CHINA MOBILITY SOLUTIONS, INC. (formerly Xin Net Corp.)
Form 10QSB
November 21, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

For the quarterly period ended: September 30, 2006

Commission file number 0-26559

CIK No. 0001082603

CHINA MOBILITY SOLUTIONS, INC.
(Exact name of registrant as specified in this charter)

N/A
(Former Name of Registrant)

Florida (State of other jurisdiction of incorporation or organization)	**330-751560** (I.R.S. Employer Identification No.)
#900 - 789 West Pender Street, Vancouver, B.C. Canada (Address of principal executive offices)	**V6C 1H2** (Zip Code)

Registrant's telephone number, including area code: (604) 632-9638

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 the filing requirements for at least the past 90 days.

Yes [X] No [ ]

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

Yes [ ] No [X]

As of November 20, 2006, there were 20,011,792 shares of $0.001 par value common stock outstanding.

984967.3

CHINA MOBILITY SOLUTIONS, INC.
(FORMERLY XIN NET CORP.)
INDEX TO QUARTERLY REPORT
ON FORM 10-QSB
September 30, 2006

PART I. FINANCIAL INFORMATION

984967.3

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial statements have been adjusted with all adjustments, which, in the opinion of management, are necessary in order to make the financial statements not misleading.

For financial information, please see the financial statements and the notes thereto, attached hereto and incorporated herein by this reference.

The financial statements have been prepared by China Mobility Solutions, Inc. without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These financial statements include all of the adjustments which, in the opinion of management, are necessary to a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the audited financial statements at December 31, 2005, included in the Company's and Form 10-KSB/A.

Cautionary and Forward Looking Statements

In addition to statements of historical fact, this Form 10-QSB contains forward-looking statements. The presentation of future aspects of China Mobility Solutions, Inc. (the "Company") found in these statements is subject to a number of risks and uncertainties that could cause actual results to differ materially from those reflected in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," or "could" or the negative variations thereof or comparable terminology are intended to identify forward-looking statements.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause the Company's actual results to be materially different from any future results expressed or implied in those statements. Important facts that could prevent the Company from achieving any stated goals include, but are not limited to, the following:

Some of these risks might include, but are not limited to, the following:

(a) failure of the Company to repay the subordinated convertible debentures which are in default;

(b) volatility or decline of the Company's stock price;

(c) potential fluctuation in quarterly results;

(d) failure of the Company to earn revenues or profits;

(e) inadequate capital to continue or expand its business, inability to raise additional capital or financing to implement its business plans;

(f) failure to commercialize its technology or to make sales;

(g) rapid and significant changes in markets;

(h) litigation with or legal claims and allegations by outside parties;

(i) insufficient revenues to cover operating costs.

There is no assurance that the Company will be profitable, the Company may not be able to successfully develop, manage or market its products and services, the Company may not be able to attract or retain qualified executives and technology personnel, the Company's products and services may become obsolete, government regulation may hinder the Company's business, additional dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of warrants and stock options, and other risks inherent in the Company's businesses.

The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-QSB and Annual Report on Form 10-KSB filed by the Company for December 31, 2005 and any Current Reports on Form 8-K filed by the Company, as well as the Company Registration Statement on Form SB-2 declared effective on August 7, 2006.

China Mobility Solutions, Inc. and Subsidiaries
Consolidated Balance Sheets
(Expressed in US Dollars)

		September 30, 2006 (Unaudited)		December 31, 2005 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	$	4,617,226	$	6,138,609
Accounts receivable		3,182		5,870
Prepaid expenses and other current assets		15,146		235,165
Due from related parties		36,157		33,249
Total Current Assets		4,671,711		6,412,893
Property and Equipment, net of accumulated depreciation of $42,662 and 40,481, respectively		7,096		6,248

Other Assets				
Deposit paid in connection with contemplated acquisition of Beijing Topbiz (Note 2)		950,000		-
Investment		1		1
Goodwill		4,802,520		4,802,520
Other assets		673		701
Total Assets	$	10,432,001	$	11,222,363
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and other accrued liabilities	$	652,753	$	362,013
Deferred revenue		2,160,262		3,053,282
Convertible debentures (Note 3)		3,325,000		3,350,000
Total current liabilities		6,138,015		6,765,295
Commitments and Contingencies		-		-
Stockholders' Equity				
Common stock, $0.001 par value; authorized 500,000,000 shares, issued and outstanding: 20,011,792 and 20,011,792 shares, respectively		20,012		20,012
Additional paid-in capital		18,492,826		18,442,826
Accumulated deficit		(14,006,965)		(13,804,409)
Accumulated other comprehensive income (loss)		(211,887)		(201,361)
Total stockholders' equity		4,293,986		4,457,068
Total Liabilities and Stockholders' Equity	$	10,432,001	$	11,222,363

See notes to consolidated financial statements.

China Mobility Solutions, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income
(Expressed in US Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				

Mobile marketing services	$ 1,383,263	$ 1,190,328	$ 4,275,287	$ 3,376,829
Tuition fee	35,670	53,100	64,960	160,408
	1,418,933	1,243,428	4,340,247	3,537,237
Cost of Sales				
Mobile marketing services	316,959	368,552	913,128	903,022
Tuition fee	400	16,596	7,292	43,614
	317,359	385,148	920,420	946,636
Gross Profit	1,101,574	858,280	3,419,827	2,590,601
Selling, general, and administrative expenses	958,027	1,209,981	3,003,970	2,893,064
Income (loss) from Operations	143,547	(351,701)	415,857	(302,463)
Other Income				
Interest income	14,787	24,211	63,280	60,625
Interest expense on convertible debentures	(80,975)	(24,412)	(199,725)	(24,414)
Costs relating to convertible debentures:				
Fair value of warrants issued	-	(6,891,470)	-	(6,891,470)
Intrinsic value of conversion feature	-	(1,052,863)	-	(1,052,863)
Costs associated with offering	-	(572,859)	-	(572,859)
Late registration penalty fees	(79,968)	-	(481,968)	-

Other income (expense) - net	(146,156)	(8,517,393)	(618,413)	(8,480,981)
Income (loss) before Income Taxes	(2,609)	(8,869,094)	(202,556)	(8,783,444)
Income tax expense	-	-	-	-
Income (loss) before minority interest	(2,609)	(8,869,094)	(202,556)	(8,783,444)
Minority interest	-	(6,141)	-	(138,469)
Net income (loss)	(2,609)	(8,875,235)	- (202,556)	(8,921,913)
Other comprehensive income (loss):				
Foreign currency translation adjustment	11,307	97,536	(10,526)	92,942
Comprehensive income (loss)	$ 8,698	$ (8,777,699)	$ (213,082)	$ (8,828,971)
Net income (loss) per share				
Basic and diluted	$ (0.00)	$ (0.49)	$ (0.01)	$ (0.52)
Weighted average number of common shares used to compute net income per share				
Basic and Diluted	20,011,792	17,929,279	20,011,792	16,996,285

See notes to consolidated financial statements.

China Mobility Solutions, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Expressed in US Dollars)

	Common Stock, $0.001 par value		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Total
	Shares	Amount				
Balance at December 31, 2004	15,826,792	$ 15,827	$ 8,770,378	$ (4,640,956)	$ (183,532)	$ 3,961,717
Issuance of common stock for cash on exercise of stock options on February 24, 2005 at $0.30	495,000	495	148,005	-	-	148,500
Issuance of common stock for services rendered	600,000	600	350,700	-	-	- 351,300
Issuance of common stock for cash on exercise of stock options on September 1, 2005 at $0.40	500,000	500	199,500	-	-	200,000
Issuance of common stock for cash on exercise of stock options on September 1, 2005 at $0.35	2,590,000	2,590	903,910	-	-	906,500
Stock-based compensation	-	-	126,000	-	-	126,000
Fair value of new Series "A" warrants issued	-	-	3,254,305	-		3,254,305
Fair value of new Series "B" warrants issued	-	-	3,637,165	-	-	3,637,165
Intrinsic value of the conversion feature of the convertible debenture	-	-	1,052,863	-	-	1,052,863
Net loss for the year ended						

984967.3

December 31, 2005	-	-	-	(9,163,453)	-	(9,163,453)
Foreign currency translation adjustment	-	-	-	-	(17,829)	(17,829)
Balance at December 31, 2005	20,011,792	$ 20,012	$ 18,442,826	$ (13,804,409)	$ (201,361)	$ 4,457,068
Unaudited:						
Fair value of 200,000 warrants issued for service rendered	-	-	50,000	-	-	50,000
Net loss for the nine months ended September 30, 2006	-	-	-	(202,556)	-	(202,556)
Foreign currency translation adjustment	-	-	-	-	(10,526)	(10,526)
Balance at September 30, 2006	20,011,792	$ 20,012	$ 18,492,826	$ (14,006,965)	$ (211,887)	$ 4,293,986

See notes to consolidated financial statements.

China Mobility Solutions, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Nine months ended September 30, 2006 (Unaudited)	2005 (Unaudited)
Cash Flows from Operating Activities		
Net loss	$ (202,556)	$ (8,921,913)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,209	1,933
Stock-based compensation	50,000	317,650
Fair value of warrants issued with convertible debentures	-	6,891,470
Intrinsic value of conversion feature of the convertible debentures	-	1,052,863
Foreign currency translation adjustment	(10,526)	92,942
Minority interest	-	138,469
Changes in operating assets and liabilities		
Accounts receivable	2,688	28,356
Prepaid expenses	220,019	(139,680)
Due from related parties	(2,908)	(2,709)
Accounts payable and other accrued liabilities	290,740	1,982,049
Deferred revenue	(893,020)	362,760

Net cash provided by (used for) operating activities		(543,354)	-	1,804,190
Cash Flows from Investing Activities				
Purchases of remaining interest of Quicknet		-		(4,000,000)
Deposit paid in connection with contemplated acquisition of Beijing Topbiz		(950,000)		-
Purchase of property and equipment		(3,029)		(2,346)
Net cash provided by (used for) investing activities		(953,029)		(4,002,346)
Cash Flows from Financing Activities				
Issuance of common stock for cash		-		1,115,000
Issuance of convertible debentures for cash		-		3,350,000
Repayment of convertible debentures		(25,000)		-
Net cash provided by (used for) financing activities		(25,000)		4,465,000
Effect of exchange rate on cash		-		(12,943)
Increase (decrease) in cash and cash equivalents		(1,521,383)		2,253,901
Cash and cash equivalents, beginning of period		6,138,609		5,380,622
Cash and cash equivalents, end of period	$	4,617,226		7,634,523
Supplemental disclosures of cash flow information:				
Cash paid for:				
Interest paid	$	222,725	$	2
Income taxes paid	$	-	$	-

See notes to consolidated financial statements.

984967.3

CHINA MOBILITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 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 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 in consolidation.

Certain items have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported consolidated net income (loss).

2. Beijing Topbiz Technology Development Corp., Ltd.

On August 8, 2006, the Company, through its wholly owned subsidiary, Infornet Investment Limited ("Infornet") and Mr. Xin Wei, a citizen and resident of the People's Republic of China ("China") and President of a subsidiary of the Company ("Wei") (Infornet and Wei together being referred to as the "Purchasers"), QiFang Niu and XiaoXia Chen, both citizens and residents of the China (together being referred to as the "Sellers") and Beijing Topbiz Technology Development Corp., Ltd. ("Topbiz"), a company organized and existing under the laws of China, entered into a Share Purchase Agreement (the "Agreement") providing for the acquisition by the Purchasers of control of Topbiz from the Sellers.

Under the Agreement, Infornet will directly acquire 49% of the capital stock of Topbiz, and indirectly acquire control through Mr. Wei of an additional 11% of Topbiz, giving it effective control of 60% of Topbiz. The Company will pay the Sellers on a pro rata basis US$3,700,000 in cash and issue to them on a pro rata basis 8,081,818 new investment shares in an offering which is intended to be exempt from registration pursuant to Regulation S under the Securities Act of 1933, as amended. This acquisition structure was chosen to comply with China's foreign ownership rules which permit the Company, at this point in time, to have a direct ownership stake in Topbiz of up to 49%. Mr. Wei has agreed to execute and deliver to Infornet a Stock Option Agreement in the form and substance satisfactory to Infornet, which grants Infornet, among other things, the option to purchase his 11% ownership stake that he will acquire under the Agreement for an aggregate price of $100, upon the satisfaction of certain conditions precedent.

The parties intend that the transactions contemplated by the Agreement will be consummated as promptly as practicable, after satisfaction or waiver of certain conditions of closing in favor of the Purchasers. These include, among other things, that (i) all representations and warranties of the Sellers contained in the Agreement shall be true on and as of the Closing Date, (ii) all covenants and agreements of the Sellers to be performed on or before the Closing Date shall be duly performed, (iii) audited financial statements of Topbiz from inception to March 31, 2006, shall have been completed, and (iv) the Stock Option Agreement shall have been executed and delivered by Mr. Wei.

Topbiz develops and customizes short messaging system, or SMS, platforms for banks in China. The 8,081,818 shares issued in connection with the acquisition will be subject to a one-year restriction on transfer to a U.S. person pursuant to Regulation S.

As of September 30, 2006, $950,000 has been paid by the Company as a deposit. The remainder of the $3,700,000 purchase price is expected to be paid $1,350,000 in December 2006 and $1,400,000 in February 2007. Closing is expected to occur in January 2007.

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

984967.3

new Series “A” Warrant and one new Series “B” Warrant. The Debentures were 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 August 7, 2006.

Each Unit also included: (i) new Series “A” Warrants exercisable at $0.44 per share to purchase 71,429 shares of Common Stock of the Company until February 15, 2008; and (ii) new Series “B” Warrants exercisable at $0.52 per share to purchase 71,429 shares of Common Stock until 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 August 7, 2006, 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, August 7, 2006, of the Company’s SB-2 Registration 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, the parties entered into a waiver/settlement agreement on 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 new Series “A” Warrant exercise price was reduced from $.44 to $.38 per share and the new Series “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 new Series “A” and new Series “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. Except for the holder of $300,000 of the Debentures discussed in the third succeeding paragraph, these revised terms will apply to all other Debentures (totaling $3,025,000).

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 August 7, 2006.

As of September 30, 2006, the Company had not repaid $3,325,000 of the Debentures due on August 15, 2006. The Company has paid all interest on the Debentures accrued through August 15, 2006. The Company had applied to the regulatory authority in China to approve converting a subsidiary's funds into U.S. dollars and repay the Debentures and was denied. The Company has been advised that the Beijing Rule of Liquidation is the sole means of assuring repayment of the Debentures. In October 2006, the Company began the process of submitting an application for such liquidation to the regulatory authority. The liquidation will take between 180 to 270 days. Part of the reason for the delay is the requirement of the liquidator to appoint an auditor to do the appraisal of an evaluation of the assets of the Company and to submit such appraisal to the regulatory authority for approval. The Company does not believe it will affect its subsidiary's business operations as reorganized.

The holder of an aggregate of $300,000 of the Debentures has agreed to extend the extend the due date to August 15, 2007 with an interest rate of 10% per annum starting from August 15, 2007 and the exercise price of the new Series “A” Warrants and new Series “B” Warrants being reduced to $0.15 and $0.20 per share respectively. Other terms remain the same.

The Company received letters (the “Default Letters”) from the attorneys for two holders of an aggregate $875,000 principal amount of Debentures stating that the Company was in default under the Debentures as a result of its failure to pay principal plus interest thereon. The Company has paid all interest on the Debentures accrued through

984967.3

August 15, 2006. Interest accrued on the Debentures though maturity, at the rate of not less than 6% per annum equal to the sum of 2% per annum plus the one month LIBOR rate. From the maturity date of August 15, 2006, except for the extended $300,000 Debenture discussed in the preceding paragraph, interest on the other $3,025,000 outstanding principal amount of Debentures and unpaid accrued interest accrues at the rate of 12% per annum.

The Registration Rights Agreement provided that the Company would register the common stock underlying the Units by December 31, 2005 and, for each month late, the Company would be obligated to pay the Debenture holders penalty fees equal to 2% of the outstanding principal amount. The Company's registration statement on Form SB-2 was declared effective by the Securities and Exchange Commission on August 7, 2006. Accordingly, the Company has recorded $79,968 and $481,968 as an expense, in the statement of operations for the three months and nine months ended September 30, 2006 respectively.

Interest payable of $59,888 and late registration penalty fees of $337,968 are included in accounts payable and accrued liabilities at September 30, 2006.

4. Share Purchase Warrants

On May 5, 2006, the Company granted 200,000 Series "C" warrants at an exercise price of $0.45 each to a consultant for their investor relations services expiring on May 5, 2010. The fair value of the warrants granted was estimated at $0.25 by using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 144%, risk-free interest rates of 4.31%, and expected lives of four years.

During the nine-month period ended September 30, 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 September 30, 2006, 122 new Series "A" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.38 until February 15, 2008. 122 new Series "B" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.45 until February 15, 2009. 12 amended new Series "A" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.15 each until February 15, 2008. 12 amended new Series "B" warrants were outstanding which entitle the holders to purchase 83,333 common shares of the Company at $0.45 until February 15, 2009. 200,000 Series "C" warrants were outstanding which entitle the holders to purchase 200,000 common shares of the Company at $0.45 each expiring on May 5, 2010.

5. Stock Options

The Company filed S-8 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. At the discretion of the Company, 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 September 30, 2006 were 660,000 with an option exercise price of $0.30 per share. No options were granted, exercised, canceled or forfeited during the nine-month period ended September 30, 2006. The weighted average remaining contractual life is 0.81 years.

984967.3

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 nine months ended September 30, 2006, 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.

6. Segment and Geographic Data

The Company’s reportable segments are geographic areas and two operating segments, the latter comprised of mobile communications 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 September 30, 2006				
Revenue from continuing operations	$ 1,383,263	$ 35,670	$ -	$ 1,418,933
Operating income (loss)	279,157	(36,229)	(99,381)	143,547
Total assets	5,404,209	91,945	4,935,847	10,432,001
Depreciation	-	849	-	849
Interest income	7,920	39	6,828	14,787
Interest expense	-	40	80,935	80,975
Investment in equity method investee	-	-	1	1
Three months ended September 30, 2005				
Revenue from continuing operations	$ 1,190,328	$ 53,100	$ -	$ 1,243,428
Operating income (loss)	89,897	465	(442,063)	