Limoneira CO
Form 10-Q
September 09, 2011

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2011

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: 001-34755

Limoneira Company
(Exact name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	77-0260692 (I.R.S. Employer Identification No.)
1141 Cummings Road, Santa Paula, CA (Address of Principal Executive Offices)	93060 (Zip Code)

Registrant’s telephone number, including area code: (805) 525-5541

Not Applicable
(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. x 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 such shorter period that the registrant was required to submit and post such files). x 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. (Check one):

¨ Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company

(Do not check if a 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 x No

As of August 31, 2011, there were 11,205,241 shares outstanding of the registrant's common stock.

LIMONEIRA COMPANY
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Cautionary Note on Forward-Looking Statements.

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. Forward-looking statements in this 10-Q are subject to a number of risks and uncertainties, some of which are beyond the Company's control. The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied include:

- changes in laws, regulations, rules, quotas, tariffs and import laws;
- weather conditions, including freezes that affect the production, transportation, storage, import and export of fresh produce;
- market responses to industry volume pressures;
- increased pressure from disease, insects and other pests;
- disruption of water supplies or changes in water allocations;
- product and raw materials supplies and pricing;
- energy supply and pricing;
- changes in interest and current exchange rates;
- availability of financing for land development activities;
- political changes and economic crises;
- international conflict;
- acts of terrorism;
- labor disruptions, strikes or work stoppages;
- loss of important intellectual property rights; and
- other factors disclosed in our public filings with the Securities and Exchange Commission.

The Company's actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which the Company is not currently aware or which the Company currently deems immaterial could also cause the Company's actual results to differ, including those discussed in the section entitled "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended October 31, 2010. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update these forward-looking statements, even if our situation changes in the future.

The terms the “Company,” “we,” “our” and “us” as used throughout this Quarterly Report on Form 10-Q refer to Limoneira Company and its consolidated subsidiaries, unless otherwise indicated.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Limoneira Company and Subsidiaries

Consolidated Balance Sheets (unaudited)

		July 31, 2011
Assets		
Current assets:		
Cash	$	
Accounts receivable, net		7
Notes receivable – related parties		
Notes receivable		
Cultural costs		
Prepaid expenses and other current assets		1
Income taxes receivable		
Total current assets		9
Property, plant, and equipment, net		49
Real estate development		71
Equity in investments		8
Investment in Calavo Growers, Inc.		13
Notes receivable – related parties		
Notes receivable		2
Other assets		4
Total assets	$	159

Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$	3
Growers payable		1
Accrued liabilities		2
Current portion of long-term debt		
Total current liabilities		8
Long-term liabilities:		
Long-term debt, less current portion		85
Deferred income taxes		8
Other long-term liabilities		6
Total long-term liabilities		99
Commitments and contingencies		
Stockholders' equity:		
Series B Convertible Preferred Stock – $100.00 par value (50,000 shares authorized: 30,000 shares issued and outstanding at July 31, 2011 and October 31, 2010) (8.75% coupon rate)		3
Series A Junior Participating Preferred Stock		

– $.01 par value (50,000 shares authorized: 0 issued or outstanding at July 31, 2011 and October 31, 2010)	
Common Stock – $.01 par value (19,900,000 shares authorized: 11,205,241 and 11,194,460 shares issued and outstanding at July 31, 2011 and October 31, 2010, respectively)	
Additional paid-in capital	34
Retained earnings	14
Accumulated other comprehensive loss	
Total stockholders' equity	

's governmental and regulatory reforms may impact our ability to do business i

Since 1978, the Chinese government has been in a state of evolution and reform. The reforms have resulted i expected to continue to result in significant economic and social development in China. Many of the reforms unprecedented or experimental and may be subject to change or readjustment due to a variety of political, eco and social factors. Multiple governmental bodies are involved in regulating and administrating affairs in the telecommunications industry, among which the MII, the National Development and Reform Commission ("N and the State Asset Supervisory Administrative Commission ("SASAC") play the leading roles. These gover agencies have broad discretion and authority over all aspects of the telecommunications and information tech industry in China, including but not limited to, setting the telecommunications tariff structure, granting carrie licenses and frequencies, approving equipment and products, granting product licenses, specifying technolog standards as well as appointing carrier executives, all of which may impact our ability to do business in Chin

While we anticipate that the basic principles underlying the reforms should remain unchanged, any of the fol changes in China's political and economic conditions and governmental policies could have a substantial imp our business:

- the promulgation of new laws and regulations and the interpretation of those laws and regulations;
- inconsistent enforcement and application of the telecommunications industry's rules and regulations by th government between foreign and domestic companies;

- the restructuring of telecommunications carriers in China;
- the introduction of measures to control inflation or stimulate growth;
- the introduction of new guidelines for tariffs and service rates, which affect our ability to competitively products and services;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; or
- any actions that limit our ability to develop, manufacture, import or sell our products in China, or to fin operate our business in China.

For example, on November 1, 2004, as a continuation of the restructuring of telecom carriers relating to the i public offering of China Netcom in 2004, SASAC decided to swap the senior executives of China Mobile, C Unicom, China Telecom and China Netcom in an effort to ease competition among carriers. We are not certa whether there may be additional government interference, including government imposed mergers or spin-of existing carriers.

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In addition to modifying the existing telecommunications regulatory framework, the Chinese government is c preparing a draft of a standard, national telecommunications law (the "Telecommunications Law") to provid regulatory framework for the telecommunications industry. We do not yet know the final nature or scope of t regulations that would be created if the Telecommunications Law is passed. Accordingly, we cannot predict it will have a positive or negative effect on us or on some or all aspects of our business.

Under China's current regulatory structure, the communications services that we offer in China must meet government and industry standards. In addition, a value added service provider license must be obtained. Wi license, we cannot provide our current mobile solution services in China. Moreover, we must ensure that the and content of our services will comply with related rules and regulations. Although we already have this lic requires an annual renewal from the applicable governmental body.

MII and/or other related authorizations might perform spot checks to track and supervise the quality and cont our services. Any determination that our services fail to comply with applicable rules and regulations could r revocation of our license, which would have a material adverse effect on our business.

China's changing economic environment may impact our ability to do business in China.

Since 1978, the Chinese government has been reforming the economic system in China to increase the emph placed on decentralization and the utilization of market forces in the development of China's economy. Thes have resulted in significant economic growth. However, any economic reform policies or measures in China from time to time be modified or revised by the Chinese government, at their discretion. While we may be ab benefit from the effects of some of these policies, these policies and other measures taken by the Chinese go to regulate the economy could also have a significant negative impact on economic conditions in China, whi result in a negative impact on our business.

China's economic environment has been changing as a result of China's entry, in December of 2001, into the Trade Organization (the "WTO"). Entry into the WTO required that China reduce tariffs and eliminate non-t barriers, including quotas, licenses and other restrictions by early 2005, and we cannot predict the impact of t changes on China's economy. Moreover, although China's entry into the WTO and the related relaxation of t restrictions may lead to increased foreign investment, it may also lead to increased competition in China's m from other foreign companies. If China's entry into the WTO results in increased competition or has a negati on China's economy, our business could suffer. In addition, although China is increasingly according foreign companies and foreign investment enterprises established in China the same rights and privileges as Chinese domestic companies as a result of its admission into the WTO, special laws, administrative rules and regulati governing foreign companies and foreign investment enterprises in China may still place foreign companies disadvantage in relation to Chinese domestic companies and may adversely affect our competitive position.

Uncertainties with respect to the Chinese legal system may adversely affect us.

We conduct our business in China primarily through our subsidiary incorporated in China. Our subsidiary is generally subject to laws and regulations applicable to foreign investment in China. Accordingly, our busines affected by China's developing legal system. Since 1978, many new laws and regulations covering general e matters have been promulgated in China, and government policies and internal rules promulgated by govern agencies may not be published in time, or at all. As a result, we may operate our business in violation of new rules and policies without having any knowledge of their existence. In addition, there are uncertainties regard interpretation and enforcement of laws, rules and policies in China. The Chinese legal system is based on wr statutes and prior court decisions that have limited precedential value. Because many laws and regulations ar relatively new and the Chinese legal system is still evolving, the interpretations of many laws, regulations an rules are not always uniform. Moreover, the relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation, and the interpretation of statutes and regulations m subject to government policies reflecting domestic political changes. Finally, enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equ enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. Any litigation in Chi be protracted and result in substantial costs and diversion of resources and management's attention.

We are subject to risks relating to currency rate fluctuations and exchange controls.

Because most of our sales are made in China and denominated in Renminbi ("RMB"), as such, the impact of fluctuations of RMB thus far has been insignificant as it is fixed to the U.S. dollar. However, in the future, C could choose to revalue the RMB versus the U.S. dollar, or the RMB-U.S. dollar exchange rate could float, a RMB could depreciate or appreciate relative to the U.S. dollar. In such event, currency rate fluctuations coul adversely affect our sales, cost of revenues and profit margins, as well as our net income, and subject us to v in our financial reporting. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions to reduce our exposur foreign currency exchange risk.

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Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

Because substantially all of our revenues are denominated in RMB, any restrictions on currency exchange m
our ability to use revenues generated in RMB to fund any business activities we may have outside China or t
dividend payments in U.S. dollars. The principal regulation governing foreign currency exchange in China is
Foreign Currency Administration Rules (1996), as amended. Under these rules, RMB are freely convertible f
and service-related foreign exchange transactions, but not for direct investment, loan or investment in securit
outside China unless the prior approval of the State Administration of Foreign Exchange is obtained. Althou
China's government regulations now allow greater convertibility of RMB for current account transactions, si
restrictions still remain. For example, foreign exchange transactions, including principal payments in respect
foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the ap
of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign
exchange for capital expenditures. We cannot be certain that China's regulatory authorities will not impose m
stringent restrictions on the convertibility of RMB, especially with respect to foreign exchange transactions.

**Our business benefits from certain tax incentives, and changes to these tax incentives could adversely a
our operating results.**

The Chinese government has provided various tax incentives to domestic high technology companies, includ
Chinese subsidiaries, in order to encourage the development of technology companies. There have been vari
reform proposals in China, and if any of these incentives are reduced or eliminated by government authoritie
future, the effective tax rates of our subsidiaries in China and our effective tax rates on a consolidated basis c
increase significantly. Any such change could adversely affect our operating results.

**Recent Chinese regulations relating to acquisitions of Chinese companies by foreign entities may limit
ability to acquire such companies and adversely affect our business and prospects.**

China's State Administration of Foreign Exchange, or SAFE, issued a public notice in January 2005 concern
foreign exchange regulations on mergers and acquisitions in China. The public notice states that if an offsho
company controlled by Chinese residents intends to acquire a Chinese company, such acquisition will be sub
strict examination by the relevant foreign exchange authorities. The public notice also states that the approva
relevant foreign exchange authorities is required for any sale or transfer by the Chinese residents of a Chines
company's assets or equity interests to foreign entities, such as us, for equity interests or assets of the foreign

In April 2005, SAFE issued another public notice further explaining the January notice. In accordance with t
notice, if an acquisition of a Chinese company by an offshore company controlled by Chinese residents has b
confirmed by a Foreign Investment Enterprise Certificate prior to the promulgation of the January notice, the
residents must each submit a registration form to the local SAFE branch with respect to their respective own
interests in the offshore company, and must also file an amendment to such registration if the offshore comp
experiences material events, such as changes in the share capital, share transfer, mergers and acquisitions, sp
transaction or use of assets in China to guarantee offshore obligations. The April notice also provides that fai
comply with the registration procedures set forth therein may result in a restriction on the Chinese company'
to distribute profits to its offshore parent company. Pending the promulgation of detailed implementation rul
relevant government authorities are reluctant to commence processing any registration or application for app
required under the SAFE notices. We have requested our relevant shareholders to complete the SAFE registr
procedures as soon as practicable.

As it is uncertain how the SAFE notices will be interpreted or implemented, we cannot predict how they will
our business operations or future strategy. For example, we may be subject to more stringent review and app

process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operation and financial condition. In addition, if we decide to acquire a Chinese company, we cannot assure you that we or the owne such company, as the case may be, will be able to complete the necessary approval, filings and registrations f acquisition. This may restrict our ability to implement our acquisition strategy and adversely affect our busin prospects.

Any prolonged recurrence of SARS or other adverse public health developments in China may have a material adverse effect on our business operations, financial condition and results of operations.

In the first half of 2003, China and certain other countries experienced an outbreak of a new and highly conta form of atypical pneumonia known as SARS. The SARS outbreak damaged the economy of China as a whol July 5, 2003, the World Health Organization declared that SARS had been contained. Any recurrence of SAI other adverse public health developments in China may have an adverse effect on our business operations, fi condition and results of operations. For instance, health or other government regulations may require tempor closure of our offices, which will severely disrupt our business operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of SARS or any other epidemic.

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Securities Risks

Our executive officers may have the ability to control almost all matters of the Company.

As of July 1, 2006, our President and Secretary and their affiliates, beneficially own approximately 13% of th and outstanding shares of Common Stock of the Company. Therefore, management has significant influence election of the Company's directors and to control the outcome of other issues submitted to stockholders. Th includes their ability to amend the Articles of Incorporation, approve a merger or consolidation of the Compa another company or approve the sale of all or substantially all of the assets of the Company without the agree the shareholders.

Authorized share capital as an anti-takeover device.

At the Company's last shareholders' meeting, management obtained approval to increase the number of auth shares of Common Stock from 50 million to 500 million shares. The reason for the increase was that manage not believe it had sufficient shares for future growth, including potential acquisitions. However, the Board of Directors has the authority to issue such shares without further shareholder approval. This may have the effec delaying or preventing a change of control without further action by shareholders. In addition, as the increase Company's authorized capital will enable the Company to issue a significant number of additional shares of Stock, the interests of the investors in the Offering may be subject to a significant level of dilution in the futu

Restrictions on transferability will prevent investors in the Offering from selling securities.

The Offering of the Units was made pursuant to Sections 4(2) and 4(6) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act, solely to Accredited Investors and Qualified Institutiona This Registration Statement on Form SB-2 was filed on September 14, 2005 with respect to the Units and un securities, but such Registration Statement has not yet been declared effective and thus the Units and underly securities cannot be sold, transferred, pledged, assigned, hypothecated or otherwise disposed of without regis under the Securities Act and such state laws, unless in the opinion of counsel satisfactory to the Company, an sale, transfer, assignment, pledge or hypothecation will not violate the registration requirements under the Se Act or state securities laws. As a result, an investor must bear the economic risk of an investment in the Com an indefinite period of time.

The holders of Debentures and Warrants may have rescission rights.

The Company entered into the Settlement Agreement on May 4, 2006, after the initial filing of this Registrat Statement on September 14, 2005. The Settlement Agreement provided for an increase in the number of shar Common Stock issuable upon conversion of the Debentures and exercise of the Warrants. Thus, there are nov shares issuable than were contemplated during the original offer. The Company believed that the offer (there issuance) of such additional shares was exempt from registration under the Securities Act and under applicab securities laws pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated ther The offer was made some 9 or 10 months after the original sale to the same investors. The Company did not securities to any new investors, nor was it receiving proceeds from the issuance of additional shares. The offe not made voluntarily, but solely in response to threatened litigation. In addition, after the initial filing of this Registration Statement, the Company issued warrants to purchase 200,000 shares of Common Stock to Cryst Research Associates LLC for services rendered. The Company believed that the issuance of the Warrants wa from registration under Section 4(2) of the Securities Act and was not offering the underlying Common Stoc new investors.

All of the above described additional shares of Common Stock issuable by the Company have been removed this Registration Statement. Notwithstanding the foregoing, questions have been raised by the SEC as to the availability of the claimed exemptions. In the event the Company is found to have offered such shares in tran for which exemption from registration was not available, such shares may have been offered in violation of t registration provisions of Section 5 of the Securities Act. In that event, the investors may have rescission righ recover their purchase price, plus interest and attorney's fees depending upon their state of residence.

The Debentures mature on August 15, 2006, and the Company intends to repay all of the $3,350,000 of Debe which are not converted. As of July 20, 2006, the Company had approximately $5.6 million cash on hand. Th Company has paid interest on the Debentures on a current basis. Therefore, if an investor sued for rescission, Company does not believe that any attorney's fees or interest penalties would have an effect on the Company financial condition. Since the Company entered into the Settlement Agreement it has not been threatened by its investors or shareholders. However, notwithstanding the fact that all of the additional shares of Common S have been removed from this Registration Statement which was declared effective by the SEC on August 7, 2 SEC is not foreclosed from taking any enforcement action with respect to the filing and the Company may no the declaration of effectiveness as a defense in any proceeding initiated by the SEC.

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The conversion of Debentures and exercise of the Warrants from the Offering and/or exercise of outst options may have a dilutive effect on the price of our Common Stock.

The purchasers in the August 2005 Offering have the right to convert their Debentures into an aggregate of 11,166,667 shares of Common Stock, as adjusted, and exercise their Warrants for an aggregate of 22,333,33 of Common Stock, as adjusted. The conversion or exercise of these securities will cause dilution to our share and the sale of the underlying Common Stock (or even the potential of such exercise or sale) may have a dep effect on the market price of our securities. Further, to the extent that outstanding stock options and warrants exercised, dilution to our shareholders will occur. As of April 30, 2006, the Company had an aggregate of 66 options and no warrants outstanding, exclusive of those issued in the Offering. Pursuant to a Settlement Agre entered into as of May 4, 2006, the Company agreed that it will not file a new S-8 Registration Statement pr days from the effective date of this prospectus. Moreover, the terms upon which we will be able to obtain ad equity capital may be adversely affected, since the holders of the outstanding options and warrants can be ex exercise them at a time when we would, in all likelihood, be able to obtain any needed capital on terms more favorable to us than the exercise terms provided by the outstanding options and warrants.

If we do not keep a registration statement current, your ability to sell the Debenture Shares and Warr Shares will be limited.

We must keep a registration statement such as the one of which this prospectus is a part effective with the SE order for you to receive registered stock upon the exercise of your warrants as well as to freely sell the Debe Shares and Warrant Shares. We may not be able to maintain a registration statement in effect throughout the during which the debentures remain convertible and the warrants remain exercisable. Maintaining an effectiv registration statement requires substantial continuing expenses for legal and accounting fees and we cannot g our ability to keep the registration statement effective.

Since the Debentures may be prepaid and the Warrants may be redeemed by the Company, investors receive all the anticipated benefits from purchasing Units. Further, the conversion of the Debentures o exercise of Warrants in response to a prepayment or redemption notice could cause dilution.

The Company, at its option, may prepay the Debentures upon not less than 30 days nor more than 60 days pr written notice to the Debenture holders at a prepayment price equal to the principal amount of the Debenture together with accrued and unpaid interest through the date of prepayment. In addition, in the event that the cl bid price of our Common Stock is at least 175% of the respective exercise prices of the Warrants or more for twenty (20) consecutive trading days prior to the date of the notice of redemption, the Company may also re Warrants at a redemption price of $0.001 per Warrant commencing 6 months and 12 months from the Effecti of this Registration Statement with respect to the Class A Warrants and Class B Warrants, respectively. Hold be entitled to convert their Debentures or exercise their Warrants during the period from the date of the notic prepayment or redemption until the business day immediately prior to the prepayment or redemption date. If does not convert its Debentures or exercise the Warrants during that time period, the applicable security will prepaid or redeemed by the Company. Commencing on the date of prepayment or redemption, the Debenture Warrants that were not converted or exercised will only represent the right to receive the Prepayment Price o Redemption Price, as may be applicable.

In addition, if the Debentures are converted or the Warrants are exercised in response to a prepayment or red notice, then dilution could occur from the widespread conversion or exercise of the Debentures or Warrants. this may cause significant downward pressure on the price of our Common Stock as holders that elect to con exercise their securities may be able to resell the shares of Common Stock issuable upon conversion or exerc the Debentures or Warrants in the open market.

Difficulty of trading and obtaining quotations for Common Stock.

Our Common Stock is currently quoted on the OTCBB under the symbol "CHMS.OB." Our Common Stock actively traded, and the bid and asked prices for our Common Stock have fluctuated significantly. As a result investor may find it difficult to dispose of, or to obtain accurate quotations of the price of, our securities. Thi severely limits the liquidity of the Common Stock, and would likely have a material adverse effect on the ma price of the Common Stock and on our ability to raise additional capital.

Penny Stock Regulation.

Our Common Stock is subject to Rule 15g-9 under the Exchange Act. This rule imposes additional sales prac requirements on broker-dealers that sell such securities to persons other than established customers and "accr investors." For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determina the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently could affect the ability of broker-dealers to sell our securities and could affect the ability of purchasers to sell our securities in the secondary market.

Risk Factors Affecting the Company's Business Operations.

The Company could be subject to fines, and possible exclusion from participation in providing mobile soluti corporations in China if it fails to comply with the laws and regulations applicable to its business or if those l regulations change.

The Company is subject to regulations such as compliance and record-keeping requirements under the Minis Information Industry (MII) in China. Through its subsidiary the Company has a value added service provider from MII. If the Company is deemed to have violated these laws and regulations, the Company could be subj fines and/or exclusion from participation in providing mobile solution services. Changes in the telecommuni law, new interpretations of existing laws and regulations may have a dramatic effect on the Company's busin results of operations.

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Continued pressure could reduce the Company's margins and limit the Company's ability to maintain increase its market share.

Certain competitors of the Company may have or may obtain significantly greater financial and marketing re than the Company. As a result, the Company could encounter increased competition in the future that may in pricing pressure and limit its ability to maintain or increase its market share. There is a great deal of competit the Company's business, especially to develop alliances with the two major mobile carriers, China Unicom a Mobile. Mobile marketing is quickly growing in popularity. In Asia, eMarketer reports that 39% of mobile p users have received SMS messages from advertisers and this figure points to a strong and growing trend amo advertisers to embrace mobile marketing. Major competitors who currently are focusing on individual marke spend more resources in the business section in the future. Since they have more financial support and broad influence in this market, the Company might be forced to decrease prices, give out more discounts and increa costs to retain key employees. This would decrease the Company's profit margin.

If we lost the services of Xiao-qing (Angela) Du, the Company's CEO, or Ernest Cheung, the Company Secretary, we might not be able to execute our current business in accordance with our current plans.

Our future success depends significantly on the skills, experience and efforts of its chief executive officer, X Du, and its Secretary and Director, Ernest Cheung, and other key personnel. These individuals would be diffi replace. Ms. Du and Mr. Cheung have developed, and are engaged in carrying out, the Company's strategic b plan, a copy of which is attached as an exhibit to a Form 8-K filed with the SEC on June 30, 2005. The loss o services of Ms. Du or Mr. Cheung could seriously harm the Company's ability to implement its strategy. A f implement the Company's business strategy could result in the cessation of the Company's operations which have a material adverse effect on our Company and on your investment. Ms. Du and Mr. Cheung have emplo contracts that are renewable every year. Under British Columbia law, the Company will be responsible for se pay for early termination based on the number of years of employment with the Company. There is no key p insurance.

If the Company is unable to adequately protect or enforce its rights to its intellectual property, we may valuable rights, experience reduced market share, if any, or incur costly litigation to protect such right

The Company generally requires its employees, consultants, advisors and collaborators to execute appropriat confidentiality agreements with it. These agreements typically provide that all materials and confidential info developed or made known to the individual during the course of the individual's relationship with the Compa be kept confidential and not disclosed to third parties except in specific circumstances. These agreements ma breached, and in some instances, the Company may not have an appropriate remedy available for breach of t agreements. Furthermore, the Company's competitors may independently develop substantial equivalent pro information and techniques, reverse engineer information and techniques, or otherwise gain access to the Co proprietary technology. In addition, the laws of some foreign countries may not protect proprietary rights to t extent as U.S. law. The Company may be unable to meaningfully protect its rights in trade secrets, technical know-how and other non-patented technology.

The Company does not have any patents. If the Company employees develop technology while employed by Company, the Company has the title and full right of this technology. Employees cannot disclose such techn a third party. However, this technology is usually not patentable because other competitors may develop it as The first company to develop such technology has a better chance to gain market share.

The Company may have to resort to litigation to protect its rights for certain intellectual property, or to deter their scope, validity or enforceability. Enforcing or defending the Company's rights is expensive and may dis management from its development of the business if not properly managed. Such efforts may not prove succe There is always a risk that patents, if issued, may be subsequently invalidated, either in whole or in part, and could diminish or extinguish protection for any technology the Company may license. Any failure to enforce protect the Company’s rights could cause it to lose the ability to exclude others from using its technology to or sell competing products.

The Company may be sued by third parties who claim that the Company’s product infringes on their intellectual property rights. Defending an infringement lawsuit is costly and the Company may not hav adequate resources to defend against it. Any settlement or judgment against us could harm our future prospects.

The Company may be exposed to future litigation by third parties based on claims that its technology, produc activity infringes on the intellectual property rights of others or that the Company has misappropriated the tra secrets of others. This risk is compounded by the fact that the validity and breadth of claims covered in techn patents in general and the breadth and scope of trade secret protection involves complex legal and factual que for which important legal principles are unresolved. Any litigation or claims against the Company, whether o valid, could result in substantial costs, could place a significant strain on the Company’s financial and manag resources, and could harm the Company’s reputation. In addition, intellectual property litigation or claims co the Company to do one or more of the following:

· Cease selling, incorporating or using any of the Company’s technology and/or product that incorpo challenged intellectual property, which could adversely affect the Company’s revenue;

· Obtain a license from the holder of the infringed intellectual property right, which may be costly or ma available on reasonable terms, if at all; or

· Redesign the Company’s product, which would be costly and time consuming.

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The market for our services is rapidly changing and competitive. New products may be developed by o that could impair our ability to develop, grow or maintain our business and be competitive.

The mobile solutions industry is subject to substantial technological change. Developments by others may re Company's technology and revenues non-competitive or obsolete, or it may be unable to keep pace with tech developments or other market factors. Competition from other companies and others diversifying into the fie expected to increase. Many of these entities have significantly greater budgets than the Company does, as we substantially more marketing, research and development, financial and managerial resources. These entities c represent significant competition for the Company. Our resources are limited and we may experience technic challenges inherent in developing its technology. Competitors have developed or are in the process of develo technologies that are, or in the future may be, the basis for competition.

CHANGES IN ACCOUNTANTS

On December 22, 2004, the Company engaged Moen & Company ("Moen") to act as the principal accountan China Mobility's financial statements. Clancy and Co., P.L.L.C. ("Clancy and Co., P.L.L.C.") was the Comp independent auditor and examined the financial statements of the Company for the fiscal years ended Decem 2003 and 2002 and the subsequent interim periods until December 22, 2004. On that date, the Board of Direc approved the dismissal of Clancy and Co., P.L.L.C. ("Clancy and Co., P.L.L.C.") as China Mobility's indepe public accountants and the selection of Moen and Company as their replacement.

Clancy and Co., P.L.L.C.'s reports on the consolidated financial statements of China Mobility and its subsidi the two most recent fiscal years ended December 31, 2003 and 2002 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting princ

During China Mobility's two most recent fiscal years ended December 31, 2003 and 2002 and the subsequen period through December 22, 2004, there were no disagreements between China Mobility and Clancy and Co P.L.L.C. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope procedure, which disagreements, if not resolved to Clancy and Co., P.L.L.C.'s satisfaction, would have cause to make reference to the subject matter of the disagreement in connection with their reports on China Mobilit consolidated financial statements for such years; and there were no reportable events as described in Item 304(a)(1)(iv) of Regulation S-K. China Mobility provided Clancy and Co., P.L.L.C. with a copy of the foreg disclosures.

During China Mobility's two most recent fiscal years ended December 31, 2003 and 2002 and the subsequen periods through December 22, 2004, China Mobility did not consult with Moen and Company with respect to application of accounting principles to a specified transaction, either completed or proposed, or the type of au opinion that might be rendered on China Mobility's financial statements, or any other matters or reportable e set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

USE OF PROCEEDS

We will not receive proceeds from the resale of Shares offered hereby by the Selling Stockholders. Any proc from the exercise of Warrants will be used for general corporate purposes.

PRICE RANGE OF COMMON STOCK

China Mobility's Common Stock has traded on the OTCBB under the symbol "CHMS.OB" since July 24, 19 following table sets forth the high and low closing bid prices for the Common Stock, as reported by Pink She for the periods indicated below. The following quotations represent prices between dealers and do not includ markups, markdowns or commissions. They do not represent actual transactions and have not been adjusted dividends or splits.

	High	Low
2006		
Third Quarter (July 1 - July 31, 2006)	$.19	$.15
Second Quarter	$.39	$.18
First Quarter	$.37	$.25
2005		
Fourth Quarter	$.67	$.32
Third Quarter	$.73	$.36
Second Quarter	$.70	$.38
First Quarter	$.59	$.38
2004		
Fourth Quarter	$.68	$.18
Third Quarter	$.65	$.16
Second Quarter	$1.01	$.09
First Quarter	$.27	$.10

As of July 24, 2006, there were 163 holders of record of our Common Stock. On August 4, 2006, the closing our Common Stock was $0.17 per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Executive Summary

In the summer of 2005, the Company launched two new solutions: a mobile email system and an office auto system. The Company added two new directors to the Board of Directors in 2005: Bryan D. Ellis and Greg Y September 30, 2005, the Company exercised its option to purchase the remaining 49% interest of Beijing Qu Telecommunications Corp. Ltd. (Quicknet), the Company's subsidiary in China. The purchase price of US$4 was paid in two installments. The Company now directly and indirectly owns and controls 100% of Quickne has the right to appoint all of the directors. On August 15, 2005, the Company completed a $3.35 million dol senior convertible debenture financing and Class A Warrant and Class B Warrant offering. In 2005, the Com issued shares of Common Stock and raised $1, 255,000. In November, 2005, the Company signed a key cont Lenovo, the world's third-largest PC manufacturer. According to the agreement, Lenovo will distribute the C new mobile email system through Lenovo's extensive retail sales network throughout China. China's mobile market is the largest in the world, and continues to grow at an astonishing rate. There were almost 400 millio cellular phone customers in China as of the end of 2005, and more than 4 million new users were added ever Currently there are about 1 billion SMS sent every day in China, accounting for one third of the world's traff generating about US$400 million revenue annually. With the penetration rate around 30%, however, there is considerable room for growth in the Chinese mobile market. Pacific Growth Equities of San Francisco forese million mobile phone users in China by 2007. The Company's mobile marketing, mobile email, and mobile o automation solutions provide practical and useful solutions to businesses based on the very effective and high

popular medium of mobile phones and SMS. The Company's SMS marketing services in particular are targe
enterprises that want to take advantage of the enormous market available through SMS marketing.

Working Capital Needs

On the mobile solution services side, the working capital needs arise primarily from the need for capital to ex
existing capacity of Quicknet services, to open more offices in other major cities, to launch new value-added
services, and to acquire other companies that will complement the services offered by us.

On the education services side, the Company will use the working capital to explore the local market, launch
courses, set up new marketing campaigns, sign up with more agents, both domestic and international, and pro
marketing materials and financial support to those agents.

The Company will focus on mobile solution services and use limited working capital for education services.

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Future Strategy

The Company accumulated nearly 500,000 corporate leads from its previous domain name registration and w hosting services in China. Completion of the acquisition of Quicknet gives the Company an opportunity to ca on this rapidly growing market, and it also gives the chance for Quicknet to solicit these corporate leads in an to generate more revenue. Quicknet plans to grow organically by launching more products, but may also grov acquiring other companies that will complement services we offer.

Liquidity and Capital Resources

Changes in Financial Condition March 31, 2006 compared to December 31, 2005.

At the end of the first quarter of 2006, Company has assets of $10,716,115 compared to $11,222,363 at year- 2005. The current assets totaled $5,907,256 at the end of the first quarter of 2006 compared to $6,412,893 at year-end. Total current liabilities at the end of the first quarter of 2006 were $6,313,621 compared to $6,765, 2005 year-end. At March 31, 2006, the Company had $5,741,569 in cash compared to $6,138,609 at year-en

The Company had cash capital of $5,741,569 at the quarter ended March 31, 2006, which will be used to fun continuing operations. The Company has no other capital resources other than the ability to use its common s achieve additional capital raising. Other than cash capital, its other assets would be illiquid.

At the quarter ended March 31, 2006, it had $5,907,256 in current assets and current liabilities of $6,313,621 working capital deficit of $406,365.

The Company's cash on hand decreased from $6,138,609 at December 31, 2005 to $5,741,569 at March 31, This was primarily a result of a decrease in cash used in operating activities of $397,040 resulting from a net $57,599 and an increase in deferred revenue of $426,396, offset, in part, by a decrease in prepaid expenses an current assets of $122,034.

As of July 20, 2006, the Company had approximately $5.6 million cash on hand. The Debentures mature on 15, 2006, and the Company intends to repay all of the $3,350,000 of Debentures which are not converted. Th Company has paid interest on the Debentures on a current basis. The Settlement Agreement entered into by t Company on May 4, 2006, provided for an increase in the number of shares of Common Stock issuable upon conversion of the Debentures and exercise of the Warrants. The Company believed that the offer of such add shares was exempt from registration under the Securities Act and under applicable state securities laws pursu Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. However, question been raised by the SEC as to the availability of the claimed exemptions. In the event the Company is found to offered such shares in a transaction for which exemption from registration was not available, such shares ma been offered in violation of the registration provisions of Section 5 of the Securities Act. In that event, the in may have rescission rights to recover their purchase price, plus interest and attorney's fees, depending upon t of residence. If an investor sued for rescission, the Company does not believe that any attorney's fees or inter penalties would have an effect on the Company's financial condition.

Changes in Financial Condition December 31, 2005 Compared to December 31, 2004.

The Company had cash capital of $6,138,609 at December 31, 2005. The Company has no other capital reso other than the ability to use its common stock to achieve additional capital-raising. Other than cash capital, it assets would be illiquid.

At December 31, 2005, the Company's assets were $11,222,363 compared to $6,447,030 at December 31, 20
current assets totaled $6,412,893 at 2005 year-end compared to $5,466,574 at 2004 year-end. The current co
operations had brought in $4,902,628 revenue by December 31, 2005, compared to $2,170,766 in year 2004.
was deferred revenue of $3,053,282 at December 31, 2005 compared to $2,111,698 in 2004. Net cash provid
continuing operations was $757,987 at December 31, 2005. The Company had $6,138,609 in cash by the yea
compared to $5,380,622 a year ago. These changes were caused by the rapidly increasing mobile solution ma
China. Total liabilities at year-end 2005 were $6,765,295 compared to $2,452,522 at 2004 year-end.

The cash capital at fiscal year end of $6,138,609 will be used to fund continuing operations. Financing activi
provided more than US$4.6 million in cash, and continuing operations have provided more than US$750,000
in 2005.

Net cash flows provided by operating activities were $155,245 for the year ended December 31, 2005.

On September 30, 2005, the Company acquired the remaining 49% of Quicknet, paying US$2,000,000 on Se
30, 2005. Another US$2,000,000 was paid before December 31, 2005. The Company raised US$1, 255,000 t
issuing Common Stock and US$3,350,000 through issuing convertible debentures and warrants in 2005.

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On August 15, 2005, the Company raised $3,350,000 in a private placement of its securities, on a “best effor
none” basis (the “August 2005 Offering”) of 134 units (the “Units”). The August 2005 Offering was for $2 m
over-subscription of up to $1,350,000. Each Unit was sold for $25,000, consisting of $25,000 principal amou
senior convertible debentures (the “Debentures”), and Class A Warrants and Class B Warrants, to purchase s
common stock, $0.001 par value (the “Common Stock”) of the Registrant. The Debentures were initially con
$.35 per share for 71,429 shares of Common Stock (as adjusted below); mature on August 15, 2006 and accr
interest at a rate of not less than 6% per annum equal to the sum of 2% per annum plus the one-month Londo
Inter-Bank Offer Rate (LIBOR). The Debentures are subject to redemption at 125% of the principal amount p
accrued interest commencing six months after the effective date (the “Effective Date”) of the registration stat
which this Prospectus forms a part, concerning the securities sold in the August 2005 Offering. This registrat
statement includes only the initial 71,429 shares of Common Stock issuable upon conversion of the Debentur
exercise of each of the Class A Warrants and Class B Warrants. We intend to register the additional shares of
Common Stock pursuant to the adjustment to the conversion price on a separate registration statement.

The Class A and Class B Warrants are subject to redemption by the Company at any time commencing six m
and twelve months, respectively, from the Effective Date, provided the average closing bid price of the Com
Stock equals or exceeds 175% of the respective exercise prices for 20 consecutive trading days.

If any Event of Default occurs and at any time thereafter, the principal amount, all accrued but unpaid interes
all other amounts payable under the Debenture may be declared, and upon such declaration shall become,
immediately due and payable without presentment, demand, protest, or other notice of any kind, all of which
expressly waived. An Event of Default includes: failure to pay principal or interest when due; dissolution; an
bankruptcy; foreclosures; certain judgments; failure to perform any agreement contained in the Debenture an
transaction agreements; default on other indebtedness; and breach of any representation or warranty made in
transaction.

In January, 2006, the Company received a letter from the attorney for the Holder of $500,000 principal amou
Company’s Debentures stating that the Company was in default of the Transaction Agreements issued in con
with the Debentures by virtue of the Company’s issuance of registered shares of stock to employees and cons
under a Form S-8 Registration Statement and the filing of the Form S-8 prior to the effectiveness of the Regi
Statement required under the Registration Rights Agreement (one of the Transaction Agreements).

The Company denied that it was in default of the Transaction Agreements; however, in order to avoid costly
litigation and to remove any uncertainly from the public offering to be made by this prospectus, the parties en
into a settlement agreement as of April 24, 2006. The notice of default was withdrawn and the Company agre
to file any S-8 Registration Statement prior to 45 days after the Effective Date. The initial conversion price o
Debentures was reduced to $.30 per share and the Class A Warrant exercise price of 125% of the Conversion
was reduced from $.44 to $.38 and the Class B Warrant exercise price of 150% of the Conversion Price was r
from $.52 per share to $.45 per share. The number of shares of Common Stock exercisable upon conversion o
Debenture and upon exercise of the Class A and Class B Warrants determined by dividing the purchase price
Unit of $25,000 by the conversion price was increased from 71,429 shares for each to 83,333 shares for each
Debenture, Class A Warrants and Class B Warrants on an aggregate of 250,000 shares per Unit.

The Company has revenues from its mobile marketing services and other mobile solutions through Quicknet
tuition fees from Windsor. However, capital from additional private placements, borrowing against assets an
from warrants being exercised by warrant holders, may be required to fund future operations. As of Decembe
2005, 10 old Series “B” warrants were outstanding which entitle the holders to purchase a common share of t
Company at $2.25 each on or before March 31, 2006. These warrants expired as of March 31, 2006. 134 new
“A” warrants issued in the August 2005 Offering were outstanding that entitle the holders to purchase 71,429

shares of the Company at $0.44 each within two years from the Effective Date, but no later than February 15
134 new Series "B" warrants were outstanding and issued in the August 2005 Offering, which entitle the hol
purchase 71,429 common shares of the Company at $0.52 each within three years from the Effective Date bu
later than February 15, 2009.

Need for Additional Financing

The Company believes it has sufficient capital to meet its short-term cash needs, including the costs of comp
with the continuing reporting requirements of the Exchange Act, but it will have to seek loans or equity place
cover longer-term cash needs to continue operations and expansion. Unless a substantial portion of the Debe
are converted into Common Stock when they mature on August 15, 2006, we will need additional funds to fu
implement on business plans after we repay such Debentures.

No commitments to provide additional funds have been made by management or other stockholders. Accord
there can be no assurance that any additional funds will be available to the Company to allow it to cover ope
expenses.

If future revenue declines, or operations are unprofitable, the Company will be forced to develop another line
business, or to finance its operations through the sale of its assets, or enter into the sale of stock for additiona
none of which may be feasible when needed. The Company has no specific management ability, nor financia
resources or plans to enter any other business as of this date.

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The Company may use all of its available capital to continue toward the business goal of maintaining and exp
the business in Canada and developing the business of mobile solution services in China.

The effect of inflation has not had a material adverse impact on its operation, nor is it expected to in the imm
future.

Although the Company is unaware of any major seasonal aspect that would have a material effect on the fina
condition or results of operations, the first quarter of each fiscal year is always a financial concern. It is not
uncommon for companies to shut down their operation or operate on a skeletal crew during the Chinese New
holiday, which typically lasts for a period of three weeks. Therefore, in effect, the first quarter has only two m
for generating revenue.

Market Risk

The Company does not hold any derivatives or investments that are subject to market risk. The carrying valu
financial instruments approximate fair value as of those dates because of the relatively short-term maturity of
instruments which eliminates any potential market risk associated with such instruments.

Business Segments

During the year, the Company had revenues in two segments:	
Mobile marketing services	$ 4,703,348
Tuition fees	199,280
The cost of revenue in each segment was:	
Mobile marketing services	$ 1,372,707
Tuition fees	54,584
The gross profit from each of the business segments was:	
Mobile marketing services	$ 3,330,641
Tuition fees	144,696
Total	$ 3,475,337

The Company also carries deferred revenue of $3,053,282 for its SMS business in China and its education an
training business.

RESULTS OF OPERATIONS

THE QUARTER ENDED MARCH 31, 2006 AS COMPARED WITH THE QUARTER ENDED MAR 2005.

Revenues. The Company had revenues of $1,459,944 in the first quarter of 2006 compared to $127,207 in th quarter of 2005, an increase of 29.5%. The Company's revenue in the first quarter of 2006, were in the form sales of Mobile marketing services (Quicknet) of $1,440,917 and tuition fees (Windsor) of $19,027, as comp with mobile market sales of $1,052,529 and tuition fees of $74,678 in the first quarter of 2005. The Company incurred operating expenses of $1,245,636 in the first quarter of 2006 compared to operating expenses of $72 the first quarter of 2005. The Company had an operating loss of $82,157 in the first quarter of 2006, and a ne $57,599 compared to an operating income of $168,062 and a net income of $60,741 in the first quarter of 20

Business Segments

During the quarter, the Company had revenues in two segments:	
Mobile marketing services	$1,440,917
Tuition fees	$19,027
The cost of revenue in each segment was:	
Mobile marketing services	$291,833
Tuition fees	$4,632
The gross profit from each of the business segments was:	
Mobile	$1,149,084
Tuition fees	$14,395
Total	$1,163,479

Net Income/Loss per Share: The per-share earnings for the first quarter of 2006 and 2005 were nil. The Com expects the trend of losses to continue at about the same rate in the succeeding periods.

THE YEAR ENDED DECEMBER 31, 2005 AS COMPARED TO THE YEAR ENDED DECEMBER 2004.

Revenues. The Company achieved revenues of $4,902,628 in 2005, compared to $2,170,766 in 2004, in the f net sales of mobile solution services and tuition fees from its subsidiaries: Quicknet and Windsor. The gross 2005 was $3,475,337 compared to $1,697,531 in 2004.

Operating Expenses. The Company incurred operating expenses of $11,454,523 in 2005, compared to operat expenses of $1,939,747 in 2004 due largely to the inclusion of the "Fair Value of Warrants Issued," in our A Offering, which accounts for $6,891,486. Advertisement, general expenses and salaries were also increased the increased sales scale.

Loss from Continuing Operations. Loss from continuing operations for 2005 was (9,163,453) compared to th operating loss of ($258,772). This was caused largely by the inclusion of the "Fair Value of Warrants Issued.

Net Income. Net Loss to Common Stockholders in 2005 was ($9,163,453) in contrast to a Net Income of $3, in 2004. This was caused largely by the inclusion of the "Fair Value of Warrants Issued."

Earnings per Share. Loss per share was ($0.52) in 2005 compared to earnings per share of $0.20 in 2004. Thi caused largely by the inclusion of the "Fair Value of Warrants Issued," which accounts for $6,891,486. Oper losses in 2005 were ($0.52) per share compared to ($0.02) per share in 2004.

Future Trends

In the mobile solution service business, the Company cannot assure that any profit on revenues can be maint the future, because it may have to continue, through its joint venture business, to advertise and promote its se and develop additional value-added services in order to preserve or increase its market share. In spite of takin measures to control expenses, operating losses may continue. If the Company acquires additional capital, for through sale of stock in private placements or through investors exercising warrants, it may be able to advert promote its services more aggressively and expand its business more rapidly.

The Company has experienced growth in revenues in its Quicknet services, and it anticipates future growth i revenues although China must always be viewed as a highly competitive market where profitability may be d to achieve or sustain.

On the education services side, we have operated for the past three years and competition is very fierce in the The Canadian government has tightened its budget on English training for new immigrants, which lead to the termination of government funding for Windsor, and this change had negative effects on its revenue. The Government-supported ELSA courses held at Windsor ended by March 31, 2005.

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Recent Accounting Pronouncements

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries as outlined in Note 2 to the Company's Co Financial Statements. All significant inter-company transactions and balances have been eliminated on conso

On October 2002, the FASB issued SFAS No. 147 - "Acquisitions of Certain Financial Institutions, an amen FASB Statements No. 72 and 144 and FASB Interpretation No. 9," which applies to the acquisition of all or a financial institution, except for a transaction between two or more mutual enterprises. SFAS No. 147 remo requirement in SFAS No. 72 and Interpretation 9 thereto, to recognize and amortize any excess of the fair va liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifia intangible asset. This statement requires that those transactions be accounted for in accordance with SFAS N "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." In addition, this stat amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include certa institution-related intangible assets. This statement is effective for acquisitions for which the date of acquisit or after October 1, 2002, and is not applicable to the Company.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transitio Disclosure, amending FASB No. 123", and "Accounting for Stock-Based Compensation." This statement am Statement No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fa value-based method of accounting for stock-based employee compensation. SFAS No. 148 amends APB Op No. 28 "Interim Financial Reporting" to require disclosure about those effects in interim financial informatio Company will adopt the disclosure provisions and the amendment to APB No. 28 to be effective for interim beginning after December 15, 2002.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-21 "Rev Arrangements with Multiple Deliverables." EITF No. 00-21 provides guidance on how to account for arrang that involve the delivery or performance of multiple products, services and rights to use assets. The provisio EITF No. 00-21 will apply to revenue arrangements entered into in the fiscal periods beginning after June 15 The Company is currently evaluating the impact EITF No. 00-21 will have on its financial position and resul operations.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, Interpretation of ARB No. 51". FIN46 requires certain variable interest entities to be consolidated by the pri beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling fi interest or do not have sufficient equity at risk for the entity to finance its activities without additional subord financial support from other parties. FIN46 is effective for all new interest entities created or acquired after J 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN46 applied for the first interim or annual period beginning after June 15, 2003. Adequate disclosure has been ma all off balance sheet arrangements that it is reasonably possible to consolidate under FIN46.

The American Institute of Certified Public Accountants has issued an exposure draft SOP "Accounting for C Costs and Activities Related to Property, Plant and Equipment ("PP&E")." This proposed SOP applies to all non-government entities that acquire, construct or replace tangible property, plant and equipment including l and lessees. A significant element of the SOP requires that entities use component accounting retroactively f PP&E assets to the extent future component replacement will be capitalized. At adoption, entities would hav option to apply component accounting retroactively for all PP&E assets, to the extent applicable, or to apply component accounting as an entity incurs capitalizable costs that replace all or a portion of PP&E. The Comp cannot evaluate the ultimate impact of this exposure draft until it becomes final.

BUSINESS

China Mobility Solutions, Inc. ("CHMS" or the "Company") is one of the first companies to focus on provid solutions to many diverse businesses throughout China. Through its subsidiary Quicknet, a short message ser ("SMS") provider in Beijing, China, the Company is presently focused on its mobile marketing solutions for enterprises. Quicknet is one of the first companies to focus on mobile solutions for businesses in China. Quic strategy of targeting corporate users is aimed at achieving a higher percentage of recurring revenue and bette margins. The Company initially acquired (controlled) 51% of Quicknet in June 2004 and exercised its option acquire the remaining 49% by September 30, 2005.

CHMS launched its mobile marketing services in July 2003 and became cash flow positive by the end of 200 However, in accordance with U.S. GAAP, all revenue needs to be deferred for 12 months. Therefore, the Co had revenues of $1,871,960 from mobile marketing services in 2004 which increased to $4,703,348 in 2005. Company's operating loss increased from $242,216 in 2004 to $7,979,186 in 2005, primarily as a result of th inclusion of the "Fair Value of Warrants Issued" in our August 2005 Offering, as well as increases in adverti general expenses and salaries due to the increased sales scale. Investors should read the Company's financial statements, especially the accompanying notes thereto.

Prior History

On September 6, 1996, the Company was incorporated under the laws of the State of Florida under the name Placer Technologies, Inc. It conducted an initial public offering of 200,000 shares @ $0.25 per share and obt $50,000 in capital. In December 1996, pursuant to a Rule 15c2-11 filing, the Company obtained approval to Common Stock quoted on the OTCBB, which is a national quotation service maintained by the NASD.

The Company's initial primary service consisted of developing websites for small businesses in the U.S.A. It generated minimal revenues in 1996.

On April 2, 1997, the Company acquired a 100% interest in Infornet Investment Limited ("Infornet"), a Hon corporation. In August 1997, Infornet entered into a joint venture agreement with Xin Hai Technology Devel Ltd. ("Xin Hai"). Xin Hai was an experienced internet-related services provider, but the business suffered los was sold and discontinued in 2001.

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On June 11, 1997, the Company purchased a 100% interest in Infornet Investment Corp., a British Columbia corporation. Infornet Investment Corp. is the subsidiary that manages daily operations of the Company.

On July 24, 1998, the Company changed its name from Placer Technologies, Inc. to Xin Net Corp.

In June 2004, the Company changed its name to China Mobility Solutions, Inc. concurrent with a one-for-thr reverse stock split.

On June 23, 2004, the Company consummated the acquisition of a 49% interest in Beijing Quicknet Technol Development Corp., a company organized under the laws of the People's Republic of China ("Quicknet"), pu share purchase agreement. The Company issued 6,120,000 shares of its Common Stock as payment. On Sept 30, 2005, the Company indirectly, through an affiliate, acquired control of the remaining outstanding shares o Common Stock of Quicknet, and paid US$2,000,000 on September 30, 2005 and an additional US$2,000,00 about December 31, 2005. See the discussion under the heading "Quicknet Acquisition" set forth below.

Corporate Overview

China Mobility's structure showing its subsidiaries is as follows, with the jurisdiction of incorporation of eac subsidiary included in parentheses:

China Mobility Solutions, Inc.
(Florida, U.S.A.)

Infornet Investment Corp. (100% Owned) (BC, Canada)	Infornet Investment Ltd. (100% Owned) (Hong Kong)
Windsor Education Academy Inc. (100% Owned) (BC, Canada)	Beijing ShiJiYingFu Consultant Corp. Ltd. (100% Owned) (Beijing, China)
Xinbiz Corp. (100% Owned) (British Virgin Islands) (Dormant)	Xinbiz Ltd. (100% Owned by Xinbiz Corp.) (Hong Kong) (Dormant)
Beijing Quicknet Technology Development Corp. (49% Owned and 51% Indirectly Owned and Controlled)	

(Beijing, China)

The Company incorporated Xinbiz Corp. (British Virgin Islands) on January 14, 2000 and its subsidiary Xinl
(Hong Kong) on March 10, 2000. Both of these companies are wholly owned subsidiaries. Xinbiz Corp. and
Ltd. did not have any operations in the past three years.

Through its wholly owned subsidiary, Infornet Investment Ltd. (Hong Kong), the Company formed a joint ve
with Xin Hai Technology Development Ltd. for upgrading telecommunication technology and services in Ch
This evolved into an internet-focused service provider and e-commerce solutions business. However, the Co
decided in May 2001 to focus its business in China on domain name registration and web-hosting services an
discontinue Internet access provision services. On June 22, 2001, the Company entered into an agreement to
ISP assets (Xin Hai). The price for the sale was $700,000 (USD) payable to the Company in Renminbi at the
exchange rate. As of December 31, 2003, $500,000 had been received for the transaction. A loss provision of
$200,000 was made against the balance of the sales price as the Company determined that the purchaser will
able to pay the remaining balance.

Since the Company started its Internet-related business in China, it has seen rapid growth in Internet use in C
it has also seen an equal, if not greater, growth in companies entering this arena. As a result, the industry exp
severely reduced operating margins and continued losses. Although the Company was considered an early le
the domain name registration field, due to the lack of adequate funding future growth potential against the m
competitors was limited at best. The Company had struggled for several years to break even and was hoping
required funding to grow, but the plan was nullified when the funding failed to materialize. Now, as China ha
become more and more open according to the terms of the World Trade Organization, the world's largest, m
well-funded companies have been given access to the China market and have seriously compromised the Co
competitive position.

In February 2003, the Company signed an agreement to sell the Company's China assets (domain name regis
to a subsidiary of Sino-i.com Limited, a Hong Kong Stock Exchange listed company, for a total consideratio
RMB 20 million (approx. US$ 2.4 million). The Company has received the entire purchase price, and the div
was completed in 2004.

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Education Business

In 2002, the Company redirected its resources to the education and training field. On January 6, 2003, the Co
announced the acquisition of Windsor Education Academy Inc. (" Windsor"), a Richmond, British Columbia
school specializing in English as a Second Language (ESL) courses to foreign students. Total consideration v
CAD$200,000 (about US$128,000). Windsor is government-certified and received a number of ESL student
the Provincial Government of British Columbia, but all government programs involving Windsor ended Mar
2005. Windsor Academy has a campus in Richmond, British Columbia. They are equipped with personal co
and standard classroom fixtures. Because of the outbreak of SARS, and its implications for public health and
and from China, the Company could not consummate any other major acquisitions in China and in Hong Ko
during a one-year period beginning in March 2003 and, therefore decided to maintain the operation of Winds
looking for other opportunities.

Office Location

China Mobility Solutions, Inc. currently maintains an office at: #900 - 789 West Pender Street, Vancouver, E
Canada V6C 1H2 (telephone number is 1-604-632-9638).

Quicknet Acquisition

On June 23, 2004, the Company completed the acquisition of a 49% equity interest from the shareholders of
Quicknet Technology Development Corp. ("Quicknet"), located in Beijing, China by signing a Purchase Ag
(the "Quicknet Purchase Agreement"). Quicknet is engaged in the development of software for mobile/wirel
communication and for short message services ("SMS"). The Company acquired the 49% equity interest fro
shareholders in exchange for the Company's issuance of 6,120,000 shares of Common Stock of the Compan
deemed price of $0.50 per share (2,040,000 post-reverse split shares at a market price of $0.27 per share for
$550,800). In June 2004, the Company signed a purchase agreement (the "Chinaco Purchase Agreement") w
Shi Ji Rong Chuang Service & Technology Co., Ltd., a local Chinese company ("Chinaco"), which then ow
the equity interest of Quicknet having purchased a 1% interest from each of the two shareholders of Quickne
Bo Yu and Mr. Fang Hu. Under the Chinaco Purchase Agreement, the Company was granted the right to pur
100% of the equity of Chinaco for nominal consideration, solely when Chinese law permits such sale. Chinac
owned by two senior officers of the Company who have Chinese citizenship. Due to current government rest
on foreign ownership of telecommunication companies in China, the Company was not permitted to acquire
additional 2% of the equity interest of Quicknet that is still held by Chinaco. At present, foreign investors su
Company can only own up to 49% of telecommunications and related businesses in China. The 2% Chinaco
will only be transferred to the Company at such time as Chinese law permits increased ownership of
telecommunications and related businesses by foreign investors such as the Company. Chinese law does not
permit such transfer, therefore, Chinaco has granted an unconditional, irrevocable proxy, without time limit,
Company. Through the above-described proxy, the Company can appoint all directors and officers of Quick
therefore directly and indirectly controls 51% of the equity interest of Quicknet through its own equity owne
its control of Chinaco.

Under the Quicknet Purchase Agreement, the Company had an option to acquire the remaining 49% equity i
Quicknet through Chinaco from the Quicknet Shareholders within the first year for $4,000,000. The Compan
had an option to acquire this remaining 49% equity interest in Quicknet within the second year for $5,000,00
Quicknet Purchase Agreement provided that the Company could pay these amounts by 50% in shares of the
Stock of the Company and 50% in cash. The final percentage of shares versus cash could be negotiated betw
parties. The Company exercised its right to purchase the remaining 49% interest in August 2005 (the "Optio
Exercise"), by having Chinaco purchase a 24.5% interest from each of the two shareholders of Quicknet, Mr

and Mr. Fang Hu, for a total of a 49% interest.

As previously mentioned, pursuant to the Chinaco Purchase Agreement, the Company was granted the right t
acquire 100% of the equity of Chinaco, if and when Chinese law permits. The Company directly owns 49% o
Quicknet and through Chinaco, indirectly controls a combined total of 51% equity interest, and thus controls
100% of Quicknet. The Company has the right to appoint all of the directors of Quicknet.

Until such time, if ever, that Chinese law permits the transfer of a controlling interest in Quicknet, the Compa
maintain control of Quicknet under its Quicknet Purchase Agreement, Chinaco Purchase Agreement, and Au
2005 Option Exercise. However, currently, the Company will be unable to directly own the remaining 51% i
held by Chinaco.

The Company exercised the option to purchase the remaining 49% of Quicknet in August 2005, within the fi
from the Closing Date, for the agreed-upon purchase price of US$4,000,000. The purchase price had been pa
form of cash. On September 30, 2005, the Company paid US$2,000,000, and paid another US$2,000,000 bef
December 31, 2005.

The Company raised (a) US$1,255,000 through issuing common stocks and (b) US$3,350,000 through issuin
convertible debentures and Class A Warrants and Class B Warrants in 2005 in an offering exempt from regis
pursuant to Regulation D under the Securities Act of 1933, as amended.

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Discontinued Internet Services

Up until late 2002, the Company's business was focused on domain name registration, web hosting and web services under the ChinaDNS banner. It operated the website www.chinadns.com, the first in China to offer site registration. In October 1999, ChinaDNS was approved as an Official Agent of Network Solutions, Inc.

Due to the continued loss on operations ($254,035 in 2002), in 2003, the Company entered into an agreemen the domain name registration business to China Enterprise, an ASP, for about $2,400,000, a sale which was completed in 2004. We are treating the DNS business as discontinued operations at this time, as China Enter in full control of the assets.

CURRENT BUSINESS

Mobile Solutions for Businesses in China

The Company is focusing on providing mobile solutions to many diverse corporations across China. With its growing client base, the Company hopes to become one of the largest providers of mobile business solutions China. The first product launched was mobile marketing solutions for enterprises, which has been in operatic 2003. In the summer of 2005, two new products were launched: a 'push'-based mobile email system and an automation system.

Education and Training

The Company is currently offering English as a Second Language (ESL) and related courses through Windso Education Academy at the Richmond campus.

PRODUCTS, SERVICES, MARKETS AND METHODS OF DISTRIBUTION

Mobile Solutions: Quicknet in China

Products and Services:

Mobile Marketing

The first mobile solution launched by the Company was mobile marketing. Mobile marketing is the use of th medium as a communications and entertainment channel between a brand and an end-user. Mobile marketin only personal channel enabling spontaneous, direct, interactive and/or targeted communications, any time, a Mobile marketing can be used in a wide variety of ways:

- For customer acquisition
- For customer retention
- For loyalty building
- As a sales promotion tool
- To support product launches
- To raise brand awareness
- For internal communications
- As a redemption / coupon tool
- For direct marketing
- As an effective business-to-business communications vehicle

- As an additional revenue stream
- To be able to offer time / location specific offers
- As a channel for delivering ring tones and logos

Mobile marketing is growing in popularity. In Asia, eMarketer reports that 39% of mobile phone users have SMS messages from advertisers, 36% in Europe and only 8% in the U.S. These figures point to a strong and trend among advertisers to embrace mobile marketing in different parts of the world and for consumers to be receptive to it.

A study by Jupiter Research confirmed the effectiveness of SMS advertising. SMS has shown to be more tha as effective as direct mail. An average SMS campaign generates a 15% response rate, compared with less tha that amount for direct mail. The survey also found that 94% of all advertising text messages are read. Further 23% are forwarded or shown to other users. As a result an average of 8% reply to the text message and 6% v Web site mentioned in the text.

Some consumers will tolerate ads and some will not. The issue of spam is one that is being addressed in the U the U.S. by the Mobile Marketing Association and by the Ministry of Information Industry ("MII") in China. disturbing SMS should be eradicated to help standardize the market and ensure the healthy development of th industry," said Chen Jinqiao, director of the Chinese Academy of Telecommunications Research under the M

By keeping messages small, by providing a benefit to the receiver, and by sending to companies that are alre China Mobility Solutions' database, the Companyis avoiding the perception that the messages it sends for its are "spam." Recent research conducted by the Wireless Internet Panel in Europe indicates that consumers' fi is to reject SMS advertising. However 64% of the same respondents changed their attitude if the SMS advert offered the candidate some benefit (e.g., provides information, inform receivers of promotions). The best way marketers to distance themselves from spam, according to the Mobile Marketing Association, is to give cons choice, control, constraint and confidentiality while insuring that they only receive relevant information.

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The Management of China Mobility Solutions is drawing upon successful examples of SMS advertising in ot
countries to make its offerings in China more valuable to its clients and well received by mobile phone users

Some examples of positive SMS campaigns include:

· In London, successful trials were held of a location-based taxi-hailing service using GPS and mobile triar
technologies. The solution included voice taxi hailing plus SMS customer recruitment, driver and custome

· A British women's clothing company used SMS to raise awareness of a new line of apparel. Mobile ph
were asked to type in a code to receive a £1 coupon. 20,000 coupons were requested in the first two we
there was significant data collection of names and addresses for further information.

· Chrysler used SMS advertising to generate leads for test drive bookings, by sending an SMS to over-2
within 25km of one of the 32 Smart dealerships across the UK. The first 800 messages sent led to the sale
Smart cars. The first 20,000 messages resulted in 1,500 test drives. Chrysler considered this to be an e
successful and cost-effective campaign.

· Coke ran a "Cool Summer" campaign in Beijing and Shanghai, where users were encouraged to guess
daily temperature in Beijing, then download a Coke jingle ring tone and an 'm-coupon' for a free ice cre
McDonalds. 4 million messages were exchanged during the campaign, around 50,000 participants downlo
Coke ad jingle, and 19,500 downloaded the coupon for McDonalds.

China Mobility Solutions' new market-ready solutions

China Mobility is working in cooperation with China's major mobile carriers, China Unicom and China Mob
provide mobile solutions for corporate customers.

Chinese companies in many different industries have a need for mobility services. Only telecom VAS provid
access to mobile carrier networks, so most of the 30 million enterprises in China would not be able to access
carriers networks, thus creating a demand for a "hub" that China Mobility has already built for Chinese comp
Rather than creating their own platforms to access the carriers' networks (and thus the country's cellular pop
the companies will be able to access China Mobility Solutions' platform for a fee. China Mobility Solutions
the link between the companies and the carriers.

The Company's platform has been developed using the C programming language to facilitate high speed, cre
more stable system, secure intellectual property rights protection, and provide complicated functions. The pla
can be connected to using WAP or GPRS on digital GSM and CDMA networks. The platform is compatible
carriers' networks, as it supports all bands - GSM, CDMA, GPRS and future 3G.

The following diagram illustrates the architecture of our platform:

China Mobility Solutions' Platform Architecture

China Mobility Solutions' platform is aimed at providing a solution for clients to allow their staff, customers
suppliers and partners to obtain information from their mobile phones without having to develop the technolo
themselves. The end users can load, edit, delete, read and share corporate information.

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China Mobility Solutions launched its office automation solutions in the summer of 2005. The Company's te
team has also successfully completed the technology to offer business solutions in three additional areas. The

· Mobile Banking

· Mobile Tax Services

· SMS-based Services for Police

China Mobility Solutions will receive annual fees for providing corporate clients with access to its technolog
and for providing a certain amount of airtime. The mobile carrier will bill users a traffic fee for each SMS se
its network.

The sending of clients' information will generate significant SMS traffic over the mobile phone networks. A
China Mobility Solutions will become increasingly important to the mobile carriers in China.

Descriptions of each type of service offering are below:

Office Automation Solutions

Status:	Market Ready
Costs to Launch:	4 million RMB (US$480,000) for fixed assets and marketing
Steps to Launch:	Raise funds, approach companies through agents
Target Market:	Small, medium and large businesses
Fee Per Year to Client:	5,000 RMB (US$600)

China had almost 400 million mobile phone subscribers as of the end of 2005, and management believes the
continue to be increasing demand from enterprises to reach this large market by using mobile phones as a ne
for their marketing.

Mobile Email

China Mobility Solutions launched its mobile email system in June 2005. We developed the mobile email sy
with push-based technology that delivers email to the recipient's cell phone. The "push" technology means t
does not have to be retrieved but is automatically delivered.

The email system is appropriate for companies hoping to offer their customers a quality cell phone-based em
system, and for use within companies to improve communications between employees. We intend to continu
developing improvements and extensions of the system and to integrate it into many of our mobile business s

Since the debut of our newly developed mobile email system, we have completed a successful road show in J
July of 2005. We have also discussed possible bundle services with several PC manufacturers and mobile ph
manufacturers, and signed a contract with Lenovo to distribute our mobile email system.

Mobile Business Automation

China Mobility's Office Automation product was launched in August 2005. The system provides staff with e
access to the information they need when they need it, helps to eliminate paperwork, and changes/streamline
business processes.

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Our office automation solution benefits clients in the areas of *CRM, sales force management, communicatio* *inventory*. Our technology also facilitates the sending of messages and notices to employees and customers. T is especially useful for companies with field-based salespeople because it allows salespeople to access inforn the Company's central database while at the client's site. Through SMS, salespeople can have access to usefu information like current rates, technical specifications, client information, and inventory levels. They can also products, book meetings, coordinate with other salespeople, and make reports through SMS. The office autor solution is designed to give sales reps a competitive edge through instant response to information needs, to h close sales and generally be more productive in the field. Managers are able to approve verifications and othe inquiries that are submitted by employees via their cell phones. Companies are able to send out service inforr accept customer inquiries and reply to customer questions via SMS.

Some of the advantages of our office automation product are:

- It enables sales representatives to deliver information at point-of-contact in the field, via SMS;
- The user-company can configure the mobile field sales solution to model their unique sales needs with communications;
- The solution can integrate critical customer information from back office records or legacy systems, g field sales team relevant information to complete an order;
- It can receive up-to-the-minute input from the field, providing real-time information for decision-makin from the office;
- Applications can support hundreds of simultaneous users and require no in-house program developme

The office automation tool also allows a company to communicate easily and effectively with its salespeople they are in the field. Companies can send memos to employees to coordinate meetings, announce social even manage work schedules. It also allows salespeople to communicate among themselves more efficiently and f lower cost than cellular phone conversations.

Our office automation product allows companies to improve internal communications in all areas, which can efficiency, reduce costs, increase revenues, improve employee productivity and improve customer satisfactio

Method of Distribution and Marketing: Mobile Solutions

The Company will use four outlets to approach the market for its mobile business solutions: agents, mobile c in-house sales staff and sales support branches. The Company also uses strategic partnership with industry le print media, on-line advertisement, SMS campaigns, events and seminars as marketing tools.

Mobile Banking

Status:	Market Ready
Costs to Launch:	1.5 million RMB (US$180,000) for fixed assets and marketing
Steps to Launch:	Raise funds, approach banks through agents
Target Market:	Customers of banks
Fee Per Year to Client:	3,000 RMB (US$360)

Our mobile solutions will allow bank customers to check their account information, make transactions and b informed of new services.

Information that can be accessible via SMS includes account balances, recent transactions, interest rates and exchange rates.

Customers will be able to transfer funds between their bank accounts, make bill payments and report lost or s cards.

Business customers will be able to certify checks through their mobile phones.

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SMS-based Services for Police

Status:	Market Ready
Costs to Launch:	1.25 million RMB (U$150,000) for fixed assets and marketing
Steps to Launch:	Raise funds, approach police departments
Target Market:	Police Departments
Fee Per Year to Client:	5,000 RMB (US$600)

There are several functions that police stations will be able to perform through their cell phones once they im our solution.

For example, the departments will be able to provide information on fines and fine payments, and deliver tra information.

The mobile solution of the Company will also be beneficial for force management, specifically through location-based tracking and monitoring of officers and police cars.

The solution provided to the police stations will also include the base components of our Office Automation

Mobile Tax Services

Status:	Market Ready
Costs to Launch:	1.25 million RMB (U$150,000) for fixed assets and marketing
Steps to Launch:	Raise funds, approach tax offices
Target Market:	Tax Offices
Fee Per Year to Client:	2,000 RMB (US$240)

This solution will be similar to our Office Automation package, but will be tailored to government tax office

Tax offices will be able to provide and manage messages to staff and to tax filers.

Customer support will be a key function enhanced by our solution, as the offices will be able to send out noti about filing deadlines and respond to people's inquiries.

Tax officers will be able to submit and access tax reports by cell phone, even when away from their offices.

Education and Training

Educational Products and Services

Windsor provides ESL (English as a Second Language) and related courses in B.C., Canada. Windsor Educa received a number of ESL students from the Provincial Government of British Columbia under government programs, but all government programs involving Windsor ended March 31, 2005.

In the past several years, supplementary education has become a multi-billion dollar business in China, the m popular being Foreign Schools, English Training, Data Processing, and Accounting. Started several years ag

trend is still increasing with the integration of China into the world community as well as the growth in perso
disposable income. Windsor plans to capitalize on this growth by providing North American courses to the C
market.

Method of Distribution and Marketing: Education

Windsor uses the printed media as well as recruitment agents to attract students. Word of mouth is also an im
endorsement.

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Dependence On Client Base

For the mobile solutions business, we have signed contracts with a number of clients for varying types of ma
The Company is relying on its agents, mobile carriers, in-house sales staff and supporting sales branches, as
media and other marketing channels to increase its client base.

For the Education Services, there are approximately several dozen students every month. Windsor is relying
printed media, word of mouth, recruiting agents and other marketing channels to increase the number of stud

Backlog of Orders: None.

Government Contracts: Windsor Education received a number of ESL students from the Provincial Governm
British Columbia under government programs, but there is no commitment beyond the individual student's r
our subsidiary. All government programs involving Windsor ended March 31, 2005.

Competition

Mobile Solutions

The Chinese economy has been among the fastest growing in the world for the past several years. China's ec
grew 9.5% in 2004 with growth at the same rate in 2005. China has one of the largest and fastest-growing
telecommunications markets in the world, and the mobile phone sector in particular has become the world's l
with almost 400 million subscribers by the end of 2005. Mobile solutions, which use mobile phones as a new
have created a large market in China. There are two types of markets in this field: the individual market and t
corporate market. Competition in the individual market is fiercer than the corporate market because the indiv
market is very saturated and there are a large number of large and small competitors and thus has become les
lucrative. Being early in the corporate market and possessing a database of nearly 500,000 corporate custome
its previous operations, the Company will have more growth potential than if the Company targeted the highl
competitive consumer mobile market.

Education Services

In Windsor's business, the supplementary education and training market is very fragmented, there are very fe
schools and numerous small ones, established mostly in larger cities worldwide. There are many keys to a sc
success, such as: the quality of its curriculum and graduates, teachers and facilities, certifications and diplom
offered, location and accessibility, marketing and advertising, variety of programs offered, etc. The Company
striving to maintain its current level, exploring more opportunities from government projects, and seeking
cooperation with other schools in mainland China. However, the Company is focusing on its mobile solution
business, rather than education services.

Compliance With Related Laws And Regulations

In China, the Company relies on the advice of Chinese legal counsel to maintain compliance with all laws, ru
regulations and government policies in China. The telecom industry is subject to extensive government regul
which regulations have been changing rapidly, and there is no assurance that the Company will not be advers
impacted by such regulations in the future.

On the Education Services side, Windsor is governed by the Laws of the Province of British Columbia, Cana
Company is fully licensed to conduct its business in the Province. The Company is unable to assess or predic

time what effect the regulations or legislation could have on its activities in the future.

Local Regulations

The Company cannot determine to what extent its future operations and earnings may be affected by new leg
new regulations or changes in existing regulations on a local level in Canada.

National Regulations

The Company cannot determine to what extent its future operations and earnings may be affected by new leg
new regulations or changes in existing regulations on a national level.

The value of the Company's investments in China may be adversely affected by significant political, econom
social uncertainties in China. Any changes in policies by the government of China could adversely affect the
Company by, among other factors, changes in laws, regulations or the interpretation thereof, confiscatory tax
restrictions on currency conversion, the expropriation or nationalization of private enterprises, or political
relationships with other countries.

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Employees

At March 31, 2006, Quicknet had approximately 75 employees. About 41% are technical support, 20% are in and marketing, 25% are R&D and the rest are administrative personnel. The actual number of employees cha during the year and will change according to the expansion of the Company in the future.

At March 31, 2006, Windsor had six employees, consisting of three full and part time teachers and three administrative personnel. The key to success is the ability to attract students. The number of employees will as the students change. There is no collective bargaining unit at the academy.

Properties

China Mobility Solutions, Inc. currently maintains a leased office of approximately 800 square feet at: #900- West Pender Street, Vancouver, BC Canada V6C 1H2 (telephone number is 1-604-632-9638). The term of th is month to month at a monthly rental of $800 from a non-affiliated landlord. It also leases an office as its headquarters in Beijing, at Room 601, 6/F, YinHai Building, No.10, ZhongGuanCun Road, HaiDian District China 100081, and leases offices in Shanghai and in Shenzhen. The term of the lease in Beijing is for 1.5 yea ending June 30, 2007 at a monthly rental of about $11,000 from a non-affiliated landlord. Windsor currently approximately 1000 square feet at 2120 and 2125 8766 McKim Way, Richmond, BC, Canada. The term of th is for 1 year ending August 1, 2007 at a monthly rental of $1500 from a non-affiliated landlord.

Legal Proceedings

In the ordinary course of business, the Company may be involved in legal proceedings from time to time. As date of this report, the only legal proceedings to report were that:

On Feb. 7, 2005, China Mobility was sued by Sino-I Technology Limited for $88,270 for breach of warranty claim under a guarantee. Our lawyer submitted a Notice of Motion to the plaintiff's lawyer on March 7, 2005 has been no further response from the plaintiff's lawyer. Regardless of the outcome of this motion, the Comp intends to vigorously defend the suit.

No director, officer or affiliate of China Mobility Solutions, Inc., and no owner of record or beneficial owner than 5% of the securities of the Company, or any associate of any such director, officer or security holder is a adverse to the Company or has a material interest adverse to it in reference to pending litigation.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table furnishes the information concerning the Company's directors and executive officers as o date of this prospectus.

Name	Age	Position
Xiao-qing Du	36	President and Director
Ernest Cheung	55	Director and Secretary
Greg Ye	36	Director

Bryan Ellis	35	Director

The term of office for each director is one (1) year, or until his/her successor is elected at the Company annu
meeting and is qualified. The term of office for each of the officers is at the discretion of the Board of Direct

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Identification of Certain Significant Employees.

Strategic matters and critical decisions are handled by the Company's directors and executive officers: Xiao-
and Ernest Cheung. Day-to-day management is delegated to Xiao-qing (Angela) Du, partly in China and part
Canada, and Xin Wei in China. Wei is an employee of the wholly owned subsidiary, Infornet Investment Co
Wei occupies the position of President of the Chinese subsidiary for strategy, planning and business develop
Xiao-qing Du and Xin Wei are husband and wife.

The following is a brief account of the business experience during the past five years of each of the Compan
directors and executive officers, including principal occupations and employment during that period and the
and principal business of any corporation or other organization in which such occupation and employment w
carried on.

Xiao-Qing (Angela) Du, President and Director, age 36.

Ms. Du has been President and a Director of our Company since 2003. She received a Bachelor of Science i
International Finance in 1992 from East China Normal University. She received a Master of Science in Fina
Management Science in 1996 from the University of Saskatchewan, Canada. She was Business Manager of
Machinery & Equipment I/E Corp. (CMEC) from 1992 to 1994. Since 1997, she has been President of Infor
Investment Corp., the Company's wholly owned subsidiary in Canada. She was President of China Mobility
1997 to 1999. She ran the operations in China of the domain name service and web-hosting business.

Ernest Cheung, Secretary and Director, age 55.

Mr. Cheung has been Secretary of the Company since May 1998 and a director since May 1998. He received
in Math in 1973 from University of Waterloo, Ontario. He received an MBA in Finance and Marketing from
University, Ontario in 1975. From 1991 to 1993 he was Vice President of Midland Walwyn Capital, Inc. of T
Canada, now known as Merrill Lynch Canada. From 1992 until 1995 he served as Vice President and Direct
Tele Pacific International Communications Corp. He has also served as President for Richco Investors, Inc. s
1995. He has been a director of the Company since 1996. He is currently a Director of Agro International Ho
Inc., since 1997, Spur Ventures, Inc., since 1997, Richco Investors, Inc., since 1995 and Drucker Industries,
since 1997. In 2000, he became President and a Director of China NetTV Holdings, Inc. In 2002, he became
Director of The Link Group, Inc. (formerly World Envirotech, Inc.).

Mr. Cheung is, or has been, an officer or director in the following public companies:

Name of Issuer	Symbol	Market	Position	From	To	Business
Agro International Holdings Inc.	AOH	CDNX	President	Jan-97	Current	Agriculture
China NetTV Holdings Inc.*	CTVH	OTCBB	President	May-00	2003	Set-Top Box Technology
Drucker, Inc.*	DKIN	OTCBB	Secretary	Apr-97	2003	Oil & Gas
ITI World Investment Group Inc.	IWI.A	CDNX		Jun-98	Current	Beverage Distribution
NetNation Communications Inc.	NNCI	Nasdaq Small Cap.		Apr-99	Current	Domain Name Registration
	YRU.A	CDNX	President	May-95	Current	

Richco Investors Inc.						Financial, Management, Capital Market Services
Spur Ventures Inc.	SVU	CDNX		Mar-97	Current	Fertilizer
The Link Group Inc.*	LNKG	OTCBB	Secretary	Dec-01	Current	Internet Surveillance
China Mobility Solutions, Inc.*	THE COMPANY	OTCBB	Secretary	Mar-97	Current	China Internet

* Reporting Companies in U.S.

He has held a Canadian Securities license but is currently inactive. He has been a Director and Secretary of th Company since January 1997.

Greg Ye, Director, age 36.

Mr. Ye has been a director since 2005. Mr. Ye brings to the Company 12 years of management, consulting an investment experience in a broad range of business and technology disciplines. He is currently in charge of developing and implementing corporate strategies as Group Director of Strategic Marketing for Cadence Des Systems Inc, one of the world's largest software companies, listed on both the NYSE and NASDAQ. Previou worked for Cisco Systems as a market development manager and PricewaterhouseCoopers, where he spent s advising high-tech. companies based in the U.S. and Asia. He co-founded a Silicon Valley based incubator fo high-tech companies in China in 1999 and serves as an advisor for several other high-tech. start-up companie U.S. Mr. Ye received his MBA from Harvard Business School and his BSEE from Shanghai Jiao Tong Univ China. He is a Certified Public Accountant and a Certified Management Accountant.

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Bryan Ellis, Director, age 35.

Bryan D. Ellis joined the Company as a Director on December 8, 2005. He is General Manager of the Bertels
Book Club in Shanghai, China. Bryan has worked at Bertelsmann for the past 7 years in numerous senior management positions, including Senior Vice President of Marketing Services for Bookspan, Vice President International Product Development for BOL.com and Vice President of Technology Strategy for the Bertelsr e-Commerce Group. Before joining Bertelsmann, Bryan worked as a consultant for McKinsey & Company i New York office for 3 years. He received both his Bachelor's Degree and Master's Degree in International from Johns Hopkins University, and received an executive business school diploma from Harvard Business S

Committees of the Board of Directors

Nominating Committee. The Board of Directors does not have a nominating committee. Therefore, the select persons or election to the Board of Directors was neither independently made nor negotiated at arm's length.

Compensation Committee. The Company established a Compensation Committee on October 5, 1999, which currently consists of three directors, Angela Du, Ernest Cheung and Grey Ye, the last being an independent d The Compensation Committee is responsible for reviewing general policy matters relating to compensation a benefits of directors and officers and determining the total compensation of its officers and directors.

Audit Committee. On August 31, 1999, the Board of Directors established an Audit Committee, which curre consists of three directors, Angela Du, Ernest Cheung and Grey Ye, the last being an independent director. T Committee is charged with recommending the engagement of independent accountants to audit Company fin statements, discussing the scope and results of the audit with the independent accountants, reviewing the fun Company management and independent accountants pertaining to its financial statements and performing oth related duties and functions as are deemed appropriate by the Audit Committee and the Board of Directors.

Qualified Financial Expert. Ernest Cheung is a qualified financial expert as a chartered accountant and an M twenty years' experience in public companies.

Resolution of Conflicts of Interest

As mentioned earlier, some officers and directors will not devote more than a portion of their time to the affa Company. There will be occasions when the time requirements of Company business conflicts with the dema their other business and investment activities. Such conflicts may require that the Company attempt to emplo additional personnel. There is no assurance that the services of such persons will be available or that they ca obtained upon terms favorable to the Company.

There is no procedure in place that would allow Company officers or directors to resolve potential conflicts i arms-length fashion. Accordingly, they will be required to use their discretion to resolve conflicts in a manne they consider appropriate.

Code of Ethics. On March 30,2006, our Board of Directors adopted a Code of Ethics which applies to all offi directors and employees. We will provide a copy of the Code of Ethics, without charge, to any person who s written request to the secretary of China Mobility Solutions (#900 - 789 West Pender Street Vancouver, B.C V6C 1H2). A copy of the Code of Ethics has been filed as an exhibit to the Company's Annual Report on Fo 10-KSB for December 31, 2005. The Company intends to disclose any waivers or amendments to the Code o in a Report on Form 8-K rather than from its Website.

Executive Compensation

The following table sets forth compensation paid by the Company for all services provided during the three f
years ended December 31, 2005: (1) to each of the executive officers, and (2) to all officers as a group.

Summary Compensation Table of Executives

	Cash Compensation						Security Grants		
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Annual Compensation**	**Restricted Stock Options**	**Securities, Underlying Options/SARs (#) (SHARES)**	**Long Term Compensation / Options**	**LTIP Payments**	**A Com**
Xiao-qing Du,	2005	10,129	0	0	0	0	0	0	
President of	2004	0	0	0	0	0	0	0	
Infornet Subsidiary	2003	0	0	0	0	0	0	0	
Ernest Cheung,	2005	0	0	0	0	0	0	0	
Secretary	2004	0	0	0	0	0	0	0	
	2003	0	0	0	0	0	0	0	
Officers as a group	2005	10,129	0	0	0	0	0	0	
	2004	0	0	0	0	0	0	0	
	2003	0	0	0	0	0	0	0	

(1) Options at $0.30 per share which were granted in 2004 and exercised in 2005.
(2) Options at $0.30 per share which were granted in 2004 and will expire on August 1, 2007.

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Option Grants in Last Fiscal Year

The following table sets forth certain information concerning options granted to the Named Executive Office
Summary Compensation Table above during the fiscal year ended December 31, 2005:

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted All Employees in Fiscal Year	Exercise or Base Price ($/Share)	Expiration Date
Xiao-qing Du	None			
Ernest Cheung	None			

**Aggregated Option Exercises During the Fiscal Year Ended December 31, 2005 and Fiscal Year End C
Values**

The following table sets forth certain information concerning the number and value of securities underlying
exercisable stock options as of the fiscal year ended December 31, 2005 by the Named Executive Officers. 3
options were exercised by the Named Executive Officers in the Summary Compensation Table during the fis
ended December 31, 2005.

Name	Number of Shares Acquired on Exercise (#)	Value Realized($)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-th Options at Fiscal Year En	
			Exercisable	Unexercisable	Exercisable	Unexercis
Xiao-qing Du	330,000	$9,900	0	0	0	
Ernest Cheung	0	0	165,000	0 (1)	0 (1)	

(1) The closing price for the Common Stock of the Company on December 31, 2005 was $0.33.

Long-Term Incentive Plant (“LTIP”) Awards Table - None

The following table sets forth compensation paid by the Company for all services rendered during the three f
years ended December 31, 2005 to each director and all directors as a group.

Summary Compensation Table of Directors

	Cash Compensation				Security Grants			
Name and Principal Position	**Year**	**Annual Retainer Fees ($)**	**Meeting Fees ($)**	**Consulting Fees/Other Fees ($)**	**Number of Shares**	**Securities, Underlying Options/SARs (#) (SHARES)**	**LTIP Payments**	**All othe Compensatio**
Xiao-qing Du,	2005	0	0	0	0	0	0	
Director	2004	0	0	0	0	0	0	
	2003	0	0	0	0	0	0	

Ernest Cheung,	2005	0	0	0	0	0	0
Director	2004	0	0	0	0	0	0
	2003	0	0	0	0	0	0
Maurice Tsakok	2005	0	0	0	0	0	0
Director (1)	2004	0	0	0	0	0	0
(Resigned 2004)	2003	0	0	0	0	0	0
Greg Ye	2005	0	0	0	0	0	0
Director							
Bryan Ellis	2005	0	0	0	0	0	0
Director							
Directors as a group	2005	0	0	0	0	0	0
	2004	0	0	0	0	0	0
	2003	0	0	0	0	0	0

(1) On July 15, 2004, Maurice Tsakok resigned as a Director of the Company.

* See Executive Compensation Table.

Directors' Compensation

Directors who are also officers of China Mobility receive no cash compensation for services as a director. Ho
the directors will be reimbursed for reasonable out-of-pocket expenses incurred in connection with attendanc
board and committee meetings. The Company has granted options to directors under its Stock Incentive Plan
subsequent to December 31, 2005.

Termination of Employment and Change of Control Arrangements:

None.

Stock purchase options:

On November 12, 1999 the Company granted options to purchase shares at $3.90 per share to entities/person
contributed to the Company in 1999, which are not expired, as follows:

(a) 87,333 options to Gemsco Management Ltd., beneficially Maurice Tsakok, for designing and implementi
Company's corporate website, advising on technological matters, researching the technology sector and for s
a Director;

(b) 87,333 options to Farmind Link Corp. for their role as advisor on strategic issues, technology market tre
financial and capital market issues;

(c) 87,333 options to Sinhoy Management Ltd., beneficially Marc Hung, for their contributions to the genera
management of our company, investor relations, technological matters and for services as a Director;

(d) 70,667 options to Lancaster Pacific Investment, Ltd. for their contributions in the areas of regulatory matt
Chinese market conditions and strategies aimed at penetrating that market;

(e) 16,667 options to Ernest Cheung in consideration of services rendered as Secretary and Director;

(f) 6,667 options to Yonderiche International Consultants Ltd. in consideration of services rendered in matte
regarding Chinese government policies and regulations; and

(g) On September 1, 2005, the Company granted 3,090,000 stock options to consultants and employees with
exercise price of $0.35 each and $0.40 each for 2,590,000 and 500,000 stock options, respectively, expiring o
September 1, 2015. These stock options were all exercised on the date of grant.

SUMMARY DESCRIPTION OF EMPLOYEE BENEFIT PLANS

2006 Non-Qualified Stock Compensation Plan

The Company adopted a 2006 Non-Qualified Stock Compensation Plan (the "2006 Plan") on November 2, 2
filed a Registration Statement on Form S-8 with the SEC on November 3, 2005, to register shares awarded a
underlying options granted under the Plan. The Compensation Committee of the Board of Directors issues co
stock and awards options to employees, directors, officers, consultants, advisors and other persons associated
our Company. The 2006 Plan is intended to provide a method whereby our Company would be stimulated by
personal involvement of our employees, directors, officers, consultants, advisors and other persons in our bus
and reward such involvement, thereby advancing the interests of our Company and all of its shareholders. A

4,000,000 shares of common stock and shares of common stock underlying options were authorized under th
Plan. To date, no shares have been awarded.

2005 Employee Stock Option Plan

The Company adopted a 2005 Stock Option Plan (the “2005 Plan”) on May 3, 2005, and filed a Registration on Form S-8 with the SEC on May 5, 2005, to register options and shares underlying options granted under t The Board of Directors administered the 2005 Plan, and awarded options to key employees (including office directors), non-employee members of the Board or non-employee members of the Board of any parent or sub corporations, consultants and independent contractors. The 2005 Plan was intended to attract and retain the b available personnel for positions of substantial responsibility, to provide additional incentive to our employe consultants and to promote the success of our business. A total of 3,500,000 options and 3,500,000 shares of stock underlying options were authorized under the 2005 Plan.

On October 12, 2005, the Company filed Post Effective Amendment No. 1 to the Registration Statement on in order to register the sale by the selling security holders named therein of 3,090,000 shares of common stoc underlying options. To date, all 3,090,000 of the options and shares under the 2005 Plan have been awarded consultants and employees.

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Section 16(a) Beneficial Ownership Reporting Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) requires the Company’s Officers Directors, and persons who own more than ten percent of a registered class of the Company’s equity securiti reports of ownership and changes in ownership with the SEC. Officers, directors, and stockholders of greater percent are required by regulation to furnish to the Company copies of all Section 16 forms they file. Based s the Company’s review of the copies of such forms received by it and written representations fro the Compan reporting persons, the Company believes that all of the Company’s reporting persons have filed their respecti Section 16(a) forms for the year ended December 31, 2005.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Options - During 2004, 1,155,000 options were granted to five directors and officers of the Company to purc shares at $0.30. 660,000 of the options are outstanding as of December 31, 2005.

Wages and benefits - The Company paid $30,866 as wages and benefits to a director and an officer of the Co during the year ended December 31, 2005.

Advances - As of December 31, 2005, the Company advanced $8,485 to a director for expenses to be incurre behalf of the Company and also advanced $21,443 to a company with a director in common. The advances a non-interest bearing and without specified terms of repayment.

PRINCIPAL STOCKHOLDERS

Section 13(d) of the Exchange Act requires persons or groups who own more than 5% of a registered class o Company’s equity securities, to file Schedules of ownership and changes in ownership of Company equity se with the SEC. Except as otherwise noted in the footnotes to this table, the named person owns directly and ex sole voting and investment power over the shares listed as beneficially owned by such person. Includes any s that such person has the right to acquire within sixty days pursuant to options, warrants, conversion, privilege other rights.

Based upon such reports as of December 31, 2005, management knows of no other persons other than those identified below who were beneficial owners of more than five percent of the outstanding shares of Common The following sets forth information with respect to ownership by holders of more than five percent (5%) of Common Stock known by the Company based upon 21,511,792 shares outstanding at July 24, 2006, and in t of exercise of all options for our stock.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Interest	Percent of Class
Common Stock	Xiao-qing (Angela) Du (1)(2)	1,250,000	6.25%
Common Stock	Richco Investors, Inc.(1)	1,137,999 (3)(5)	5.69%
Common Stock	Ernest Cheung(1)	1,446,333 (3)(4)(5)	7.23%
Common Stock	Maurice Tsakok (1)		6.12%

		1,225,333 (3)(5)	
Common Stock	Quicknet Partners #1859 New Century Office Tower Beijing China	2,040,000	10.19%
Common Stock	Greg Ye(1)	0	0%
Common Stock	Bryan Ellis(1)	0	0%
Total for Officers and Directors as a group (4 persons)		2,696,333	13.47%

(1) Except as otherwise noted each person's business address is c/o the Company, Ste. 900-789 West Pender Vancouver BC V6C 1H2.

(2) As an officer, Ms. Du received 330,000 options in 2004 which are currently exercisable.

(3) Mr. Cheung and Mr. Tsakok are officers, directors and beneficial owners of Richco Investors Inc. For pur this table, the 1,137,999 shares owned by Richco are deemed owned by Mr. Cheung and Mr. Maurice Tsa former director, beneficially and individually.

(4) Ernest Cheung has options to purchase 165,000 shares at $0.30 per share, all of which are currently exerc Ernest Cheung is President of Development Fund II of Nova Scotia, Inc. which owns 63,333 common sha included in the above table.

(5) Includes all shares of Richco Investors, Inc., Ernest Cheung, Maurice Tsakok, and Development Fund II c Scotia since there is common control.

SELLING STOCKHOLDERS

An aggregate of 29,214,458 shares of Common Stock may be offered for resale and sold pursuant to this pro by the selling shareholders. The shares are to be offered by and for the respective accounts of the selling shareholders. We have agreed to register all of the shares under the Securities Act for resale by the selling shareholders and to pay all of the expenses in connection with such registration and sale of the shares, other t underwriting discounts and selling commissions and the fees and expenses of counsel and other advisors to th selling shareholders. We will not receive any proceeds from the sale of the shares by the selling shareholders

· An aggregate of 28,714,458 shares of our Common Stock are issuable to 37 investors in our Offering, whi are being offered hereby for resale upon conversion of Debentures and/or exercise of warrants. An ad 4,785,843 Shares are issuable to these same investors pursuant to the May 4, 2006 Waiver/Settlement Ag as well as warrants to purchase 8,374,950 shares of Common Stock held by the placement agent are not in this Registration Statement. The Offering of 134 units ("Units") was sold at $25,000 per Unit or an ag $3,350,000 and net proceeds of approximately $2,866,000. Each Unit consists of $25,000 principal an Debentures, and Class A Warrants and Class B Warrants. The Debentures are currently convertible at share, as adjusted, for 83,333 shares of Common Stock (of which 71,429 shares are registered hereby); m August 15, 2006 and accrue interest at a rate of not less than 6% per annum. Each Unit also includes: (i) Warrants exercisable at $.38 per share, as adjusted, to purchase 83,333 shares of Common Stock (of whic shares are registered hereby) for two years from the Effective Date, but no later than February 15, 2008 Class B Warrants exercisable at $.45 per share, as adjusted, to purchase 83,333 shares of Common Stock (71,429 shares are registered hereby) for three years from the Effective Date, but no later than February For additional information, see "Description of Securities" and "Plan of Distribution" elsewhere in this pro

· 500,000 shares were issued to Yim Sheung Wai, a consultant with Lanxes Consultants Limited, upon exerc option pursuant to the Registration Statement on Form S-8, SEC File #333-124654, which shares a re-registered pursuant to this prospectus.

Information with respect to the selling shareholders and the shares of our Common Stock held by them and th shares being offered for resale pursuant to this prospectus is set forth in the following table. None of the selli shareholders has had any material relationship with us within the past three years, except as noted above or in notes to the following table.

Selling Shareholder	Number of Shares Owned Prior to Sale	Number of Shares Being Offered for Sale		Amount and Nature of Beneficial Ownership After the Sale of the Shares Being Offered Percentage(1) Before	After
Alpha Capital AG (18)	3,000,000	3,000,000	(3)	13.0%	-
Robert Baron	128,574	128,574	(4)	*	-
Robert Bauers	214,287	214,287	(5)	1.1%	-
Brookshire Securities (19)	325,000	325,000	(2)	1.6%	-
Michael Capozzi	214,287	214,287	(5)	1.1%	-
Lewis G. Cole	214,287	214,287	(5)	1.1%	-
Thomas Dupont	428,574	428,574	(6)	2.1%	-
John E. and Georgianna Gimbel	214,287	214,287	(5)	1.1%	-
Andreas Gubser	214,287	214,287	(5)	1.1%	-
Michael Hamblett	7,500	7,500	(2)	*	-
Philip J. Hempleman	2,442,858	2,442,287	(7)	9.7%	-
Fiona Holland	214,287	214,287	(5)	1.1%	-
Richard N. Houlding	214,287	214,287	(5)	1.1%	-
Iroquois Master Fund LTD (20)	3,214,287	3,214,287	(8)	13.8%	-
Robert Jackson	107,145	107,145	(9)	*	-
Louis Jaffe	428,574	428,574	(6)	2.1%	-
George Jarskey	214,287	214,287	(5)	1.1%	-
Francis William Johnson	214,287	214,287	(5)	1.1%	-
Kinder Investments, L.P. (21)	1,500,000	1,500,000	(10)	7.0%	-
Michael J. Maloney	214,287	214,287	(5)	1.1%	-
Frank Mantek	214,287	214,287	(5)	1.1%	-

Management Solutions International, Inc. (22)	350,000	350,000	(2)	1.7%	-
Meridian Ventures, LLC (23)	525,000	525,000	(2)	2.6%	-
Karen Lynne Miller	214,287	214,287	(5)	1.1%	-
Dr. Gerald Millstein	107,145	107,145	(9)	*	-
Richard Molinsky	214,287	214,287	(5)	1.1%	-
Donald Mudd	1,285,716	1,285,716	(11)	6.0%	-
Nite Capital LP (24)	1,285,716	1,285,716	(11)	6.0%	-
Omicron Master Trust (25)	771,429	771,429	(12)	3.7%	-
Wayne and Bonnie Pensenstadler	642,858	642,858	(13)	3.1%	-
Norman Rothstein	171,429	171,429	(14)	*	-
The Rubin Family Irrevocable Trust (26)	428,574	428,574	(6)	2.1%	-
SCG Capital, LLC (27)	428,574	428,574	(6)	2.1%	-
Cira A. Lim, John L. Smith	214,287	214,287	(5)	1.1%	-
Southridge Partners LP (28)	4,285,716	4,285,716	(15)	17.6%	-
Anthony Spatacco	3,750	3,750	(2)	*	-
Starboard Capital Markets LLC (29)	3,750	3,750	(2)	*	-
Michael F. Stone	1,285,716	1,285,716	(11)	6.0%	-
Robert I. Strougo	107,145	107,145	(9)	*	-
Rodney E. and Donna R. Suggs	2,571,429	2,571,429	(16)	11.4%	-
Yim Sheung Wai	500,000	500,000	(30)		
Peter Wakeham	214,287	214,287	(5)	1.1%	-
David Ward	107,145	107,145	(9)	*	-
Dr. Ferdinand Weisbrod	857,145	857,145	(17)	4.1%	-
Dean Whitla	214,287	214,287	(5)	1.1%	-

* Less than 1% of the issued and outstanding shares

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(1) As of July 24, 2006, we had 21,511,792 shares of Common Stock issued and unless otherwise indicated, e person has sole disposition and voting power with respect to the shares indicated. For purposes of this tab person or group of persons is: (a) deemed to have "beneficial ownership" of any shares as of a given date such person has the right to acquire within 60 days after such date and (b) assumed to have sold all shares registered hereby in this offering. For purposes of computing the percentage of outstanding shares held by person or group of persons named above on a given date, any security which such person or persons has t to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the pe ownership of such person or persons, but is not deemed to be outstanding for the purpose of computing th percentage ownership of any other person.

(2) These are Placement Agent Warrant Shares.

(3) These include 1,000,000 shares issuable upon conversion of the Debentures, 1,000,000 shares issuable up exercise of the Class A Warrants and 1,000,000 shares issuable upon exercise of the Class B Warrants.

(4) These include 42,858 shares issuable upon conversion of the Debentures, 42,858 shares issuable upon exe the Class A Warrants and 42,858 shares issuable upon exercise of the Class B Warrants.

(5) These include 71,429 shares issuable upon conversion of the Debentures, 71,429 shares issuable upon exe the Class A Warrants and 71,429 shares issuable upon exercise of the Class B Warrants.

(6) These include 142,858 shares issuable upon conversion of the Debentures, 142,858 shares issuable upon e of the Class A Warrants and 142,858 shares issuable upon exercise of the Class B Warrants.

(7) These include 714,286 shares issuable upon conversion of the Debentures, 714,286 shares issuable upon e of the Class A Warrants and 714,286 shares issuable upon exercise of the Class B Warrants.

(8) These include 1,071,429 shares issuable upon conversion of the Debentures, 1,071,429 shares issuable up exercise of the Class A Warrants and 1,071,429 shares issuable upon exercise of the Class B Warrants.

(9) These include 35,715 shares issuable upon conversion of the Debentures, 35,715 shares issuable upon exe the Class A Warrants and 35,715 shares issuable upon exercise of the Class B Warrants.

(10) These include 500,000 shares issuable upon conversion of the Debentures, 500,000 shares issuable upon of the Class A Warrants and 500,000 shares issuable upon exercise of the Class B Warrants.

(11) These include 428,572 shares issuable upon conversion of the Debentures, 428,572 shares issuable upon of the Class A Warrants and 428,572 shares issuable upon exercise of the Class B Warrants.

(12) These include 257,143 shares issuable upon conversion of the Debentures, 257,143 shares issuable upon of the Class A Warrants and 257,143 shares issuable upon exercise of the Class B Warrants.

(13) These include 214,286 shares issuable upon conversion of the Debentures, 214,286 shares issuable upon of the Class A Warrants and 214,286 shares issuable upon exercise of the Class B Warrants.

(14) These include 57,143 shares issuable upon conversion of the Debentures, 57,143 shares issuable upon ex the Class A Warrants and 57,143 shares issuable upon exercise of the Class B Warrants.

(15) These include 1,428,572 shares issuable upon conversion of the Debentures, 1,428,572 shares issuable u exercise of the Class A Warrants and 1,428,572 shares issuable upon exercise of the Class B Warrants.

(16) These include 857,143 shares issuable upon conversion of the Debentures, 857,143 shares issuable upon of the Class A Warrants and 857,143 shares issuable upon exercise of the Class B Warrants.

(17) These include 285,715 shares issuable upon conversion of the Debentures, 285,715 shares issuable upon of the Class A Warrants and 285,715 shares issuable upon exercise of the Class B Warrants.

(18) Voting and disposition power with respect to the shares offered hereby for resale is held by Konrad Ack Director.

(19) Voting and disposition power with respect to the shares offered hereby for resale is held by Timothy Ro President.

(20) Voting and disposition power with respect to the shares offered hereby for resale is held by Joshua Silve Authorized Signatory.

(21) Voting and disposition power with respect to the shares offered hereby for resale is held by Dov Perlysk Managing Member of G.P.

(22) Voting and disposition power with respect to the shares offered hereby for resale is held by Michael Sid, President.

(23) Voting and disposition power with respect to the shares offered hereby for resale is held by Shahid Khan President.

(24) Voting and disposition power with respect to the shares offered hereby for resale is held by Keith A. Goo Manager of the General Partner.

(25) Voting and disposition power with respect to the shares offered hereby for resale is held by Bruce Berns Managing Partner.

(26) Voting and disposition power with respect to the shares offered hereby for resale is held by Marjorie Rul Trustee.

(27) Voting and disposition power with respect to the shares offered hereby for resale is held by Steven Ged

(28) Voting and disposition power with respect to the shares offered hereby for resale is held by Henry Sarge Portfolio Manager.

(29) Voting and disposition power with respect to the shares offered hereby for resale is held by James Dotza Managing Principal.

(30) On August 17, 2005, Yim Sheung Wai received an option to purchase 500,000 shares of Common Stock option was exercisable at $.40 per share. The option was granted in consideration of consulting services in connection with assisting the Company in locating strategic business partners. Ms. Wai is not affiliate any registered broker-dealer. The option was exercised in September 2005 and the underlying shares are registered hereby.

DESCRIPTION OF SECURITIES

General

The Company is authorized to issue 500,000,000 shares of Common Stock, par value $.001 per share. As of
2006, there were 21,511,792 shares of Common Stock issued and outstanding held by 163 shareholders of re

Common Stock

The holders of Common Stock are entitled to one vote for each share held of record on all matters to be votec stockholders. Holders of shares of Common Stock are not entitled to cumulative voting rights. The favorable a plurality of the votes of the shares of Common Stock is necessary to elect the directors of the Company. To other actions, a majority of the votes of the shares of Common Stock outstanding is necessary. The holders o Common Stock are entitled to receive ratably such dividends when, as and if declared by the Board of Direct of funds legally available therefore. In the event of liquidation, dissolution or winding up of the Company, th holders of Common Stock are entitled to share ratably in all assets remaining which are available for distribu them after payment of liabilities and after provision has been made for each class of stock, if any, having pre over the Common Stock. Holders of Common Stock, as such, have no conversion, preemptive or other subsc rights, and there are no redemption provisions applicable to the Common Stock. All of the outstanding shares Common Stock, when issued in exchange for the consideration set forth herein, will be, validly issued, fully non-assessable.

Warrants

The following discussion is subject to the terms and conditions of the Class A and Class B Warrants, copies are incorporated by reference hereto.

Terms. For each Unit issued in the Offering, the Company also issued Class A Warrants and Class B Warran purchase such number of shares of Common Stock determined by dividing the purchase price per Unit of $2 the $.30 per share Conversion Price of the Debentures, as adjusted, or 83,333 shares per Unit (of which 71,42 are registered for resale hereby). Each Class A Warrant entitles the holder to purchase one share of Common any time after issuance at an exercise price per Class A Warrant of $.38 per share. The Class A Warrants sha on the second anniversary of the Effective Date of this Registration Statement, but not later than February 15 and be subject to other terms and conditions described below. Each Class B Warrant entitles the holder to pu one share of Common Stock at any time after issuance at an exercise price of $.45 per share. The Class B Wa shall expire on the third anniversary of the Effective Date of this Registration Statement, but not later than Fe 15, 2009 and be subject to other terms and conditions described below. The Class A Warrants and the Class Warrants are sometimes collectively referred to herein as the “Warrants.” The actual number of securities un the Units will be determined on the Closing Date based on the Average Closing Price. The Warrants may be exercised in whole or in part, at any time and from time to time during the Exercise Period. Warrants may be for cash or pursuant to a “cashless exercise” right. Unless exercised, the Warrants will automatically expire a of the Exercise Period, subject to earlier termination by reason of redemption.

Anti-Dilution Provisions. The Exercise Price of the Warrants shall be subject to adjustment from time to tin event of any stock split, reverse stock split, stock dividend, distributions, recapitalization, reorganization, reclassification or similar events. In addition, if at any time prior to the expiration dates of the Warrants, the Company issues or sells any shares of Common Stock or any equity or equity equivalent securities (collectiv “Common Stock Equivalents”) for a per share consideration less than the Exercise Price on the date of such i sale (a “Dilutive Issuance”), then the Exercise Price shall be adjusted so as to equal the value of the consider

received or receivable by the Company (on a per share basis) for the additional shares of Common Stock or C
Stock Equivalents so issued.

Redemption. The Class A Warrants and Class B Warrants will be subject to redemption by the Company at
per Warrant, on not less than 30 days' prior written notice to the holders of the Warrants at any time commen
months and 12 months, respectively, after the Effective Date of this Registration Statement assuming the resa
Warrant Shares has been declared effective by the SEC and is in effect prior to the date of the notice of reden
and remains in effect; provided (i) the average closing bid quotation or last sales price of the Common Stock
applicable, has been at least 175% of the respective Exercise Prices per share for a period of 20 consecutive t
days ending not more than 15 days prior to the date on which the Company gives notice of redemption. The
will be exercisable until 5:00 p.m. on the day immediately preceding the date fixed for redemption.

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Dividends

To date, the Company has not declared or paid any dividends on its Common Stock. The payment by the Co
dividends, if any, is within the discretion of the Board of Directors and will depend on the Company's earnin
any, its capital requirements and financial condition, any dividend restrictions or prohibitions under outstand
agreements, as well as other relevant factors. The Board of Directors does not intend to declare any dividend
foreseeable future, but instead intends to retain earnings for use in the Company's business operations.

Transfer Agent and Warrant Agent

The transfer agent for our Common Stock, and the warrant agent for the Warrants is Holladay Stock Transfe
2939 N. 67th Place, Scottsdale, AZ 85251.

SEC Position on Indemnification

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, o
and controlling persons under the above provisions, or otherwise, we have been advised that in the opinion o
SEC, such indemnification is against public policy as expressed in the Securities Act, and is unenforceable.

Certain Market Information

Our Common Stock is listed on the OTCBB maintained by the NASD. There is no listing for the Debentures
Warrants. However, there has been limited trading, to date, of our Common Stock. An OTCBB listing does n
guarantee that an active trading market for our securities will develop. You will likely not be able to sell you
securities if an active trading market for our securities does not develop. Further, we can give no assurance th
a market could be sustained if a trading market for our securities were to develop, nor that our securities coul
resold at their original offering price or at any other price. Any market for our securities on the OTCBB will
likely be a limited one and, in all likelihood, be highly volatile. Although we intend to apply for a listing on N
or an exchange, when qualified, there is no assurance we will obtain such a listing. In any event, if our securi
trade at a low price, many brokerage firms may choose not to engage in market making activities or effect
transactions in our securities. Accordingly, purchasers of our securities may have difficulties in reselling the
many banks may not grant loans using our securities as collateral.

Federal regulations governing "penny stocks" could have a detrimental effect on holders of our securities. O
securities are subject to the SEC rules that impose special sales practice requirements upon broker-dealers th
such securities to parties other than established customers or accredited investors. For transactions covered b
rules, the broker-dealer must make a special suitability determination for the purchaser and receive the purch
written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of purchas
our securities to buy or sell in any market that may develop. In addition, the SEC has adopted a number of ru
regulate "penny stocks." Because our securities currently constitute a "penny stock" within the meaning of th
rules would apply to us and our securities. The rules may further affect the ability of owners of our securities
their securities in any market that may develop for them.

Equity Compensation Plan Information

See "Executive Compensation - 2006 Non-Qualified Stock Compensation Plan and 2005 Stock Option Plan"
above.

PLAN OF DISTRIBUTION

The shares being offered for resale pursuant to this prospectus may be sold by the selling shareholders for the respective accounts. The selling shareholders will pay or assume brokerage commissions or other charges an expenses incurred in the sale of the shares. The distribution of the shares by the selling shareholders is not su any underwriting or other agreement. Each selling shareholder must use a broker-dealer which is registered i state in which the selling shareholder seeks to sell their shares.

The shares may be sold or transferred for value by the selling shareholders, in one or more transactions, on th OTCBB, in privately negotiated transactions or in a combination of such methods. The shares may be sold or transferred at market prices prevailing at the time of sale, at prices related to such prevailing market prices or prices otherwise negotiated. The selling shareholders may effect such transactions by selling or transferring t shares to or through brokers and/or dealers, and such brokers or dealers may receive compensation in the form underwriting discounts, concessions or commissions from the selling shareholders and/or the purchasers/tran of the shares for whom such brokers or dealers may act as agent. Such broker or dealer compensation may be than or in excess of customary commissions. However, the maximum compensation to be received by any N member or independent broker dealer will not be greater than eight (8%) percent of the gross proceeds of any The selling shareholders and any broker or dealer that participate in the distribution of the shares may be dee be "underwriters" within the meaning of Section 2(11) of the Securities Act, and any commissions received b and any profit on the resale of the shares sold by them may be deemed to be underwriting discounts and com under the Securities Act and under the NASD Corporate Financing Rules.

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Upon our being notified by a selling shareholder that any material arrangement has been entered into with a b
dealer for the sale of shares through a secondary distribution, or a purchase by a broker or dealer, a suppleme
prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing:

- the name of each of such selling shareholder and the participating brokers and/or dealers,
- the number of shares involved,
- the price at which such shares are being sold,
- the commissions paid or the discounts or concessions allowed to such brokers and/or dealers,
- where applicable, that such brokers and/or dealers did not conduct any investigation to verify the inform out or incorporated by reference in the prospectus, as supplemented, and
- other facts material to the transaction.

Any of the shares of our common stock being offered for sale pursuant to this prospectus that qualify for sale pursuant to Rule 144 promulgated under the Securities Act may be sold under Rule 144 rather than pursuant prospectus.

Other than as selling stockholders, Brookshire Securities and Starboard Capital Markets, NASD member firn not participate under this resale prospectus and distribution. Their placement agent warrants and warrant shar be deemed to be items of value under the NASD Corporate Financing Rules and subject to an 180 day lock-u certain circumstances.

There can be no assurance that the selling shareholders will sell or transfer any of the Shares being offered pu to this prospectus.

EXPERTS

Our consolidated financial statements as of December 31, 2005 and for the two years then ended, have been in this prospectus and in the Registration Statement upon the report of Moen and Company, Canadian Charte Accountants, on their audit of our financial statements given on the authority of this firm as an expert in acco and auditing.

LEGAL MATTERS

The validity of the shares of Common Stock offered in this Offering will be passed upon by Phillips Nizer LI Fifth Avenue, New York, NY 10103-0084.

PROSPECTIVE INVESTORS MAY RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE PROSPECTIVE INVESTORS DIFFERENT OR ADDITIONAL INFORMATION. THIS PROSPECTUS IS NOT AN OFFER TO SELL N IT SEEKING AN OFFER TO BUY IN ANY JURISDICTION WHERE SUCH OFFER, OR SALE IS NOT PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS CORRECT ONLY AS OF DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS ANY SALE OF THESE SHARES.

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CHINA MOBILITY SOLUTIONS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Stated in U.S. dollars	March 31, 2006	Decer
	(Unaudited)	(
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 5,741,569	$ 6
Accounts receivable	6,835	
Prepaid Expenses and Other Current Assets	113,131	
Amount due from related parties	45,721	
Total Current Assets	5,907,256	6
Investment	1	
Property and Equipment, Net (Note 2)	5,646	
Goodwill	4,802,520	4
Other assets	692	
Total Assets	$ 10,716,115	$ 11
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Other Accrued Liabilities	$ 336,735	$
Deferred Revenue	2,626,886	3
Convertible Debentures (Note 3)	3,350,000	3
Total Current Liabilities	6,313,621	6
Stockholders' Equity		
Common Stock : $0.001 Par Value		
Authorized : 500,000,000 common shares		
Issued and Outstanding : 20,011,792 shares (2005: 20,011,792 shares)	20,012	
Additional Paid In Capital	18,442,826	18
Accumulated Deficit	(13,862,008)	(13,
Accumulated Other Comprehensive Loss	(198,336)	(
Total Stockholders' Equity	4,402,494	4

Total Liabilities and Stockholders' Equity	$	10,716,115	$	11

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

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CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

		Three Months Ended
Stated in U.S. dollars	**March 31, 2006**	**March**
Revenue		
Mobile marketing services	$ 1,440,917	$ 1
Tuition fee	19,027	
	1,459,944	1
Cost of revenue		
Mobile marketing services	291,833	
Tuition fee	4,632	
	296,465	
Gross profit	1,163,479	
Expenses		
Advertising and promotion	199,171	
Consulting and professional	89,979	
Depreciation	611	
Foreign exchange loss (gain)	(1,310)	
General and administrative	36,274	
Interest expense	54,312	
Investor relations	87,825	
Liquidated damages	201,000	
Rent	235,913	
Salaries, wages and sub-contract	341,861	
Website development	-	
	1,245,636	
Operating Income (Loss)	(82,157)	
Other Income		
Interest income	24,558	
Other income	-	
	24,558	
Income (loss) before minority interest	(57,599)	
Minority interest	-	(
Net Income (Loss) Available to Common Stockholders	$ (57,599)	
Earnings (loss) per share attributable to common		

stockholders:		
Basic and diluted	(0.00)	
Weighted average number of common shares outstanding:		
Basic and diluted	20,011,792	16

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

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CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the three month period ended March 31, 2006 and year ended December 31, 2005
(Unaudited)

Stated in U.S. dollars	Common Shares	Stock Amount At Par Value	Additional Paid In Capital	Accumulated Deficit	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	T
Balance, December 31, 2004	15,826,792	$ 15,827	$ 8,770,378	$ (4,640,956)		$ (183,532)	$3,9
Issuance of common stock for cash on exercise of stock options on February 24, 2005 @$0.30	495,000	495	148,005				1
Issuance of common stock for services rendered	600,000	600	350,700				3
Issuance of common stock for cash on exercise of stock options on September 1, 2005 @$0.40	500,000	500	199,500				2
Issuance of common stock for cash on exercise of stock options on September 1, 2005 @$0.35	2,590,000	2,590	903,910				9
Stock-based compensation			126,000				1
Fair value of new Series 'A' warrants			3,254,305				3,2

issued							
Fair value of new Series 'B' warrants issued			3,637,165				3,6
Intrinsic value of the conversion feature of the convertible debenture			1,052,863				1,0
Net income (loss) for the year ended December 31, 2005				(9,163,453)	(9,163,453)		(9,16
Foreign currency translation adjustments					(17,829)	(17,829)	(1
Total comprehensive income (loss)					$ (9,181,282)		
Balance, December 31, 2005	20,011,792	$ 20,012	$18,442,826	$ (13,804,409)		$ (201,361)	$4,4
Net income (loss) for the three months ended March 31, 2006				(57,599)	(57,599)		(5
Foreign currency translation adjustments					3,025	$3,025	
Total comprehensive income (loss)					$(54,574)		
Balance, March 31, 2006	20,011,792	$20,012	$18,442,826	$ (13,862,008)		$(198,336)	$4,4

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

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CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Stated in U.S. dollars	Three Months Ended March 31, 2006	March
Cash flows from operating activities		
Net income (loss)	$(57,599)	
Adjustments to reconcile net loss to net cash		
Provided by (Used in) operating activities		
Depreciation and amortization	611	
Interest expenses on intrinsic value of the convertible debenture		
Translation adjustments	3,025	
Minority interest	-	
Changes in assets and liabilities		
(Increase)Decrease in accounts receivable	(965)	
(Increase)Decrease in prepaid expenses and other current assets	122,034	
Increase in amount due from (to) related parties	(12,472)	
Decrease in accounts payable	(25,278)	
Increase in deferred revenue	(426,396)	
Net cash provided by (used in) operating activities	(397,040)	
Cash flows from financing activities		
Issuance of common stock for cash	-	
Net cash flows provided by financing activities	-	
Increase (Decrease) in cash and cash equivalents	(397,040)	
Cash and cash equivalents - beginning of period	6,138,609	5
Cash and cash equivalents - end of period	$5,741,569	$5
Supplemental Information :		
Cash paid for :		
Interest	$53,600	
Income taxes	-	

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

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CHINA MOBILITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2006
(Unaudited)

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America. However, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended December 31, 2005 included in its Annual Report on Form 10-KSB.

The unaudited condensed consolidated financial statements include China Mobility Solutions, Inc. and its subsidiaries. All inter-company transactions and accounts have been eliminated.

Certain items have been reclassified to conform to the current period presentation. There is no effect on tota of operations or stockholders' equity.

2. Property and Equipment

	March 31, 2006	December 31, 2005
Equipment	$ 26,986	$ 26,986
Library	9,554	9,554
Furniture	10,189	10,189
Total	46,729	46,729
Less : Accumulated depreciation	(41,083)	(40,481)
Net book figures	$ 5,646	$ 6,248

The depreciation expense charged to continuing operations for the three-month period ended March 31, 2006 $611 (2005: $592).

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3. Convertible debentures

On August 15, 2005, the Company completed an offering of 134 units ("Units") for $3,350,000. Each Unit was sold for $25,000, consisting of $25,000 principal amount of senior convertible debentures (the "Debentures"), and one new Series “A” Warrant and one new Series “B” Warrants. The Debentures are initially convertible at $0.35 per share for 71,429 shares of common stock of the Company; maturing on August 15, 2006 and accruing interest at a rate of not less than 6% per annum equal to the sum of 2% per annum plus the one-month London Inter-Bank Offer Rate (“LIBOR”). The Debentures are subject to redemption at 125% of the principal amount plus accrued interest commencing six months after the effective date (the "Effective Date") of the registration statement. The registration statement has not been approved by the regulatory authority.

Each Unit also includes: (i) new Series “A” Warrants exercisable at $0.44 per share to purchase 71,429 shares of Common Stock of the Company for two years from the Effective Date, but no later than February 15, 2008; and (ii) new Series “B” Warrants exercisable at $0.52 per share to purchase 71,429 shares of Common Stock for three years from the Effective Date, but no later than February 15, 2009. The new Series “A” and new Series “B” Warrants are subject to redemption by the Company at $0.001 per Warrant at any time commencing six months and twelve months, respectively, from the Effective Date, provided the average closing bid price of the common stock of the Company equals or exceeds 175% of the respective exercise prices for 20 consecutive trading days.

On January 18, 2006, the Company received a letter (the “Default Notice”) from the attorney for Southridge Partners, LP, (the “Lender”) the holder of $500,000 principal amount of the Company's Senior Convertible Debentures (the “Debenture”) stating that the Company was in default of certain transaction agreements (the “Transaction Agreements”) issued in connection with the Debenture by virtue of the Company's issuance of registered shares of stock to employees and consultants under a Form S-8 registration statement and the filing of the Form S-8 prior to the date of effectiveness (the “Effective Date”) of the Company’s SB-2 Registration Statement required under the Registration Rights Agreement (one of the Transaction Agreements).

The Debenture was issued on August 15, 2005, as part of a $3,350,000 offering of units. Under the original terms of the Debenture, each unit included $25,000 principal amount of Debentures, initially convertible at $.35 per share, matured on August 15, 2006 and accrued interest at not less than 6% per annum equal to the sum of 2% per annum plus the one month LIBOR rate. Each unit also included Class A Warrants exercisable at $.44 per share and Class B Warrants exercisable at $.52 per share.

The Company denied that it was in default of the Transaction Agreements; however, in order to avoid costly litigation, the parties entered into a waiver/settlement agreement as of May 4, 2006 (the “Waiver/Settlement Agreement”).

In accordance with the terms of the Waiver/Settlement Agreement, the initial conversion price of the Debenture was reduced from $.35 per share to $.30 per share, the Class A Warrant exercise price was reduced from $.44 to $.38 per share and the Class B Warrant exercise price was reduced from $.52 to $.45 per share. In addition, the number of shares of the Company's common stock exercisable upon conversion of each $25,000 principal amount of Debenture and upon exercise of the Class A and Class B Warrants included in each Unit was increased from 71,429 shares to 83,333 shares for each of the Debenture, Class A Warrants and Class B Warrants, or an aggregate of 250,000 shares per unit.

The Lender waived the S-8 Default set forth in the Default Notice and the Company agreed not to file any additional S-8 Registration Statements prior to 45 days after the Effective Date of the Registration Statement.

The Company has recorded $201,600 as expense for estimated liquidated damages in the statement of operat the quarter ended March 31, 2006.

As of March 31, 2006, interest payable of $27,512 has been recorded as part of the accounts payable.

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4. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding during the period increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The following table sets forth the computations of shares and net loss used in the calculation of basic and diluted loss per share for the three-month periods ended March 31, 2006 and 2005:

	Three months ended March 31, 2006	2005
Net income (loss) for the period	(57,599)	60,741
Weighted-average number of shares outstanding	20,011,792	16,024,670
Effective of dilutive securities :		
Dilutive options - $0.30	-	-
Dilutive warrants new Series "A" - $0.44	-	-
Dilutive warrants new Series "B" - $0.52	-	-
Dilutive potential common shares	-	-
Adjusted weighted-average shares and assumed conversions	20,011,792	16,024,670
Basic income (loss) per share attributable to common shareholders	$ (0.00)	$ 0.00
Diluted income (loss) per share attributable to common shareholders	$ (0.00)	$ 0.00

The effect of outstanding options and warrants was not included as the effect would be antidilutive.

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5. Share Purchase Warrants

During the quarter ended March 31, 2006, 10 Series “B” warrants which entitle the holders to purchase a common share of the Company at $2.25 each expired on March 31, 2006.

As of March 31, 2006, 134 new Series “A” warrants were outstanding which entitle the holders to purchase 71,429 common shares of the Company at $0.44 each within two years from the Effective Date but no later than February 15, 2008. 134 new Series “B” warrants were outstanding which entitle the holders to purchase 71,429 common shares of the Company at $0.52 each within three years from the Effective Date but no later than February 15, 2009.

6. Stock Options

The Company filed a Form S-8 Registration Statement for its 2006 non-qualified Stock Option Plan” with Securities Exchange Commission on November 3, 2005. The total number of shares of the Company available for grants of stock options and common stock under the Plan shall be 4,000,000 common shares. Stock options may be granted to non-employees and directors of the Company or other persons who are performing or who have been engaged to perform services of special importance to the management, operation or development of the Company. All stock options granted hereunder must be granted within ten years from the earlier of the date of this Plan is adopted or approved by the Company’s shareholders. No stock option granted to any employee or 10% shareholder shall be exercisable after the expiration of ten years from the date such non qualifying stock option (“NQSO”) is granted. The Company, in its discretion, may provide that an Option shall be exercisable during such ten year period or during any lesser period of time, through the delivery of fully paid and non-assessable common shares, with an aggregate fair market value on the date the NQSO is exercised equal to the option price, provided such tendered shares have been owned by the Optionee for at least one year prior to such exercise.

Options outstanding at March 31, 2006 were 660,000 with an option price of $0.30 each. No options were granted, exercised, canceled or forfeited during the quarter ended March 31, 2006. The weighted average remaining contractual life is 1.31 years.

Prior to January 1, 2006, the Company accounted for stock-based awards under the intrinsic value method, which followed the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and related Interpretations. The intrinsic value method of accounting resulted in compensation expense for stock options to the extent that the exercise prices were set below the fair market price of the Company’s stock at the date of grant.

As of January 1, 2006, the Company adopted SFAS No. 123(R) using the modified prospective method, which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model, which is consistent with the Company’s valuation techniques previously utilized for options in footnote disclosures required under SFAS No. 123, “Accounting for Stock Based Compensation”, as amended by SFAS No. 148, “Accounting for Stock Based Compensation Transition and Disclosure”.

Since the Company did not issue stock options to employees during the three months ended March 31, 2006 or 2005, there is no effect on net loss or earnings per share had the Company applied the fair value recognition provisions of SFAS No. 123(R) to stock-based employee compensation. When the Company issues shares of common stock to employees and others, the shares of common stock are valued based on the market price at the date the shares of common stock are approved for issuance.

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7. Related Party Transactions

During the three-month period ended March 31, 2006, the Company paid $14,475, as compared with $5,296 during the comparable period in 2005, to a director and an officer as wages and benefits.

As of March 31, 2006, the Company had an amount of $21,421, as compared with $21,443 as of December 31, 2005, due from a company with a common director without interest or specific terms of repayment.

As of March 31, 2006, the Company advanced $9,730, as compared with $8,485 as of December 31, 2005, to a director of the Company for expenses to be incurred on behalf of the Company.

8. New Accounting Pronouncements

There have been no new pronouncements issued since March 31, 2005, that are expected to have a material impact on the Company's financial statements.

9. Segment and Geographic Data

The Company's reportable segments are geographic areas and two operating segments, the latter comprised of mobile communication and ESL education. Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes corporate related items, and, as it relates to segment profit (loss), income and expenses not allocated to reportable segments.

A. By geographic areas	China	Canada	Other	Total
Three months ended March 31, 2006				
Revenue from continuing operations	$ 1,440,917	$ 19,027	$ -	$ 1,459,944
Operating income (loss)	387,730	(39,158)	(430,729)	(82,157)
Total assets	3,257,230	298,983	7,159,902	10,716,115
Depreciation	-	611	-	611
Interest income	6,303	397	17,858	24,558
Income from discontinued operations	-	-	-	-
Investment in equity method investee	-	-	1	1
Three months ended March 31, 2005				
Revenue from continuing operations	$ 1,052,529	$ 74,678	$ -	$ 1,127,207
Operating income (loss)	257,183	7,212	(96,333)	168,062
Total assets	6,589,865	112,381	46,720	6,748,966
Depreciation	-	584	8	592
Interest income	17,238	4	-	17,242

Income from discontinued operations	-	-	-	-
Investment in equity method investee	-	-	1	1

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B. By operating segments	Mobile communications	ESL education	Other	Total
For the three months ended March 31, 2006				
Revenue from external customers	$ 1,440,917	$ 19,027	$ -	$ 1,459,944
Intersegment revenue	-	-	-	-
Interest revenue	6,303	397	17,858	24,558
Interest expense	-	-	54,312	54,312
Depreciation	-	436	175	611
Segment operation profit (loss)	387,730	(12,385)	(457,502)	(82,157)
Segment assets	3,257,230	78,739	7,380,146	10,716,115
For the three months ended March 31, 2005				
Revenue from external customers	$ 1,052,529	$ 74,678	$ -	$ 1,127,207
Intersegment revenue	-	-	-	-
Interest revenue	-	4	17,238	17,242
Interest expense	-	-	1	1
Depreciation	-	542	50	592
Segment operation profit (loss)	258,260	28,235	(118,433)	168,062
Segment assets	2,303,522	99,819	4,345,625	6,748,966

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MOEN AND COMPANY LLP
CHARTERED ACCOUNTANTS

Member:
Canadian Institute of Chartered Accountants
Institute of Chartered Accountants of British Columbia
Institute of Management Accountants (USA) (From 1965)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
China Mobility Solutions, Inc.

We have audited the accompanying consolidated balance sheets of China Mobility Solutions, Inc. as of Dece
2005 and December 31, 2004, and the related consolidated statements of operations, stockholders' equity
flows for the years then ended. These financial statements are the responsibility of the Company's manage
responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversig
(United States). Those standards require that we plan and perform the audit to obtain reasonable assura
whether the financial statements are free of material misstatement. An audit includes examining, on a te
evidence supporting the amounts and disclosures in the financial statements. An audit also includes asse
accounting principles used and significant estimates made by management, as well as evaluating the overall
statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cons
financial position of China Mobility Solutions, Inc. as of December 31, 2005 and 2004, and the consolidate
of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted ac
principles.

"Moen and Company LLP"
("Signed")
Chartered Accountants

Vancouver, British Columbia, Canada
March 31, 2006

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CHINA MOBILITY SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004

Stated in U.S. dollars		**2005**		**2004**
ASSETS				
Current Assets				
Cash and Cash Equivalents	$	6,138,609	$	5,380,622
Accounts receivable		5,870		34,560
Prepaid Expenses		235,165		33,070
Amount due from related parties		33,249		18,322
Total Current Assets		6,412,893		5,466,574
Investment		1		1
Property and Equipment, Net (Note 4)		6,248		6,549
Goodwill		4,802,520		973,906
Other assets		701		
Total Assets	$	11,222,363	$	6,447,030
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts Payable	$	260,326	$	340,824
Accrued Liabilities		101,687		
Deferred Revenue		3,053,282		2,111,698
Convertible Debentures (Note 5)		3,350,000		
Total Current Liabilities		6,765,295		2,452,522
Minority Interest		-		32,791
Stockholders' Equity				
Common Stock : $0.001 Par Value				
Authorized : 500,000,000 common shares				
Issued and Outstanding : 20,011,792 shares				
(2004: 15,826,792 shares)		20,012		15,827
Additional Paid In Capital		18,442,826		8,770,378
Retained Earnings (Deficit)		(13,804,409)		(4,640,956)
Accumulated Other Comprehensive Loss		(201,361)		(183,532)
Total Stockholders' Equity		4,457,068		3,961,717
Total Liabilities and Stockholders' Equity	$	11,222,363	$	6,447,030

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

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CHINA MOBILITY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2005 AND 2004

Stated in U.S. dollars	2005	2004
Revenue		
Mobile marketing services	$ 4,703,348	$ 1,871,96
Tuition fees	199,280	298,80
	4,902,628	2,170,76
Cost of revenue		
Mobile marketing services	1,372,707	412,22
Tuition fee	54,584	61,01
	1,427,291	473,23
Gross profit	3,475,337	1,697,53
Expenses		
Advertising and promotion	953,720	541,14
Commissions	376,146	
Consulting and professional	339,128	116,78
Depreciation	2,705	2,07
Fair value of warrants issued	6,891,486	
Foreign exchange gain	(109,880)	(24,02
General and administrative	309,513	110,11
Impairment of marketable securities	-	172,25
Investor relations	263,475	
Liquidated damages (Note 12)	33,500	
Rent	797,509	296,92
Salaries, wages and sub-contract	1,391,221	724,49
Management fees - stock-based compensation	126,000	
Website development	80,000	
	11,454,523	1,939,74
Operating Loss	(7,979,186)	(242,21
Other Income and Expenses		
Interest income	84,932	82,60
Interest expense on convertible debentures	(77,887)	
Interest expense - intrinsic value of the conversion feature of debenture (Note 9)	(1,052,863)	
Other income	20	10,27
Equity loss	-	(81,27
	(1,045,798)	11,60
Loss before minority interest and discontinued operations	(9,024,984)	(230,61
Minority interest	(138,469)	(28,15
Loss from Continuing Operations	(9,163,453)	(258,77
Discontinued operations		
Gain on disposal of internet-related operations	-	3,319,09
Loss on disposal of business press operations	-	(41,29
Loss from discontinued operations	-	(36

-				3,277,44
Net Income (Loss) Available to Common Stockholders	$	(9,163,453)	$	3,018,67
Earnings (loss) per share attributable to common stockholders:				
Earnings (loss) from continuing operations	$	(0.52)	$	(0.0
Earnings (loss) from discontinued operations		0.00		0.2
Total basic and diluted	$	(0.52)	$	0.2
Weighted average number of common shares outstanding:				
Basic and diluted		17,633,162		14,856,83

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

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CHINA MOBILITY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2005 and 2004

Stated in U.S. dollars	Common Shares	Number of Common Shares (Retroactively Stated)	Stock Amount At Par Value	Additional Paid In Capital	Accumulated Retained Earnings (Deficit)	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	T
Balance, December 31, 2003	41,360,010	13,786,792	$ 41,360	$ 8,194,045	$ (7,659,628)		$ (163,763)	$ 4
Issuance of common stock for acquisition								