management to make significant estimates and judgments. See Note 2 to our consolidated financial statements, Basis of Presentation and Summary of Significant Accounting Policies. We believe that the following paragraphs reflect the more critical accounting policies that currently affect our financial condition and results of operations:

Use of Estimates

The preparation of consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include reserves for accounts receivable and income taxes. Actual results could differ from those estimates.

Revenue Recognition

The Company derives its revenues primarily from designing, producing and distributing advertisements. Revenue is recognized when all of the following criteria are satisfied: (a) persuasive evidence of an arrangement exists; (b) the price is fixed or determinable; (c) collectability is reasonably assured; and (d) services have been performed. Any payments received prior to the completion of these recognition criteria are deferred. Revenue from television advertisement is recognized as the commercials are aired. Revenue from newspapers is recognized when the advertisements are published. The Company acts as a principle obligor to its advertising clients, and accordingly, revenue is reported on a gross basis.

Cash Equivalents

In accordance with Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, codified in ASC Topic 230, the Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents .

Accounts Receivable

Accounts receivable are recorded net of allowance for doubtful accounts. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. Periodically, management assesses customer credit history and relationships as well as performs accounts receivable aging analysis to determine whether certain balances are deemed uncollectible. The Company reserves 5% of accounts receivable balances outstanding for more than six months and less than one year, 20% of accounts receivable balances outstanding for more than one year and less than two years, and 100% of accounts receivable balances outstanding for more than two years.

Advance Payments

The Company periodically makes advance payments to a number of media companies to acquire exclusive contracts for advertising coverage. The advance payments generally represent 5-10% of the contracted price. When an advertisement is completed, related advance payments are debited to cost of sales according to the matching principle.

Loans Receivable

Loans receivable consist of various cash advances to unrelated companies and individuals with which the Company has business relationships. The allowance for loan losses reflects management s best estimate of probable losses determined principally on the basis of historical experience. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated based on the straight-line method over the estimated useful lives of the assets as follows:

Vehicles	5 to 8 years
Office equipment and furniture	3 to 5 years
Building and improvements	10 to 20 years

Cost of repairs and maintenance is expensed as incurred. Gain or loss on disposal of property and equipment, if any, is recognized in the consolidated statements of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a smaller reporting company, as defined by Rule 229.10(f)(1).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation (the Evaluation), under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (Disclosure Controls) as of the end of the period covered

by this report pursuant to Rule 13a-15 of the Exchange Act. Based on this Evaluation, our CEO and CFO concluded that our Disclosure Controls were effective as of the end of the period covered by this report.

Management s Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed 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.

Our internal control over financial reporting includes those policies and procedures that:

.

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

.

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and

.

that our receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and

.

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

As of March 31, 2012, our management conducted an assessment of the effectiveness of the Company's internal control over financial reporting. In making this assessment, management followed an approach based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as COSO). Based on this assessment, management believes that the Company's internal control over financial reporting is effective.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this quarterly report.

Changes in Internal Controls

We have also evaluated our internal controls for financial reporting, and there have been no change in our internal control over financial reporting or in other factors that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting subsequent to the date of last evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Currently we are not aware of any litigation pending or threatened by or against the Company.

ITEM 1A. RISK FACTORS

Not required for Smaller Reporting Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On December 12, 2011, Min Yang, Chang Yang and Company revised the stock purchase agreements that were entered on November 30, 2011. Under the revised terms of the stock purchase agreements, we will issue 3,600,000 shares of common stock to Min Yang, a resident of China, for the price of US $ 0.40 (or RMB 2.55 Yuan) per share, an aggregate of US $ 1,440,000 (or RMB 9,180,000Yuan); we will issue 400,000 shares of common stock to Chang Yang, a resident of China, for the price of US $ 0.40 (or RMB 2.55 Yuan) per share, an aggregate of US $ 160,000 (or RMB 1,040,400 Yuan). Min Yang also agreed to a one year lock up period imposed on all the shares she acquires from the Company under the revised Stock Purchase Agreements. During the one year lock up period, she will not sell, transfer or assign any share to others. The 3,600,000 shares were issued to Min Yang on January 11, 2012.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a)

Exhibits

31.1	Section 302 Certificate of Chief Executive Officer *
31.2	Section 302 Certificate of Chief Financial Officer *
32.1	Section 906 Certificate of Chief Executive Officer *
32.2	Section 906 Certificate of Chief Financial Officer *

* filed herewith

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNATURES

China Global Media, Inc.
(Registrant)

/s/ Guolin Yang
Guolin Yang
Title: President and Chief Executive Officer

May 14, 2012