

CHINA MOBILITY SOLUTIONS, INC. (formerly Xin Net Corp.)

Form 10KSB/A

May 01, 2006

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**SECURITIES EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 10-KSB/A**

**AMENDMENT #3**

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**FOR THE YEAR ENDED DECEMBER 31, 2004**

**General Form for Registration of Securities of Small Business Issuers**

**Commission file number 0-26559**

**CIK No. 0001082603**

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**CHINA MOBILITY SOLUTIONS, INC.**

(Exact name of registrant as specified in this charter)

**XIN NET CORP.**

(Former Name)

\_\_\_\_\_

**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 V6C 1H2**

(Address of principal executive offices, including zip code)

**(604) 632-9638**

(Registrant's telephone number, including area code)

\_\_\_\_\_

Securities Registered to be Pursuant to Section 12(b) of the Act: **None**

Securities Registered to be Pursuant to Section 12(g) of the Act: **Common Stock \$.001 Par Value**

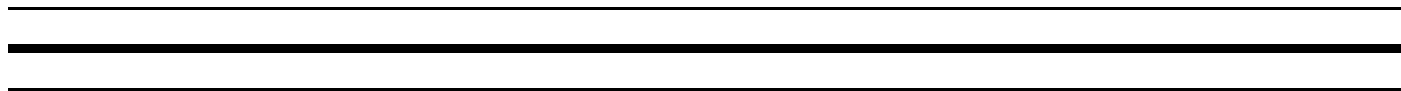


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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. **Yes [X]**  
**No [ ]**

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. **[X]**

State issuer's revenues for its most recent fiscal year: **\$475,309.**

Transitional Small Business Disclosure Format: **Yes [ ] No [X]**

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2004:  
**\$5,491,173 at \$0.51 per share.**

Number of outstanding shares of the registrant's no par value common stock, as of March 31, 2005: **15,826,670.**

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**PART I**

**ITEM 1. DESCRIPTION OF BUSINESS**

**(a) General Description and Development of Business.**

**PREVIOUS HISTORY**

On September 6, 1996, the Company was incorporated under the laws of the State of Florida under the name of Placer Technologies, Inc. It conducted a small public offering of 200,000 shares @ \$0.25 per share to achieve \$50,000 in capital. In December 1996 a Rule 15c2-11 filing resulted in trading approval on the OTCBB.

The Company's initial primary service consisted of developing web home pages for small businesses in USA. It generated minimal revenues in 1996.

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

On June 11, 1997, the Company purchased 100% interest of Infornet Investment Corp., a British Columbia corporation. Infornet Investment Corp. is the subsidiary which 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 changes its name to China Mobility Solutions, Inc. concurrent with a one-for-three reverse split.

**CORPORATE OVERVIEW**

China Mobility Solutions, Inc. structure showing its subsidiaries is as follows, with the jurisdiction of incorporation of each subsidiary included in parentheses:

**China Mobility Solutions, Inc.  
(Florida, USA)**

Infornet Investment Corp. (100% Owned) (BC., Canada)	Infornet Investment Ltd. (100% Owned) (Hong Kong)
Windsor Education Academy Inc. (100% Owned) (BC., Canada)	
Xinbiz Corp. (British Virgin Islands) (100% Owned) (Dormant)	Xinbiz Ltd. (Hong Kong) (Xinbiz Corp. 100% owned) (Dormant)

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

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Through our wholly owned subsidiary, InforNet Investment Ltd. (Hong Kong), the Company formed a joint venture with Xin Hai Technology Development Ltd. for upgrading telecommunication technology and services in the PRC. This evolved into an internet-focused service provider and e-commerce solutions business, which was subsequently sold in 2001.

The Company decided in May 2001 to focus its business in China on domain name registration and web-hosting services, and to discontinue Internet access provision services as soon as practicable. On June 22, 2001 the Company entered into an agreement to sell its ISP assets (Xin Hai). The price for the sale was \$700,000 (USD) payable to in Renminbi at the official 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 has determined that the purchaser will not be 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 China; but it has also seen an equal if not greater growth in companies entering this arena. As a result, the industry experienced severely reduced operating margins and continued losses. Although the Company was considered an early leader in the Domain Name Registration field, due to the lack of adequate funding, future growth potential against many competitors was limited at best. The Company had struggled for several years to break even and was hoping for some meaningful funding to grow, but the plan was nullified when the funding failed to materialize. As China becomes more and more open according to the terms of the WTO, the world's large well-funded companies have been given access to the China market and seriously compromised the Company's competitive position.

In February, 2003, the Company signed an agreement to sell the Company's China assets (Domain name registration) to a subsidiary of Sino-i.com Limited, a Hong Kong Stock Exchange listed company for a total consideration of Rmb 20 million (approx. US\$ 2.4 million). The Company has received all of the purchase price, and the divestiture was completed in 2004.



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**Education Business**

In 2002, the Company redirected its resources to the education and training field. In January 6, 2003, the Company announced the acquisition of Windsor Education Academy Inc., a Richmond, British Columbia based school specializing in English as a Second Language (ESL) courses to foreign students. Total consideration was C\$ 200,000 (about US\$ 128,000). Windsor Education Academy Inc., a Richmond, British Columbia based school offers English as a Second Language (ESL) courses to foreign students. Windsor is government certified. The Company will help Windsor to expand locally as well as internationally into China and Southeast Asia. The Company will look for further companies in this market area with the goal of introducing foreign accredited programs into the China market.

**Education and Training**

Windsor Academy has a campus in Richmond, British Columbia. They are equipped with personal computers and the standard classroom fixtures.

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

**Quicknet Acquisition in 2004**

In 2004, the Company entered into a Definitive Agreement to acquire 51% of a SMS provider in China, Beijing Quicknet Telecommunications Corp. Ltd. (Beijing Quicknet), from non-affiliates through its Hong Kong subsidiary Infonet Investment LTD. In order to comply with current Chinese law, the Company will acquire 49% immediately upon closing and will retain the right to acquire the 2% as soon as it is able to obtain Government approval or achieve a legal structure (under Chinese law) which allows control of the 2% thereby aggregating 51%).

The Company acquired 49% of Beijing Quicknet for a price of US\$3,060,000 (three million and sixty thousand US dollars) in form of issuing 6,120,000 (six million one hundred and twenty thousand) common shares of the Company's stock at a deemed price of US\$0.50 per share. The remaining 2% will be conveyed for US\$100 when either of the following is completed to the satisfaction of the Company (1) the appropriate government ministry in China approving the transfer of the 2%, or (2) an acceptable legal mechanism for the transfer of the 2% ownership is arranged. Furthermore, the Company has the option to acquire the remaining 49% of Beijing Quicknet within 2 years from the Closing Date. If the Company exercises the option to purchase the remaining 49% of Beijing Quicknet within first year from the Closing Date, the purchase price will be US\$4,000,000 (four million US dollars); if the Company exercises the option to purchase the remaining 49% of Beijing Quicknet within the second year from the Closing Date, the purchase price will be US\$5,000,000 (five million US dollars). The purchase price will be in the form of a combination of cash and the issuance of common shares of the Company.

The Company has the right to appoint all of the directors of Beijing Quicknet.

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**Discontinued Internet Services**

Up until late 2002, the Company business was focused on domain name registration, webhosting and web design services under the ChinaDNS banner. It operated the website www.chinadns.com, the first in the PRC to offer online 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 Agreement to sell the domain name registration business to China Enterprise an ASP for about \$2,400,000, which sale was completed in 2004. We are treating the DNS business as discontinued operations at this time, as China Enterprise is 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 rapidly growing client base, the Company hopes to become one of the largest providers of mobile business solutions in China. The first product launched is mobile marketing solution for enterprises.

**Education and Training**

The Company is currently offering English as a Second Language (ESL) and related courses through Windsor Education Academy in the Richmond campus. The Company owns 100% of Windsor, a B.C. company.

**MARKETING**

Windsor Education Academy uses the printed media as well as recruitment agents to attract students. Word of mouth is also an important endorsement. Windsor is also a British Columbia Provincial Government endorsed ESL provider, receiving students from government programs, where the fee is paid by the government. Windsor is continuously working to improve its recognition for quality and service with the British Columbia Provincial Government.

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**News Advertising Service**

On July 3, 2003, the Company acquired 51% of Dawa Business Group Inc. ("Dawa") in exchange for 49% of our subsidiary, Windsor Education Academy Inc. ("Windsor"). The Company closed its Dawa operations abandoned any interest in Dawa and received back its 49% of Windsor Education Academy, Inc.

**PRODUCTS, SERVICES, MARKETS, METHODS OF DISTRIBUTION**

**Mobile Solutions for Quicknet in China**

(1) Products and services:

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

- o For customer acquisition
- o For customer retention
- o For loyalty building
- o As a sales promotion tool
- o To support product launches
- o To raise brand awareness
- o For internal communications
- o As a redemption /coupon tool
- o For direct marketing
- o As an effective business to business communications vehicle
- o As an additional revenue stream
- o To be able to offer time / location specific offers
- o As a channel for delivering ring tones and logos

As China has over 334 million mobile phone subscribers by the end of 2004, and management believes there will be more demand from the enterprises to utilize mobile phones as a new media for their marketing.

(2) Method of distribution and Marketing: Mobile Solutions

The Company will use four outlets to approach the market for its mobile business solutions: agents, mobile carriers, in-house sales staffs and sales support branches.

**Education and Training**

(1) Educational Product and Service

Windsor provides ESL (English as a Secondary Language) and related courses in Canada. In a recent study conducted by the OECD (Organization of Economic Cooperation and Development) and the UNESCO (United Nations Educational Scientific and Cultural Organization) titled "Financing Education - Investments and Returns", attributed education as a key ingredient in a country's economic growth. The study also examined sources of funding and found that 44% of educational expenditure for China came from private sources compared to an OECD average of 12%. Our first acquisition, Windsor is government certified. The Company will help Windsor to expand locally as well as

internationally into China and Southeast Asia. The Company will look for further companies that fit this profile with the goal of introducing foreign accredited programs into the China market. For the past several years, supplementary education had become a multi-billion dollar business in China, the most popular being Foreign Schools, English Training, Data Processing, Accounting and a variety of other programs.

Started several years ago, this trend is still ascending and with the integration of China into the world community as well as the growth in personal disposable income, we expect the growth to continue for a substantial period of time.

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(2) Method of Distribution and Marketing: Education

The Company will use the printed media as well as recruitment agents to attract students for its education business. Word of mouth is also an important endorsement. Windsor is also a British Columbia Provincial Government endorsed ESL provider, receiving students from government programs, where the fee is paid by the government. Windsor is continuously working to improve its recognition for quality and service with the British Columbia Provincial Government.

**EMPLOYEES OF SUBSIDIARIES**

At the end of December 31, 2004, QuickNet had approximately 83 employees. About 27% are technical supports, 26% are sales and marketing, 17% are R&D and the rest are administrative personnel. The actual number of employees changed during the year and will change according to the expansion of the Company in the future.

At the end of December 31, 2004, Windsor had approximately eleven employees, consisting of eight full and part time teachers and three administrative personnel. The key to success is the ability to attract students either publicly or privately funded. The number of employees will change as the student body changes and there is no collectively bargaining unit at the academy.

**DEPENDENCE ON CLIENT BASE**

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

For the Education Services, there are about 100 students. Windsor is relying on the printed media, word of mouth, recruiting agents and other marketing channels to increase the number of students.

Backlog of Orders: None.

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

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**COMPETITIVE CONDITIONS**

**Mobile Solutions**

The Chinese economy has been among the fastest growing in the world for the past several years. China's economy withstood the effect of SARS and grew 9.1% in 2003. Growth matches that level in 2004 as well. China has one of the largest and fastest-growing telecom markets in the world, with the mobile phone sector in particular having become the world's number one with more than 334 million by the end of 2004. Mobile solutions, which use mobile phone as a new media, has created a large market in China. There are two types of markets in this field: the individual market and the corporate market. Competition on individual market is fiercer than the corporate market since the individual market is much saturated thus become less lucrative. Beijing an early bird in corporate market and possessed by nearly 500,000 corporate data base from previous operation, the Company will have more growth potential than if the Company targeted the highly competitive consumer mobile market.

**Education Services**

In Windsor's business, the supplementary education and training market is very fragmented, there are very few large ones and numerous small schools, established mostly in larger cities worldwide. There are several keys to a school's success, such as, quality of its curriculum and graduates, teachers and facilities, certifications and diplomas offered, location and accessibility, marketing and advertising, variety of programs offered, etc. The Company is striving to improve on all fronts as well as expanding through acquisitions and into the mainland China market.

**CHINA MOBILITY SPONSORED RESEARCH AND DEVELOPMENT**

None.

**COMPLIANCE WITH RELATED LAWS AND REGULATIONS**

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

On the Education Services side, Windsor Education Academy Inc. is governed by the Laws of the Province of British Columbia, Canada. The Company is fully licensed to conduct its business in the Province. The Company is unable to assess or predict at this time what effect the regulations or legislation could have on its activities in the future.

(a) Local regulations

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

(b) National regulations

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

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

(c) Parents and Subsidiaries

*Parent:*

China Mobility Solutions, Inc., a Florida corporation

*Subsidiaries:*

INFORNET INVESTMENT CORP., a British Columbia corporation (100%)

INFORNET INVESTMENT LTD., a Hong Kong corporation (100%)

XIN BIZ Corp (100% owned BVI Corp.) (Dormant)

XIN BIZ Limited (a Hong Kong Corp) (100% owned subsidiary of XIN BIZ Corp.) (Dormant)

WINDSOR EDUCATION ACADEMY, INC. (100% owned British Columbia Corp.)

The Company is a minority shareholder of THE LINK GROUP, INC. (formerly called World Envirotech, Inc.) See Company 2003 Financial Statement, Note 6.

The Company, through InforNet (Hong Kong) is the holder of 49% of Beijing Quicknet.

**BUSINESS SEGMENTS**