

2009-2008

CHINA NET ONLINE MEDIA GROUP LIMITED UNAUDITED CONSOLIDATED BALANCE SHEETS (In thousands, except for number of shares and per share data)

	March 31, 2009 (US \$) (Unaudited)	December 31 2008 (US \$)
Assets		
Current assets:		
Cash and cash equivalents	2,685	2,679
Accounts receivable	1,349	978
Other receivables	1,523	-
Prepayment and deposit to suppliers	4,452	4,072
Due from related parties	63	109
Due from Control Group	536	243
Inventories	2	1
Other current assets	33	46
Total current assets	10,643	8,128
Property and equipment, net	656	678
Intangible asset, net	-	-
Other long-term assets	22	7
	11,321	8,813
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	123	37
Advances from customers	1,106	608
Other payables	1,349	1,333
Accrued Payroll and other accruals	143	66
Due to related parties	333	346

Due to Control Group	1,187	1,149
Due to director	-	10
Taxes payable	2,280	1,746
Total current liabilities	6,521	5,295
Long-term borrowing from director	128	128
Stockholders' equity:		
Common stock (\$1 par value; Authorized-50,000 shares; Issued and outstanding-10,000 shares)	10	10
Additional paid-in capital	603	603
Appropriated retained earnings	304	304
Unappropriated retained earnings	3,649	2,370
Accumulated other comprehensive income	106	103
Total stockholders' equity	4,672	3,390
	11,321	8,813

CHINA NET ONLINE MEDIA GROUP LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS AND
COMPREHENSIVE INCOME

(In thousands, except for number of shares and per share data)

	For the three months ended March 31,	
	2009	2008
	(US \$)	(US \$)
	(Unaudited)	(Unaudited)
Sales	9,797	1,516
Cost of sales	6,277	1,378
Gross margin	3,520	138
Operating expenses		
Selling expenses	1,462	197

General and administrative expenses	349	137
Research and development expenses	50	31
	<u>1,861</u>	<u>365</u>
Income (loss) from operations	1,659	(227)
Other income (expenses):		
Interest income	2	1
Other income	4	-
Other expenses	-	-
	<u>6</u>	<u>1</u>
Income (loss) before income tax expense	1,665	(226)
Income tax expense	386	33
	<u>1,279</u>	<u>(259)</u>
Net income/(loss)	1,279	(259)
Other comprehensive income (loss)		
Foreign currency translation gain	3	12
Comprehensive income (loss)	<u>1,282</u>	<u>(247)</u>
Earnings (loss) per share		
Earnings (loss) per common stock		
Basic and diluted	<u>128</u>	<u>(26)</u>
Weighted average number of common shares outstanding:		
Basic and diluted shares	<u>10,000</u>	<u>10,000</u>

CHINA NET ONLINE MEDIA GROUP LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	For the three months ended March 31,	
	2009	2008
	(US \$)	(US \$)
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net income (loss)	1,279	(259)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and Amortization	42	11
Changes in operating assets and liabilities		
Accounts receivable	(369)	(25)
Other receivables	(63)	(80)
Prepayment and deposit to suppliers	(374)	77
Due from related parties	45	-
Due from/(to) Control Group	(256)	(120)
Other current assets	11	(76)
Accounts payable	86	143
Advances from customers	496	146
Accrued payroll and other accruals	77	(3)
Due to related parties	(13)	(7)
Taxes payable	532	47
Net cash provided by (used in) operating activities	1,493	(146)
Cash flows from investing activities		
Purchases of vehicles and office equipment	(19)	(22)
Purchases of Intangible and other long-term assets	(15)	-
Net cash used in investing activities	(34)	(22)

Cash flows from financing activities		
Increase of long-term borrowing from director	-	122
Increase of short-term loan to third party	(1,461)	-
Increase/(decrease) in due to director	(10)	251
Increase/(decrease) in other payables	14	(91)
Net cash provided by (used in) financing activities	(1,457)	282
Effect of exchange rate fluctuation on cash and cash equivalents	4	15
Net increase in cash and cash equivalents	6	129
Cash and cash equivalents at beginning of year	2,679	317
Cash and cash equivalents at end of year	<u>2,685</u>	<u>446</u>
Supplemental disclosure of cash flow information		
Interest paid	-	-
Income taxes paid	<u>4</u>	<u>1</u>