

# 2008-2007

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

|   | As at December 31, |                |
|---|--------------------|----------------|
|   | 200 8              | 200 7          |
|   | (US \$)            | (US \$)        |
| <b>Assets</b>                               |                    |                |
| <b>Current assets:</b>                      |                    |                |
| Cash and cash equivalents                   | 2,679              | 31 7           |
| Accounts receivable                         | 978                | 21 1           |
| Other receivables                           | -                  | 190            |
| Prepayment and deposit to suppliers         | 4,072              | 419            |
| Due from related parties                    | 10 9               | -              |
| Due from Control Group (see Note 1)         | 2 4 3              | 4 1 6          |
| Due from directors                          | -                  | 51 3           |
| Inventories                                 | 1                  | 4              |
| Other current assets                        | 4 6                | 7              |
| <b>Total current assets</b>                 | <b>8,12 8</b>      | <b>2,0 7 7</b> |
| Property and equipment, net                 | 678                | 164            |
| Intangible asset, net                       | -                  | 1              |
| Other long - term assets , net              | 7                  | -              |
|   | <b>8,81 3</b>      | <b>2,2 4 2</b> |
| <b>Liabilities and Stockholders' Equity</b> |                    |                |
| <b>Current liabilities:</b>                 |                    |                |
| Accounts payable                            | 3 7                | 302            |
| Advances from customers                     | 60 8               | 122            |
| Other payables                              | 1, 333             | 4              |
| Accrued payroll and other accruals          | 66                 | 42             |
| Due to related parties                      | 34 6               | 2 2            |

|  |              |              |
|--|--------------|--------------|
| Due to Control Group (See Note 1)  | 1,149        | 561          |
| Due to director  | 10           | -            |
| Taxes payable  | 1,746        | 768          |
| <b>Total current liabilities</b>   | <b>5,295</b> | <b>1,821</b> |
| Long-term borrowing from director  | 128          | -            |
| <b>Stockholders' equity:</b>   |              |              |
| Common stock ( \$ 1 par value at December 31, 2008 ; Authorized-50,000 shares at December 31, 2008 ; Issued and outstanding-10,000 shares at December 31, 2008 ) | 10           | -            |
| Additional paid-in capital   | 603          | 515          |
| Appropriated retained earnings   | 304          | 67           |
| Unappropriated retained earnings (deficit)   | 2,370        | (193)        |
| Accumulated other comprehensive income   | 103          | 32           |
| <b>Total stockholders' equity</b>  | <b>3,390</b> | <b>421</b>   |
|  | <b>8,813</b> | <b>2,242</b> |

**CHINA NET ONLINE MEDIA GROUP LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(In thousands, except for number of shares and per share data)

|                                     | <b>For the Years Ended December 31,</b> |                |
|-------------------------------------|---|----------------|
|                                     | <b>2008</b>                             | <b>2007</b>    |
|                                     | <b>(US \$)</b>                          | <b>(US \$)</b> |
| Sales                               | 21,508                                  | 7,570          |
| Cost of sales                       | 13,786                                  | 4,674          |
| <b>Gross margin</b>                 | <b>7,722</b>                            | <b>2,896</b>   |
| <b>Operating expenses</b>           |   |                |
| Selling expenses                    | 2,705                                   | 2,132          |
| General and administrative expenses | 1,041                                   | 410            |

|   |                       |                      |
|---|-----------------------|----------------------|
| Research and development expenses                           | 202                   | 106                  |
|   | <u>3,9 48</u>         | <u>2,6 48</u>        |
| <b>Income from operations</b>                               | <b><u>3, 7 74</u></b> | <b><u>248</u></b>    |
| <b>Other income (ex pense):</b>                             |                       |                      |
| Interest income   | 8                     | 2                    |
| Other income  | -                     | -                    |
| Other expense   | (20)                  | (6 1)                |
|   | <u>(1 2)</u>          | <u>( 5 9)</u>        |
| <b>Income before income tax expense</b>                     | <b><u>3, 762</u></b>  | <b><u>1 8 9</u></b>  |
| Income tax expense  | 962                   | 4 05                 |
| <b>Net income (loss)</b>                                    | <b><u>2,8 00</u></b>  | <b><u>(216)</u></b>  |
| Other comprehensive income                                  |                       |                      |
| Foreign currency translation gain                           | 7 1                   | 15                   |
| Comprehensive income (loss)                                 | <u><u>2,871</u></u>   | <u><u>(201)</u></u>  |
| <b>Earnings (loss) per share</b>                            |                       |                      |
| Earnings (loss) per share                                   |                       |                      |
| Basic and diluted   | <u><u>28 0</u></u>    | <u><u>(22)</u></u>   |
| <b>Weighted average number of common shares outstanding</b> |                       |                      |
| Basic and diluted   | <u><u>10,000</u></u>  | <u><u>10,000</u></u> |

**CHINA NET ONLINE MEDIA GROUP LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

|  | <b>For the Year s ended December 31,</b> |                |
|--|--|----------------|
|  | <b>2008</b>                              | <b>2007</b>    |
|  | <u>(US \$)</u>                           | <u>(US \$)</u> |
| <b>C ash flows from operating activities</b> |  |                |

|  |              |              |
|--|--------------|--------------|
| Net income ( loss )  | 2,8 00       | (216)        |
| <b>Adjustments to reconcile net income (loss) to net cash provided by operating activities</b> |              |              |
| Depreciation and Amortization  | 77           | 25           |
| Disposal of fixed assets   | 6            | 61           |
| <b>Changes in operating assets and liabilities</b>   |              |              |
| Accounts receivable  | (741)        | (186)        |
| Other receivables  | 200          | 63           |
| Prepayment and deposit to suppliers  | (3,570)      | (292)        |
| Due from related parties   | (107)        | -            |
| Due from/(to) Control Group  | 749          | 122          |
| Other current assets   | (33)         | (11)         |
| Accounts payable   | (281)        | 159          |
| Advances from customers  | 471          | 114          |
| Accrued payroll and other accruals   | 21           | 21           |
| Due to related parties   | 317          | 21           |
| Taxes payable  | 912          | 676          |
| <b>Net cash provided by operating activities</b>   | <b>821</b>   | <b>557</b>   |
| <b>Cash flows from investing activities</b>  |              |              |
| Purchases of vehicles and office equipment   | (490)        | (102)        |
| Purchases of Intangible and other long-term assets   | (7)          | (1)          |
| <b>Net cash used in investing activities</b>   | <b>(497)</b> | <b>(103)</b> |
| <b>Cash flows from financing activities</b>  |              |              |
| Increase of long term borrowing from director  | 126          | -            |
| Increase of paid-in capital in VIEs  | -            | 263          |
| ( Increase )/decrease in due from directors  | 548          | (492)        |
| Increase/(decrease) in other payables  | 1,307        | (9)          |
| <b>Net cash provided by (used in) financing activities</b>                                     | <b>1,981</b> | <b>(238)</b> |
| Effect of exchange rate fluctuation on cash and cash equivalents                               | 57           | 14           |
| <b>Net increase in cash and cash equivalents</b>   | <b>2,362</b> | <b>230</b>   |
| Cash and cash equivalents at beginning of year   | 317          | 87           |

|   |              |            |
|---|--------------|------------|
| Cash and cash equivalents at end of year                | <u>2,679</u> | <u>317</u> |
| <b>Supplemental disclosure of cash flow information</b> |              |            |
| Interest paid   | <u>-</u>     | <u>-</u>   |
| Income taxes paid                                       | <u>673</u>   | <u>13</u>  |

# 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,<br>2009<br>(US \$)<br>(Unaudited) | December 31<br>2008<br>(US \$) |
|---|---|--------------------------------|
| <b>Assets</b>                               |   |                                |
| <b>Current assets:</b>                      |   |                                |
| 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                             |
| <b>Total current assets</b>                 | <b>10,643</b>                               | <b>8,128</b>                   |
| Property and equipment, net                 | 656   | 678                            |
| Intangible asset, net                       | -   | -                              |
| Other long-term assets                      | 22  | 7                              |
|   | <b>11,321</b>                               | <b>8,813</b>                   |
| <b>Liabilities and Stockholders' Equity</b> |   |                                |
| <b>Current liabilities:</b>                 |   |                                |
| 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        |
| <b>Total current liabilities</b>   | <b>6,521</b>  | <b>5,295</b> |
| Long-term borrowing from director  | 128           | 128          |
| <b>Stockholders' equity:</b>   |               |              |
| 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          |
| <b>Total stockholders' equity</b>  | <b>4,672</b>  | <b>3,390</b> |
|  | <b>11,321</b> | <b>8,813</b> |

**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)

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

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

|  | <b>For the three months ended March 31,</b> |                    |
|--|---|--------------------|
|  | <b>2009</b>                                 | <b>2008</b>        |
|  | <b>(US \$)</b>                              | <b>(US \$)</b>     |
|  | <b>(Unaudited)</b>                          | <b>(Unaudited)</b> |
| <b>Cash flows from operating activities</b>  |   |                    |
| Net income (loss)  | 1,279                                       | (259)              |
| <b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities</b> |   |                    |
| Depreciation and Amortization  | 42  | 11                 |
| <b>Changes in operating assets and liabilities</b>   |   |                    |
| 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                 |
| <b>Net cash provided by (used in) operating activities</b>   | <b>1,493</b>                                | <b>(146)</b>       |
| <b>Cash flows from investing activities</b>  |   |                    |
| Purchases of vehicles and office equipment   | (19)  | (22)               |
| Purchases of Intangible and other long-term assets   | (15)  | -                  |
| <b>Net cash used in investing activities</b>   | <b>(34)</b>                                 | <b>(22)</b>        |

|  |                |            |
|--|----------------|------------|
| <b>Cash flows from financing activities</b>                      |                |            |
| 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)       |
| <b>Net cash provided by (used in) financing activities</b>       | <b>(1,457)</b> | <b>282</b> |
|  |                |            |
| Effect of exchange rate fluctuation on cash and cash equivalents | 4              | 15         |
|  |                |            |
| <b>Net increase in cash and cash equivalents</b>                 | <b>6</b>       | <b>129</b> |
| 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> |
|  |                |            |
| <b>Supplemental disclosure of cash flow information</b>          |                |            |
|  |                |            |
| Interest paid  | -              | -          |
| Income taxes paid  | <u>4</u>       | <u>1</u>   |