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

Form 10QSB

August 15, 2005

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: June 30, 2005

Commission file number 0-26559

CIK No. 0001082603

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

XIN NET CORP.  
(Former name)

Florida	330-751560
-----	-----
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

#900 - 789 West Pender Street, Vancouver, B.C. Canada V6C 1H2

-----  
(Address of principal executive offices) (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.

X	YES	NO
-----	-----	-----

As of June 30, 2005, there were 16,921,670 shares of \$0.001 par value common stock outstanding.

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CHINA MOBILITY SOLUTIONS, INC.  
INDEX TO QUARTERLY REPORT  
ON FORM 10-QSB  
June 30, 2005

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES  
 (formerly Xin Net Corp.)  
 CONSOLIDATED BALANCE SHEETS  
 June 30, 2005 and December 31, 2004  
 (Unaudited - Prepared by Management)

Stated in U.S. dollars

2005

(Unaudited)

ASSETS

Current Assets

Cash and Cash Equivalents	\$	5,843
Accounts receivable		19
Prepaid Expenses and Other Current Assets		321
Amount due from related parties		20

-----  
 Total Current Assets 6,204

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Investment			
Property and Equipment, Net (Note 2)			5
Goodwill			973
-----			
Total Assets		\$	7,184
=====			
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Other Accrued Liabilities		\$	296
Deferred Revenue			2,177
Amount due to related parties (Note 7)			129
-----			
Total Current Liabilities			2,603
Minority Interest			165
Commitments and Contingencies			
Stockholders' Equity			
Common Stock : \$0.001 Par Value			
Authorized : 50,000,000			
Issued and Outstanding : 16,921,670 (2004: 15,826,670)			16
Additional Paid In Capital			9,269
Accumulated Deficit			(4,692)
Accumulated Other Comprehensive Loss			(178)
-----			
Total Stockholders' Equity			4,415
-----			
Total Liabilities and Stockholders' Equity		\$	7,184
=====			

(The accompanying notes are an integral part of these financial statements)

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CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES  
(formerly Xin Net Corp.)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the three month period and six month period ended June 30, 2005 AND June 30, 2004  
(Unaudited - Prepared by Management)

		Three months ended		
		June 30,	June 30,	
		2005	2004	
-----				
Stated in U.S. dollars				
-----				
Revenue				
Mobile marketing services	\$	1,131,988	\$ -	\$
Tuition fee		32,630	62,769	
-----				

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	1,164,618	62,769
Cost of revenue		
Mobile marketing services	310,925	-
Tuition fee	16,579	13,828
-----		
	327,504	13,828
Gross profit	837,114	48,941
Expenses		
Advertising and promotion	268,112	-
Consulting and professional	11,529	20,793
Depreciation	576	805
Foreign exchange loss	1,016	4,696
General and administrative	32,576	28,622
Investor relations	87,825	-
Legal settlement	-	29,513
Rent	171,334	11,967
Salaries, wages and sub-contract	389,569	34,836
Website development	-	-
-----		
	962,537	131,232
Operating Income (Loss)	(125,423)	(82,291)
Other Income and Expenses		
Interest income	19,172	29,555
Other income	19	1,186
Equity loss	-	(81,273)
-----		
	19,191	(50,532)
Income (Loss) before minority interest and discontinued operations	(106,232)	(132,823)
Minority interest	(5,781)	9,677
-----		
Loss from Continuing Operations	(112,013)	(123,146)
Discontinued operations		
Loss from discontinued business press operations	-	(62,142)
-----		
Net Loss Available to Common Stockholders	\$ (112,013)	\$ (185,288)
=====		
Earnings (loss) per share attributable to common stockholders:		
Earnings (loss) from continuing operations	\$ (0.01)	\$ (0.01)
Earnings (loss) from discontinued operations	0.00	(0.00)
-----		
Total basic and diluted	\$ (0.01)	\$ (0.01)
=====		
Weighted average number of common shares outstanding:		
Basic and diluted	16,921,670	13,966,011
=====		

(The accompanying notes are an integral part of these financial statements)

CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES  
 (formerly Xin Net Corp.)  
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
 for the Period from December 31, 2003 to June 30, 2005  
 (Unaudited - Prepared by Management)

Stated in U.S. dollars	Common Shares	Stock Amount At Par Value	Additional Paid In Capital	Accumulate Deficit
<hr/>				
Balance, December 31, 2003	41,360,010	41,360	8,194,045	\$ (7,659,
Issuance of common stock for acquisition of Quicknet on June 23, 2004	6,120,000	6,120	544,680	
Reverse stock split 3:1 on June 24, 2004	(31,653,340)	(31,653)	31,653	
Net income for the year ended December 31, 2004				3,018,
<hr/>				
Foreign currency translation adjustments				
Balance, December 31, 2004	15,826,670	\$ 15,827	\$ 8,770,378	\$ (4,640,
Issuance of common stock for cash on exercise of stock options on February 24, 2005 @\$0.30	495,000	495	148,005	
Issuance of common stock for investor relations services	600,000	600	350,700	
Net loss for the six months ended June 30, 2005				(51,
<hr/>				
Foreign currency translation adjustments				
<hr/>				
Balance, June 30, 2005	16,921,670	\$ 16,922	\$ 9,269,083	\$ (4,692,
<hr/>				

(The accompanying notes are an integral part of these financial statements)

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CONSOLIDATED STATEMENTS OF RETAIN EARNINGS  
For the three month period and six month period ended June 30, 2005 AND June 30,  
(Unaudited - Prepared by Management)

Stated in U.S. dollars	Three months ended		Six m
	June 30, 2005	June 30, 2004	June 30, 2005
Retained earnings (Deficit), beginning of period	\$ (4,580,215)	\$ (7,678,545)	\$ (4,640,956)
Net Loss Available to Common Stockholders	(112,013)	(185,288)	(51,272)
Retained earnings (Deficit), end of period	\$ (4,692,228)	\$ (7,863,833)	\$ (4,692,228)

(The accompanying notes are an integral part of these financial statements)

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CHINA MOBILITY SOLUTIONS, INC. AND SUBSIDIARIES  
(formerly Xin Net Corp.)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the three month period and six month period ended June 30, 2005 AND June 30, 2004  
(Unaudited - Prepared by Management)

	June 30, 2005	Three mo June 30, 2004
Cash flows from operating activities		
Net loss	\$ (112,013)	\$ (185,288)
Adjustments to reconcile net loss to net cash		20,488
Provided by (Used in) operating activities		
Depreciation and amortization	576	1,200
Loss on disposal of subsidiary		41,290
Translation adjustments	2,909	5,970
Minority interest	5,781	(9,670)
Non-cash operating expenses	87,825	
Equity loss		81,270
Changes in assets and liabilities		
(Increase)Decrease in accounts receivable	9,931	(20,570)

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(Increase)Decrease in prepaid expenses and other current assets	(33,318)	6,97
Increase in amount due from (to) related parties	157,089	(41,21
Decrease in accounts payable	(103,980)	(85,77
Increase in deferred revenue	161,247	25,42
Increase in liabilities to be disposed of		137,92
<hr/>		
Net cash provided by (used in) operating activities	176,047	(21,96
<hr/>		
Cash flows from investing activities		
Cash transferred in from acquisition of Quicknet		1,477,35
Cash transferred out from disposal of Dawa		(15,21
<hr/>		
Net cash flows provided by financing activities		1,462,13
<hr/>		
Cash flows from financing activities		
Issuance of common stock for cash		
<hr/>		
Net cash flows provided by financing activities	-	
<hr/>		
Effect of exchange rate changes on cash		(1,08
Net cash provided by discontinued operations		(10,86
Increase in cash and cash equivalents	176,047	1,428,22
Cash and cash equivalents - beginning of period	5,667,735	3,304,01
<hr/>		
Cash and cash equivalents - end of period	\$ 5,843,782	\$ 4,732,24
<hr/>		
Supplemental Information :		
Cash paid for :		
Interest	\$ 2	\$
Income taxes	-	
Non-cash investment :		
Issuance of 2,040,000 common shares for the acquisition of Quicknet	\$ -	\$ 1,224,00
Issuance of 600,000 common shares for services rendered	351,300	

(The accompanying notes are an integral part of these financial statements)

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CHINA MOBILITY SOLUTIONS, INC.  
(Previously known as Xin Net Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2005  
(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

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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 fiscal year ended December 31, 2004 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.

Certain items have been reclassified to conform to the current period presentation. There is no effect on total results of operations or stockholders' equity.

### 2. Property and Equipment

	June 30, 2005	December 31, 2004
Equipment	\$ 24,832	\$ 24,832
Library	9,554	9,554
Furniture	9,975	9,975
	-----	-----
Total	44,361	44,361
Less: Acumulated depreciation	(38,962)	(37,812)
	-----	-----
Net book figures	\$ 5,399	\$ 6,549
	=====	=====

The depreciation expenses charged to continuing operations for the three-month and six-month periods ended June 30, 2005 were \$576 and \$1,168 respectively.

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### 3. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding during the period increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The following table sets forth the computations of shares and net loss used in the calculation of basic and diluted loss per share for the three-month and six-month periods ended June 30, 2005 and 2004:

	Three months ended June 30,	
	2005	2004
	-----	

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Income (Loss) from continuing operations	\$ (112,013)	\$ (123,146)	\$ (51,2
Income (Loss) from discontinued operations	-	(61,142)	
	-----	-----	-----
Net income (loss) for the period	(112,013)	(184,288)	(51,2
Weighted-average number of shares outstanding	16,921,670	13,966,011	16,475,6
Effective of dilutive securities:			
Dilutive options - \$0.30	-	-	
Dilutive warrants - \$2.25	-	-	
	-----	-----	-----
Dilutive potential common shares	-	-	
	-----	-----	-----
Adjusted weighted-average shares and assumed conversions	16,921,670	13,966,011	16,475,6
Basic income (loss) per share attributable to common shareholders:			
Income (loss) from continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.
Income (loss) from discontinued operations	0.00	(0.00)	0.
	-----	-----	-----
Total basic income (loss) per share	\$ (0.01)	\$ (0.01)	\$ (0.
	=====	=====	=====
Diluted income (loss) per share attributable to common shareholders:			
Income (loss) from continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.
Income (loss) from discontinued operations	0.00	(0.00)	0.
	-----	-----	-----
Total diluted income (loss) per share	\$ (0.01)	\$ (0.01)	\$ (0.
	=====	=====	=====

The effect of outstanding options and warrants was not included as the effect would be antidilutive.

On June 24, 2004, the Company carried out a 3 for 1 reverse stock-split. Figures of prior periods have been retroactively restated to reflect the effect of the reverse stock-split.

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#### 4. Share Capital

During the quarter ended June 30, 2005, the Company issued 600,000 shares of its common stock at a fair value of \$351,300 to a company for one year investor relations services until March 2006. As of June 30, 2005, \$263,475 was recorded as prepaid expenses and \$87,825 was recorded as investor relations expense.

#### 5. Share Purchase Warrants

5,884,990 Series "A" warrants were expired during the six-month period ended June 30, 2005. As of June 30, 2005, 10 Series "B" warrants were outstanding which entitle the holders to purchase a common share of the Company at \$2.25 each on or before March 31, 2006.

#### 6. Stock Options

On February 24, 2005, 495,000 stock options at \$0.30 each were exercised.

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Options outstanding at June 30, 2005 were 660,000 with option price of \$0.30 each. No options were granted, canceled or forfeited during the six-month period ended June 30, 2005. The weighted average remaining contractual life is 2.0 years.

### 7. Related Party Transactions

During the three-month and six-month periods ended June 30, 2005, the Company paid \$5,194.31 and \$10,388.62 to an officer as wages and benefits.

As of June 30, 2005, the Company has an amount of \$20,398 due to a company with a common director without interest or specific terms of repayment.

As of June 30, 2005, the Company has an amount of \$129,963 due to a director of the Company for expenses advanced on behalf of the Company. The amount is non-interest bearing and is repayable on demand.

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### 8. Segment and Geographic Data

The Company's reportable segments are geographic areas and two operating segments, the latter comprised of mobile communication 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 -----
Three months ended June 30, 2005 -----			
Revenue from continuing operations	\$1,131,988	\$ 32,630	\$ -
Operating income (loss)	4,743	(37,898)	(92,268)
Total assets	6,744,355	124,682	315,136
Depreciation	-	576	-
Interest income	19,165	7	-
Income from discontinued operations	-	-	-
Investment in equity method investee	-	-	-
Three months ended June 30, 2004 -----			
Revenue from continuing operations	\$ -	\$ 62,769	\$ -
Operating income (loss)	1,653	(53,793)	(30,151)
Total assets	8,770,544	190,008	218,708
Depreciation	-	764	41
Interest income	-	29,555	-
Income from discontinued operations	-	(62,142)	-
Investment in equity method investee	-	-	172,251

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A. By geographic areas	China -----	Canada -----	Other -----
Six months ended June 30, 2005 -----			
Revenue from continuing operations	\$2,186,501	\$ 107,308	\$ -
Operating income (loss)	261,926	(28,702)	(188,601)
Total assets	6,744,355	124,682	315,136
Depreciation	-	1,160	8
Interest income	36,403	11	-
Income from discontinued operations	-	-	-
Investment in equity method investee	-	-	1
Six months ended June 30, 2004 -----			
Revenue from continuing operations	\$ -	\$ 122,915	\$ -
Operating income (loss)	697	(86,122)	(31,504)
Total assets	8,770,544	190,008	218,708
Depreciation	-	1,553	82
Interest income	-	29,556	-
Income from discontinued operations	-	(41,654)	-
Investment in equity method investee	-	-	172,251

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B. By operating segments	Mobile communications -----	ESL education -----	Other -----	T -----
For the three months ended June 30, 2005 -----				
Revenue from external customers	\$1,133,972	\$ (30,646)	\$ -	\$ -
Intersegment revenue	-	-	-	-
Interest revenue	8,970	7	10,195	-
Interest expense	-	-	1	-
Depreciation	-	535	41	-
Segment operation profit (loss)	2,828	(16,628)	(111,623)	-

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Segment assets	2,446,380	121,847	4,615,946
For the three months ended June 30, 2004			
-----			
Revenue from external customers	\$ -	\$ 62,769)	\$ -
Intersegment revenue	-	-	-
Interest revenue	-	3	29,552
Interest expense	-	-	-
Depreciation	-	717	88
Segment operation profit (loss)	-	(32,828)	(49,463)
Segment assets	1,593,844	75,973	7,509,443

	Mobile	ESL	
B. By operating segments	communications	education	Other
	-----	-----	-----
For the six months ended June 30, 2005			
-----			
Revenue from external customers	\$2,186,501	\$ 170,308)	\$ -
Intersegment revenue	-	-	-
Interest revenue	8,970	11	27,433
Interest expense	-	-	2
Depreciation	-	1,077	91
Segment operation profit (loss)	261,088	13,591	(230,056)
Segment assets	2,446,380	121,847	4,615,946

For the six months ended June 30, 2004			
-----			
Revenue from external customers	\$ -	\$ 122,915)	\$ -
Intersegment revenue	-	-	-
Interest revenue	-	4	29,552
Interest expense	-	-	-
Depreciation	-	1,458	177
Segment operation profit (loss)	-	(43,300)	(73,629)
Segment assets	1,593,844	75,973	7,509,443

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information presented here should be read in conjunction with China Mobility Solutions, Inc.'s consolidated financial statements and related notes. In addition to historical information, the following discussion and other parts of this document contain certain forward-looking information. When used in this discussion, the words "believes," "anticipate," "expects," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected due to a number of factors beyond the Company's control. The Company does not undertake to publicly update or revise any of its forward-looking statements even if experience or future changes show that the indicated results or events will not be realized. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider the Company's discussions regarding the various factors, which affect its business, included in this section and elsewhere in this report.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. 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 disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, accounts receivable and allowance for doubtful accounts, intangible and long-lived assets, and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in the accounting estimate that are reasonably likely to occur could materially change the financial statements. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements:

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RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 2005 AS COMPARED TO THE QUARTER ENDED JUNE 30, 2004

Revenues. The Company had revenues of \$1,164,618 in the second quarter of 2005 compared to \$62,769 in the first quarter of 2004 in the form of net sales of Mobile marketing services (Quicknet) of U.S.\$1,131,988 and education courses (Windsor) of U.S.\$32,630. The Company incurred operating expenses of \$962,537 in the second quarter of 2005 compared to operating expenses of \$131,232 in the second quarter of 2004. The Company had an operating loss of (\$125,123) in the second quarter of 2005, and an net loss of (\$112,013) compared to an operating loss of (\$82,291) and an net loss of (\$123,146) in the second quarter in 2004.

Business Segments

During the quarter, the Company had revenues in two segments:

Mobile marketing services	\$1,131,988
Windsor - ESL Education	\$32,630

The cost of revenue in each segment was:

Mobile marketing services	\$310,925
Windsor	\$16,579

The gross profit from each of the business segments was:

Mobile	\$821,063
Windsor	\$16,051
	-----
	\$837,114

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Note: The Registrant controls 51% of the QuickNet because the Company purchased 49%, has an option to acquire 2% for U.S.\$100 and controls the Board of QuickNet. The financials are consolidated based upon the control of QuickNet. While revenues and costs of revenues are consolidated for reporting purposes, a 49% minority interest in QuickNet exists, which, in effect, reduces the allocable gross profit by 49%. Quicknet is the operating subsidiary in China which provides mobile marketing services by cell phone ads.

In the quarter in 2005, the Company had received revenue from both mobility marketing services and education courses whereas in the quarter in 2004, the Company had receives from education courses and Dawa Newsgroup (now discontinued) only.

Net Income/Loss per share: The per share loss for the second quarter of 2005 was (\$0.01), and the per share loss for the second quarter of 2004 was (\$0.01).

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### RESULTS OF OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2005 COMPARED TO THE SAME PERIOD ENDED JUNE 30, 2004

The Company had revenues of U.S.\$2,293,809 in the period ended June 30, 2005, compared to U.S.\$122,915 in the same period in 2004. The increase in revenue is due to the consolidation of QuickNet's (its subsidiary in China) revenue in 2005, whereas in 2004, the sole revenues were those of Windsor for education services and Dawa for advertising. The Company had a cost of revenue of \$561,488 in the period in 2005 compared to \$28,373 in the same period in 2004. The Company incurred expenses of \$1,687,698 in the six month period in 2005 and \$211,471 in expenses in the period in 2004. The operating income (loss) in the periods in 2005 and 2004 were \$44,623 and (\$116,929) respectively, after interest income of \$36,414 and \$29,556 in 2005 and 2004 respectively, and adjustment for minority interests (in QuickNet in 2005), the Company had a loss from continuing operation in the period in 2005 of (\$51,272) and in 2004 of (\$162,551). The net loss per share was nominal in the period in 2005 compared to (\$0.01) in the period in 2004.

The Company expects the trend of losses to continue at about the same rate in the succeeding periods.

#### Business Segment Revenue

During the six month period in 2005, the Company had revenues in two segments:

Mobile marketing services	\$2,186,501
Windsor - ESL Education	\$ 107,308

The operating income from each of the business segments was:

Mobile marketing services	\$261,926
Windsor - ESL Education	(\$28,702)

#### Changes in Financial Condition:

At the end of the second quarter of 2005, Company had assets of \$7,184,173 compared to \$6,447,030 at year-end 2004. The current assets totaled \$6,204,867 at the end of the second quarter of 2005 compared to \$5,466,574 at 2004 year-end. Total liabilities at the end of the second quarter of 2005 were

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\$2,603,855 compared to \$2,452,522 at 2004 year-end. At June 30, 2005 the Company had \$ 5,843,782 in cash compared to \$5,380,622 at year-end 2004.

### LIQUIDITY AND CAPITAL RESOURCES

The Company had cash capital of \$5,843,782 at the quarter ended June 30, 2005. The Company has no other capital resources other than the ability to use its common stock to achieve additional capital raising. Other than cash capital, its other assets would be illiquid.

At the quarter ended June 30, 2005 it had \$6,204,867 in current assets and current liabilities of \$2,603,855.

The cash capital at the end of the period of \$5,843,782 will be used to fund continuing operations.

Net cash flows provided by operating activities increased to \$176,047 for the quarter ended June 30, 2005.

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### Need for Additional Financing:

The Company believes it has sufficient capital to meet its short-term cash needs, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934. However, if losses occur it may have to seek loans or equity placements to cover longer term cash needs to continue operations and expansion.

No commitments to provide additional funds have been made by management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover operations expenses.

If future revenue declines, or operations are unprofitable, it will be forced to develop another line of business, or to finance its operations through the sale of assets it has, or enter into the sale of stock for additional capital, none of which may be feasible when needed. The Company has no specific management ability, or financial resources or plans to enter any other business as of this date.

From the aspect of whether it can continue toward the business goal of maintaining and expanding the businesses in Canada and grow the new business of mobile marketing services in China, it may use all of its available capital without generating a profit.

The effects of inflation have not had a material impact on its operation, nor is it expected to in the immediate future.

### Market Risk:

The Company does not hold any derivatives or investments that are subject to market risk. The carrying values of any financial instruments, approximate fair value as of those dates because of the relatively short-term maturity of these instruments which eliminates any potential market risk associated with such instruments.

### Future Trends:

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For the Education Services side, we have operated for over two years now, the competition is very fierce in the market. The Canadian government has tightened its budget on English training for new immigrants, which lead to a termination of government funding for Windsor, and this change had negative effects to the revenue of Windsor Education Academy.

The Company has experienced growth in revenues in its Quicknet services, and it anticipates future growth in revenues although China must always be viewed as a highly competitive market where profitability may be difficult to achieve or sustain.

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### ITEM 3. CONTROLS AND PROCEDURES

#### a. Evaluation of Disclosure Controls and Procedures:

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

#### b. Changes in Internal Control over Financial Reporting:

There were no changes in the Company's internal control over financial reporting identified in connection with the Company evaluation of these controls as of the end of the period covered by this report that could have significantly affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weakness.

## PART II

### OTHER INFORMATION

#### Item 1. Legal Proceedings

On Feb.7, 2005, China Mobility Solutions, Inc. was sued by Sino-I Technology Limited for \$88,270 for breach of warranty and a claim under a guarantee.

Our lawyer has submitted a Notice of Motion to the plaintiff's lawyer on March 7, 2005 and is seeking an extension of response date. The Company intends to vigorously defend the suit.

No director, officer or affiliate of China Mobility Solutions, Inc., and no



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owner of record or beneficial owner of more than 5.0% of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to it in reference to pending litigation.

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Item 2. Changes in securities

None

Item 3. Defaults upon senior securities - None.

Item 4. Submission of matters to a vote of security holders.

On July 28, 2005, the following matters were voted on and approved by the shareholders of China Mobility Solutions, Inc. at an annual shareholders' meeting:

1. Xiao-Qing (Angela) Du, Ernest Cheung, and Greg Ye were elected as directors to hold office until the next annual meeting of shareholders.
2. The appointment of Moen and Company, as Independent Accountants, was ratified for the annual period ending December 31, 2004.
3. The Company's authorized shares were increased to 500 million shares of common stock.
4. The Company's 2005 Stock Option Plan was adopted.

Item 5. Other information - None.

Item 6. Exhibits and reports on Form 8-K

(a) The following are filed as Exhibits to this Quarterly Report. The numbers refer to the Exhibit Table of Item 601 of Regulation S-K:

Exhibit 31.1 and 31.2 CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT

Exhibit 32.1 and 32.2 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(b) Reports on Form 8-K filed during the three months ended June 30, 2005, which are incorporated by reference:

8-K filed 04-22-05  
8-K/A filed 04-27-05  
8-K filed 06-30-05

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SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned thereunto duly authorized.

Dated: August 15, 2005

CHINA MOBILITY SOLUTIONS INC.

by: /s/ Xiao-Qing (Angela) Du

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Angela Du, President