

CHINA WIRELESS COMMUNICATIONS INC
Form 10KSB/A
June 13, 2006

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

FORM 10-KSB/A
AMENDMENT NO. 1

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 333-49388
CHINA WIRELESS COMMUNICATIONS, INC.
(Name of small business issuer in its charter)

NEVADA
(State or other jurisdiction
of incorporation or organization)

91-1966948
(I.R.S. Employer
Identification No.)

1746 COLE BOULEVARD, SUITE 225, GOLDEN, CO 80401-3210
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: 303-277-9968

Securities registered under Section 12(b) of the Exchange Act: NONE
Securities registered under Section 12(g) of the Exchange Act: NONE

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

NOTE - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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. Yes No

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State issuer's revenues for its most recent fiscal year: \$338,215

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State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days: \$14,829,497 AS OF MARCH 31, 2006

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 122,025,069 AS OF MARCH 31, 2006.

Transitional Small Business Disclosure Format (Check one): Yes _____ ; No

EXPLANATORY NOTE

This Amended Report on Form 10-KSB/A (Form 10-KSB/A") is being filed as Amendment No. 1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, which was filed with the Securities and Exchange Commission ("SEC") on May 22, 2006. The Company is filing this Amendment No. 1 in order to correct its financial statements. The financial statements in the original filing inadvertently contained (i) an error in the total liabilities and stockholders' deficit total on the balance sheet; (ii) errors for net loss per share on the Statement of Operations; and (iii) errors in additional paid-in capital and accumulated deficit on the Statement of Shareholders' Equity.

As a result of this Amendment No. 1, the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed as exhibits to the original filing, have been re-executed and re-filed as of the date of this Amendment No. 1 on Form 10-KSB/A.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We caution readers regarding forward looking statements found in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by or on our behalf. We disclaim any obligation to update forward-looking statements.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

CORPORATE BACKGROUND

We were originally incorporated in Nevada on March 8, 1999 under the name AVL SYS International Inc ("AVL SYS"). On March 9, 2000, AVL SYS changed

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its name to I-Track, Inc ("ITI"). Effective September 30, 2001, ITI entered into an exclusive worldwide distribution agreement with AVL Information Systems Ltd. ("AVL"), an affiliated Canadian public company. Under the agreement, ITI was licensed to market and distribute all of the products manufactured by AVL. The exclusive distribution agreement with AVL was cancelled in September 2002 at which point ITI began to seek another business opportunity. On March 21, 2003, ITI entered into an "Assignment and Assumption Agreement" with AVL, whereby ITI distributed to AVL all its assets and AVL assumed all liabilities of ITI. Accordingly, as of March 21, 2003, ITI entirely ceased its prior business operations.

On March 22, 2003, ITI acquired all of the issued and outstanding shares of Strategic Communications Partners, Inc., a Wyoming corporation ("SCP"), pursuant to the terms of a Share Exchange Agreement. A total of 19,000,000 restricted shares of ITI's common stock were issued to the shareholders of SCP, resulting in the SCP shareholders as a group owning approximately 88.4% of the outstanding shares of common stock. At this time, SCP became a wholly owned subsidiary. On March 24, 2003, in connection with our acquisition of SCP, ITI's name was changed to China Wireless Communications, Inc.

SCP was incorporated in the State of Wyoming on August 13, 2002. Through a subsidiary in China, Strategic Communications Partners Limited ("SCPL"), it provided financial, technical, and marketing services in Beijing, People's Republic of China ("PRC"). SCPL was incorporated in Hong Kong on December 9, 2002. SCPL's business activities to date consist solely of supporting the Beijing operations. On March 4, 2003, SCPL set up a wholly owned enterprise, Beijing In-Touch Information System Co. Ltd. ("In-Touch") in the PRC. Effective July 31, 2004, SCP was merged into us. SCPL then became a direct subsidiary of us as a result of the merger.

2

In-Touch provided broadband data, video and voice communications services to customers that were not served by existing landline based fiber networks. During the quarter ended December 31, 2004, we closed In-Touch due to high operational expenses incurred and flat sales/revenue generation of the transport business in 2004. All office leases were terminated and transport equipment returned to respective vendors. Additionally, all staff and employees were terminated effective October 1, 2004.

In August 2003, we signed a contract with MCI International Ltd. Co. ("MCI"), with the intent to provide MCI's asynchronous transport mode ("ATM") services to markets in North America, the South Pacific, Asia and Europe (the "MCI Agreement"). We never utilized the ATM and the circuit was disconnected in September 2005.

In December 2004, we signed a strategic consulting agreement with Jiaxin Consulting Group, Inc., a British Columbia corporation ("Jiaxin") to obtain assistance in financial asset management, financial internal controls, operational oversight, and business development in China. On March 8, 2005, we entered into a strategic agreement with Jiaxin for the purpose of forming a holding company for our Chinese operations and incorporated CJ Information Technology Company in Nevada on March 10, 2005. We own 51% of CJ Information Technology Company, while Jiaxin owns 49%. Our original plan was to acquire an interest in Tianjin Create Co., a systems integration and information technology company located in Tianjin, China ("Tianjin Create Co.") through CJ Information Technology Company. However, we have since reassessed our business model and have determined to change the focus of our business. As part of this change, we terminated our agreements with Jiaxin in June 2005 in order to focus on our

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investment in Tianjin Create Co., as more fully described below. As such, CJ Information Technology Company has been dormant since its inception in March 2005.

We are now working to change our business from the management of a wireless broadband network to the development of technology integration and IP services in China. Part of this effort involves seeking complementary technologies to build a broad base of products and services to be marketed in China as well as in North America. This broad focus incorporates vertical integration of telephony, IP security, manufacturing, medical and industrial. Investments in these industries will be based on a company's positive financial cash flow, strong management, unique or superior technology/innovation, and its value to the overall corporation's portfolio of companies.

On May 24, 2005, we entered into a letter agreement to acquire 51% of the stock of Tianjin Create Co. for total consideration of \$53,840, comprised of cash in the amount of \$40,379 and 448,665 shares of our common stock valued at \$0.03 per share, (a total of \$13,460 in our common stock). We have since paid \$13,460 in common stock and cash of \$8,000 to the founders of Tianjin Create Co. On May 18, 2006, we entered into an amended agreement whereby we agreed to further pay \$105,307 in cash to the founders of Tianjin Create Co. by August 31, 2006.

We acquired Tianjin Create Co. in part because of its strategic location in Tianjin City, the third largest city in China. Also, as an established, young, forward-looking company with a customer base in the education, oil and gas, banking, brokerage, commercial and government sectors, Tianjin Create Co. provides a solid base to rebuild our presence in China.

INDUSTRY BACKGROUND

With over 60 million users, China has surpassed Japan to become the world's second largest Internet market. Enterprises have installed high-speed local area networks to support bandwidth-intensive applications, and the large monopoly carriers have invested hundreds of millions of dollars in fiber optic networks to provide massive backbone network capacity.

The opportunity to provide high-speed wireless broadband for customers utilizing existing carriers transport as well as broadband radio transport will now be part of our overall strategy to become an information technology provider. We will utilize proven information technology to complete and meet end users' business objectives as well as increased revenue for the company. These customers would include commercial business, universities and government enterprises.

3

The communications and information services industries are highly competitive. Many of our existing and potential competitors have financial, personnel, marketing and other resources significantly greater than ours. Many of these competitors have the added competitive advantage of a larger existing customer base. In addition, significant new competitors could arise as a result of:

- the recent increased consolidation in the industry;
- further technological advances; and
- further deregulation and other regulatory initiatives.

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If we are unable to compete successfully, our business could be materially adversely affected.

COMPLIANCE WITH GOVERNMENTAL REGULATIONS

Our operations and partnerships are subject to various levels of government controls and regulations in the PRC. As a result, we may be exposed to certain risks associated with, among others, the political, economic and legal environment and foreign currency exchange. Our results may be adversely affected by change in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, and remittance abroad, and rates and methods of taxation, among others. Our management does not believe these risks to be significant. We cannot assure you, however, that changes in political and other conditions will not result in any adverse impact.

EMPLOYEES

As of March 31, 2006, we have including Tianjin Create Co., 15 full-time employees.

ITEM 2. DESCRIPTION OF PROPERTY.

Our principal executive offices are located at 1746 Cole Boulevard, Suite 225, Golden, Colorado, where we lease approximately 800 square feet of space on a lease expiring in August 2005.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our common stock was approved for trading on the over-the-counter bulletin board ("OTCBB") under the symbol "ITRK" on August 7, 2001. On December 2, 2002, the symbol was changed to "ITCK" and there was a 1-for-20 reverse stock split. On March 28, 2003, the symbol was changed to "CWLC", after we changed our name to China Wireless Communications, Inc. The following table sets forth the range of high and low closing bid quotations of our common stock for each fiscal quarter shown, as adjusted to reflect the reverse stock split:

| | BID OR TRADE PRICES | |
|------------------------------|---------------------|----------|
| | HIGH | LOW |
| | ---- | --- |
| 2004 FISCAL YEAR | | |
| Quarter Ending 03/31/04..... | \$ 0.89 | \$ 0.460 |

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| | | |
|------------------------------|---------|----------|
| Quarter Ending 06/30/04..... | \$ 0.61 | \$ 0.175 |
| Quarter Ending 09/30/04..... | \$ 0.40 | \$ 0.041 |
| Quarter Ending 12/31/04..... | \$ 0.18 | \$ 0.036 |

| | HIGH ---- | LOW --- |
|------------------------------|--------------|------------|
| 2005 FISCAL YEAR | | |
| Quarter Ending 03/31/05..... | \$ 0.06 | \$ 0.06 |
| Quarter Ending 06/30/05..... | \$ 0.03 | \$ 0.02 |
| Quarter Ending 09/30/05..... | \$ 0.04 | \$ 0.04 |
| Quarter Ending 12/31/05..... | \$ 0.02 | \$ 0.02 |
| Quarter Ending 03/31/06..... | \$ 0.20 | \$ 0.01 |

The above quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

As of December 31, 2005, there were approximately 246 record holders of our common stock

During the last three fiscal years, no cash dividends have been declared on our common stock and we do not anticipate that dividends will be paid in the foreseeable future.

During quarter ended December 31, 2005 there were no unregistered securities issued.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

OVERVIEW

On March 22, 2003, I-Track Inc. acquired all of the issued and outstanding shares of Strategic Communications Partners, Inc., a Wyoming corporation ("SCP"), pursuant to the terms of a Share Exchange Agreement, resulting in the shareholders and management of SCP having actual and effective control of I-Track Inc. On March 24, 2003, I-Track Inc. changed its name to China Wireless Communications, Inc. to better reflect the business activities of the company.

We were in the development stages in 2003 and 2004 and continued to maintain a high cost for operations with very little sales/revenue value to achieve breakeven. SCP had no revenues in 2002. We began to record revenues in June 2003. The primary activities during 2003 included: the finalization of our analysis of the market in Beijing and China for wireless broadband; setting up a Beijing office with a sales, engineering and administrative staff to market and support the sale of our high speed wireless broadband services; negotiating agreements and alliances with its partners to allow In-Touch to sell its services and value-added products; and the initiation of the construction of its fixed wireless broadband network system in Beijing.

During the quarter ended December 31, 2004, we closed In-Touch due to high operational expenses incurred and flat sales/revenue generation of the transport business in 2004. All office leases were terminated and transport equipment returned to respective vendors. Additionally, all staff and employees were terminated effective October 1, 2004. We are continuing our transition from management of a wireless broadband network to the development of technology integration and IP services in China. Part of this effort involves seeking complementary technologies to build a broad base of products and services to be

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marketed in China as well as in North America. This broad focus

5

incorporates vertical integration of telephony, IP security, manufacturing, medical and industrial. Investments in these industries will be based on a company's positive financial cash flow, strong management, unique or superior technology/innovation, and its value to the overall corporation's portfolio of companies.

In December 2004, we signed a strategic consulting agreement with Jiaxin Consulting Group, Inc., a British Columbia corporation ("Jiaxin") to obtain assistance in financial asset management, financial internal controls, operational oversight, and business development in China. On March 8, 2005, we entered into a strategic agreement with Jiaxin for the purpose of forming a holding company for our Chinese operations and incorporated CJ Information Technology Company in Nevada on March 10, 2005. We own 51% of CJ Information Technology Company, while Jiaxin owns 49%. Our original plan was to acquire an interest in Tianjin Create Co. through CJ Information Technology Company. However, we have since reassessed our business model and have determined to change the focus of our business. As part of this change, we terminated our agreements with Jiaxin in June 2005 in order to focus on our investment in Tianjin Create Co., as more fully described below. As such, CJ Information Technology Company has been dormant since its inception in March 2005.

In furtherance of our transition plans, on May 24, 2005, we entered into a letter agreement to acquire 51% of the stock of Tianjin Create Co. for total consideration of \$53,840, comprised of cash in the amount of \$40,379 and 448,665 shares of our common stock valued at \$0.03 per share, (a total of \$13,460 in our common stock). We have since paid \$13,460 in common stock and cash of \$8,000 to the founders of Tianjin Create Co. On May 18, 2006, we entered into an amended agreement whereby we agreed to further pay \$105,307 in cash to the founders of Tianjin Create Co. by August 31, 2006.

Tianjin Create Co. was established in 2002 by Frank Li, a former professor of engineering at NanKai University. We acquired Tianjin Create in part because of its strategic location in Tianjin City, the third largest city in China. We believe that Tianjin Create provides a solid base for China Wireless to rebuild its presence in China. Through Tianjin Create Co., we provide information technology and IP services to customers in China. In addition, we will be able to offer a broad base of information technologies from IP security, wireless broadband, Wi-Fi, to "last mile" transport connections.

GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of us as a going concern. We incurred a net loss for the year ended December 31, 2005 of \$1,960,714, and at December 31, 2005 had an accumulated deficit of \$10,593,741 and a working capital deficit of \$395,921. These conditions raise substantial doubt as to our ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts

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and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

We are currently developing strategic partnerships with firms in the United States, Canada, and Asia to raise capital for the purpose of acquiring firms in the PRC engaged in information technology integration, providing IP services, technology consulting and manufacturing of related technology products. Our ability to continue as a going concern is dependent upon the successful implementation of a business plan and ultimately achieving profitable operations. However, there is no assurance that we will be able to raise the necessary capital to execute our business strategy. Our inability to raise the required capital or implement our business strategy successfully could adversely impact our business and prospects.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of

6

which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates of exchange on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at year-end are translated at the approximate rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the rates of exchange prevailing at the time the asset or liability was acquired.

CHINESE TAX HOLIDAY

To date, all of our revenues have been generated in the PRC by In-Touch. As a high-tech enterprise, In-Touch was exempt from the PRC enterprise income tax from 2003 to 2005, followed by a 50% reduction for the next three years.

RESULTS OF OPERATIONS

In the quarter ended September 30, 2004, we began to evaluate the continued high cost versus revenue generation. Our management team came to the conclusion that efforts must be made to reduce operational costs and focus the sales efforts to services that brought immediate value to the network. However, we did not have the funding resources to continue to invest into the Beijing In-Touch operations unless the revenues increased significantly. We re-evaluated

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the assets and capability of In-Touch to continue as a profitable and value-added business. Therefore, late in the 3rd quarter of 2004, it was deemed imperative that we seek an alternative plan to recover the business and regain shareholder confidence in the company.

In December of 2004, we closed In-Touch in Beijing. The decision to discontinue its operations was due to higher than expected operating costs, the inability to acquire the necessary infrastructure, and increased competition. Revenues from our operations prior to December 2004 had been generated by In-Touch. Due to the closing of In-Touch, our statements of operations for 2004 did not reflect any revenues. Instead, our statements reflected losses from discontinued operations of \$3,009,949 for fiscal year 2004. In 2005, our revenues were \$338,215 and we had no losses from discontinued operations. Operating expenses for the year ended December 31, 2005 were \$2,028,385 as compared to \$3,106,942 for the year ended December 31, 2004. Net losses for the years ended December 31, 2005 and 2004 were \$1,960,714 and \$4,029,162, respectively. Operating expenses for year ended December 31, 2005 included \$1,927,876 relating to issuance of stock for compensation.

In June 2005, we terminated our agreements with Jiaxin in order to focus on our investment in Tianjin Create Co. Additionally, CJ Information Technology Company has been dormant since its inception in March 2005. In furtherance of our transition plans, on May 24, 2005, we entered into a letter agreement to acquire 51% of the stock of Tianjin Create Co. for total consideration of \$53,840, comprised of cash in the amount of \$40,379 and 448,665 shares of our common stock valued at \$0.03 per share, (a total of \$13,460 in our common stock). We have since paid \$13,460 in common stock and cash of \$8,000 to the founders of Tianjin Create Co. On May 18, 2006, we entered into an amended agreement whereby we agreed to further pay \$105,307 in cash to the founders of Tianjin Create Co. by August 31, 2006.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2005, we had current assets of \$101,623 as compared to \$4,789 at December 31, 2004, and current liabilities of \$497,544 at December 31, 2005, as compared to \$449,004 at December 31, 2004, resulting in working capital deficits of \$395,921 and \$444,215 at December 31, 2005 and December 31, 2004, respectively.

For the year ended December 31, 2005, we used \$160,025 of cash for our operating activities, while financing activities, which consisted of proceeds from the issuance of our common stock and borrowing, provided cash of \$190,267. Investing activities also used cash of \$20,252, which consisted of the acquisition of fixed assets. In comparison, during 2004, we used \$1,066,583 of cash for operating activities and \$422,436 for a decrease in

pledged deposits and the discontinued operations, which cash of \$645,130 was provided by financing activities. Financing activities consisted of sales of our common stock and borrowing.

PLAN OF OPERATION

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We are focusing our efforts on becoming a premier information technology company. We believe that the information technology business is beginning to develop quickly in China and that we can be a major player in its development. Additionally, we have identified several unique and innovative North American technologies that can be marketed to business customers in China through our subsidiary, Tianjin Create Co. As the Company begins to execute its business plan, we will utilize the leadership of Tianjin Create Co. to oversee and manage the operations in China. Staffing levels in China will be increased only as required or as such action is required due to business growth.

The acquisition of Tianjin Create Co. has reestablished our business presence in China as we build upon its existing business and experience. We manage all of our operations in China via Tianjin Create Co. Tianjin Create Co. is a key component to building the company's broad base information technology, products and services in China, including computer installation and maintenance, broadband transport service, server installation maintenance and support, internet services, broadband transport redundancy, fixed wireless transport and information hosting.

Tianjin Create Co. operates in Tianjin City, the third largest city in China. Comparable in many respects to Chicago, Illinois in the United States, Tianjin City has a population of approximately 10,000,000 people and is a major import and export center for China. Major industries and markets located in Tianjin City include educational, industrial, international port city, medical, manufacturing and government. Tianjin City is Beijing's gateway to the sea and has over 25 ten thousand ton ship berths. The harbor is considered the number one demarcation point for products entering and leaving China. Tianjin's harbor is geographically the second largest in China.

In addition to being the industrial and financial capital of northern China, Tianjin City is home to 31 of China's most noteworthy universities, including Tianjin University, China's first neoteric university. Tianjin City is also the headquarters for Motorola Corporation of China. Tianjin has been selected to host the 2008 Olympic Games Football (Soccer) contests.

Through Tianjin Create Co., we provide information technology and IP services to customers in China. Our newly formed partnership has enabled us Company to provide engineering and IP service support for existing and future IP customers in China. The customer base includes Nankia University, Tian Sea Transportation Company and Tianjin Gas Company. Additionally 20 of Tianjin City's 31 universities utilize products or services provided by Tianjin Create Co. We are also able to offer a broad base of information technologies ranging from IP security, wireless broadband, and Wi-Fi to "last mile" transport connections.

The design and construction of fixed wireless broadband network systems will be part of the overall information technology strategies being executed. Each of the companies with which we are considering partnering has sufficient telephony and broadband access capabilities to meet their business objectives. However, we plan to broaden our scope to become a systems solutions company that will provide a broad base of information technologies through our partnership companies. These technologies include, but are not limited to, engineering design, implementation of Wi-Fi, fixed broadband wireless, systems integration, IP security, information firewalls, data storage, voice/video/data telecommunications services and managed communications services. To further broaden our scope, we are exploring leading edge technologies in the equipment manufacturing, education, brokerage/bank security, network/computer security, interactive video, oil & gas, power (electrical) disaster recovery & monitoring and medical industries to acquire.

The Board and management team believe the best path to regain shareholder value, establish profitability, and improve the Company's stock

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performance is to focus on acquiring complementary technology and/or cash flow-positive companies interested in a long term relationship. Thus, we are evaluating potential acquisition targets in North America in order to market innovative products and services through our assets in China. A subsidiary relationship similar to that of our Tianjin Create Co. structure would be employed for a North American entity. The subsidiary company in turn may form a foreign joint venture, as required by the laws of the local jurisdiction.

8

The advantage of pursuing this course of action is to reduce investment and startup costs while focusing on achieving positive cash flow in a timely manner. The companies being evaluated as possible acquisitions have captured a segment of the growing market in their technology specialty and require the subject matter proficiency, access to future funding, and new technology that the Company can provide. Additionally, the companies being evaluated as possible acquisitions would be cash flow positive, having complementary technology, broad customer bases, and strong management focused on forming a partnership with a public company for the long term.

As part of our ongoing business planning, we are continuing discussions with an outside management-consulting group to assist with business development, fund raising strategies, acquisition of information technology products, public relations, and support for the Board and management. The management-consulting group would also provide direction and focus for existing and new market penetration.

We intend to expand our Tianjin Create Co. operation in order to better take advantage of system integration opportunities available. The focus of our systems integration efforts have been in the educational, transportation, natural gas and manufacturing markets. In addition, the pool of highly skilled engineering, marketing, sales, and operations personnel in China will be key to our success in growing our business. We also intend to expand our US operations by investing in sales/marketing staff to market products in North America.

We anticipate that we will incur the following expenses over the next twelve months:

1. \$500,000 to \$850,000 in connection with the potential acquisition of an e-commerce company located in China, to include associated due diligence costs; and

2. \$800,000 to \$1,500,000 in connection with the potential acquisition of manufacturing operations to include educational products, health/medical products, and telecommunications services; and

3. \$200,000 to \$500,000 in connection with the expansion of our marketing of products and services in North America; and

4. \$350,000 for operating expenses, including professional legal and accounting expenses associated with our being a reporting issuer under the Securities Exchange Act of 1934.

Accordingly, we anticipate spending approximately \$1,850,000 to \$3,200,000 over the next twelve months in pursuing our stated plan of operations.

We have insufficient cash to cover our costs associated with our plan of operations or our other working capital requirements. We expect that we will require additional funding to cover these anticipated costs. We further

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anticipate that additional funding will be in the form of equity financing from the sale of our common stock or through debt financing. However, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our securities to fund our stated plan of operations or our other working capital requirements. We do not presently have any arrangements in place for any future debt or equity financing.

ITEM 7. FINANCIAL STATEMENTS.

See pages beginning with page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On January 11, 2005, Moores Rowland Mazars resigned as our independent public accountants. Our board of directors approved the resignation of Moores Rowland Mazars. Moores Rowland Mazars had audited our consolidated balance sheet as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2003 and for the period from August 13, 2002 (inception) to December 31, 2002 and the amounts included in the consolidated cumulative period from August 13, 2002 (inception) through December 31, 2003.

9

The audit report of Moores Rowland Mazars on the financial statements as of December 31, 2003 and for the year ended December 31, 2003 and for the period from August 13, 2002 (inception) to December 31, 2002 did not contain any adverse opinion or disclaimer of opinion, nor was it modified as to audit scope, accounting principles or uncertainty, except for a going concern opinion expressing substantial doubt about our ability to continue as a going concern.

During the two fiscal years ended December 31, 2002 and December 31, 2003, respectively, and the subsequent interim period through January 11, 2005, there were no disagreements with Moores Rowland Mazars on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Moores Rowland Mazars, would have caused it to make reference to the subject matter of the disagreement in connection with its report. There were no other "reportable events" as that term is described in Item 304(a)(1)(iv) of Regulation S-B occurring within the two fiscal years ended December 31, 2002 and December 31, 2003, respectively, and the subsequent interim period ended January 11, 2005.

On February 1, 2005, we engaged Bongiovanni & Associates, C.P.A., based in Charlotte, North Carolina, as our principal accountant to audit our financial statements for the year ending December 31, 2004. Our board of directors approved the engagement of Bongiovanni & Associates, C.P.A.

Prior to the engagement of Bongiovanni & Associates, C.P.A., we had not consulted Bongiovanni & Associates, C.P.A. as to the application of accounting principles to any specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements, and no written or oral advice was provided that was an important factor considered by us in reaching a decision as to an accounting, auditing or financial reporting issue.

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ITEM 8A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer / Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934 as of December 31, 2005. Based on his evaluation, our Chief Executive Officer / Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of the date of the evaluation.

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in the preceding paragraph.

ITEM 8B. OTHER INFORMATION.

None.

10

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Our executive officers and directors are:

| NAME | AGE | POSITION |
|----------------------|-----|---|
| Pedro E. Racelis III | 55 | President, Chief Executive Officer and Director |
| Henry Zaks | 62 | Director |
| Michael Bowden | 56 | Chief Operations Officer and Director |
| Brad Woods | 46 | Director |

Vacancies in our board are filled by the board itself. Set forth below are brief descriptions of the recent employment and business experience of our executive officers and directors.

PETE RACELIS, PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR

Mr. Racelis has been our President, Chief Executive Officer, and a director since June 2004. A veteran of direct sales and management in multi-national companies for more than 21 years, Pete has extensive experience with telecommunications, operations, management and organizational skills. Prior to joining the company in October 2002, Mr. Racelis sold hardware and software solutions to telecommunications carriers, financial institutions, and commercial businesses both nationally and internationally in North America. Mr. Racelis has held executive level positions as Vice President/GM at Winstar Wireless (1995-1997), Director of Sales at Amati Corporation (1997-1998), and Vice President at Stox.com (1998 - 2001).

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HENRY ZAKS, DIRECTOR

Mr. Zaks has been a director since October 2003. Since March 1973, he has been the President of Zaks-Shane, LTD and Health Insurance Services, Inc. since December 1988. Both are Wisconsin-based organizations that specialize in marketing business-to-business solutions to both corporations and small companies. He has over 35 years experience as a sales professional.

MICHAEL A. BOWDEN, CHIEF OPERATIONS OFFICER AND DIRECTOR

Mr. Bowden has been our Chief Operations Officer since February 2005 and a director since January 2005. He has over 25 years of telecommunications experience in both highly technical and major account sales environments. His experience includes supporting complex projects ranging from \$100K to \$58M in annual revenue. He was a telecommunications consultant from August 2002 to February 2003. From December 2000 to August 2002, he was a senior sales engineer for Net.com, a Denver, Colorado, company that provided telecommunications equipment to carriers. Mr. Bowden was a technical support manager for Qwest Communications International Inc. (formerly US West Communications), Denver, Colorado, from October 1998 to December 2000.

BRAD WOODS, DIRECTOR

Mr. Brad Woods served as our Interim President & CEO from August 2003 to June 2004, and chief financial officer, secretary, and treasurer from March 2003 to June 2004. He has been a director since March 2003. He is a member of Breckenridge Capital Consulting Group, LLC. He has extensive experience in international investments, acquisitions, taxation, and computer applications with both public and private companies. Mr. Woods has also worked for Arthur Andersen & Co., where he executed projects for and on behalf of clients in the oil and gas, financial services, leasing, lodging, retail and light manufacturing industries. His experience includes practicing before the

11

Securities and Exchange Commission, both with existing public companies and initial public offerings. He has also served as an advisor to numerous companies. Mr. Woods is a CPA in Colorado.

CONFLICTS OF INTEREST

Our officers and directors are, so long as they are our officers or directors, subject to the restriction that all opportunities contemplated by our plan of operation which come to their attention, either in the performance of their duties or in any other manner, will be considered opportunities of, and be made available to us and the companies that they are affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If we or the companies with which the officers and directors are affiliated both desire to take advantage of an opportunity, then said officers and directors would abstain from negotiating and voting upon the opportunity. However, all directors may still individually take advantage of opportunities if we should decline to do so. Except as set forth above, we have not adopted any other conflict of interest policy with respect to such transactions.

COMMITTEES

In fiscal 2005 the board of directors did not have a standing audit, nominating, or compensation committees, rather the entire board of directors

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acted in such capacity. We do not have an audit committee financial expert.

CODE OF ETHICS

We have not yet adopted a code of ethics. We intend to do so in the near future.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

We are not subject to Section 16(a) of the Securities Exchange Act of 1934.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth information the remuneration of our chief executive officers and our four most highly compensated executive officers who earned in excess of \$100,000 per annum during any part of our last three fiscal years:

SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION | ANNUAL COMPENSATION | | | | LONG TERM COMPENSATION | | |
|--|---------------------|-------------|------------|---|-----------------------------------|---------|--|
| | YEAR | SALARY (\$) | BONUS (\$) | OTHER ANNUAL COMPENSA- TION (\$) | AWARDS | | SECURITIES UNDERLYING OPTIONS/ SARS (#) |
| | | | | | RESTRICTED STOCK AWARD (\$) | PA | |
| Pedro Racelis, III President (1) | 2003 | N/A | N/A | N/A | N/A | N/A | |
| | 2004 | -0- | -0- | -0- | 64,000 | 800,000 | |