

CHINA YIBAI UNITED GUARANTEE INTERNATIONAL HOLDING INC.
CONSOLIDATED BALANCE SHEETS
(Audited)

	March 31,	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 271,146	\$ 2,374,547
Marketable securities	125,392	-
Due from related parties	1,154,327	799,353
Other receivables	269,373	70,609
Prepaid expenses	9,882	26,176
Total Current Assets	<u>1,830,120</u>	<u>3,270,685</u>
Property and equipment, net	93,034	108,474
Intangible assets, net	1,588	1,907
Deposits	<u>12,581</u>	<u>137,547</u>
TOTAL ASSETS	<u><u>\$ 1,937,323</u></u>	<u><u>\$ 3,518,613</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued expenses	\$ 91,243	\$ 22,300
Deferred revenue	213,737	7,335
Due to related parties	919,400	1,189,625
Other payables	45,539	49,540
Total Current Liabilities	<u>1,269,919</u>	<u>1,268,800</u>
STOCKHOLDERS' EQUITY		
Common stock; \$0.001 par value, 1,000,000,000 shares authorized and 150,177,829 and 121,220,521 shares issued and outstanding as of March 31, 2011 and 2010, respectively	150,179	121,222
Additional paid-in capital	11,836,583	7,796,014
Subscription receivable	(1,000)	(1,000)
Statutory reserve	12,389	-
Stock payable	-	3,079,901
Accumulated deficit	(11,368,613)	(8,756,445)
Accumulated other comprehensive income	<u>37,866</u>	<u>10,121</u>
Total Stockholders' Equity	<u>667,404</u>	<u>2,249,813</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 1,937,323</u></u>	<u><u>\$ 3,518,613</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CHINA YIBAI UNITED GUARANTEE INTERNATIONAL HOLDING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Audited)

	FOR THE YEARS ENDED MARCH 31,	
	2011	2010
Revenue	\$ 11,195	\$ 268,341
Operating expenses		
Depreciation and amortization expense	31,728	14,003
Selling, general and administrative expenses	610,158	593,420
Stock based compensation - services	989,625	200,497
Stock based compensation - employees	-	21,420
Business and sales tax	24,415	17,051
Loss on impairment of investments in unconsolidated affiliate companies	826,844	4,868,260
Reserve on investment deposit	127,643	-
Total operating expenses	2,610,413	5,714,651
Loss from operations	(2,599,218)	(5,446,310)
Other income (expense)		
Other income (expense)	7,987	(235)
Loss on debt conversion	-	(384,000)
Interest income	11,103	280,699
Loss on impairment of marketable securities	-	(178,161)
Gain on sales of securities	21,936	6,965
Total other income (expense)	41,026	(274,732)
Loss before income taxes	(2,558,192)	(5,721,042)
Income taxes	41,587	-
Net Loss	(2,599,779)	(5,721,042)
Other comprehensive income (loss)		
Unrealized loss on marketable securities	(26,669)	-
Foreign currency translation gain	54,414	10,121
Other comprehensive income	27,745	10,121
Comprehensive loss	\$ (2,572,034)	\$ (5,710,921)
Net loss per common share - basic	\$ (0.02)	\$ (0.05)
Weighted average common stock outstanding - Basic	131,944,744	105,167,533

The accompanying notes are an integral part of these consolidated financial statements.

CHINA YIBAI UNITED GUARANTEE INTERNATIONAL HOLDING INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Audited)

	Common Stock		Additional	Stock	Subscription	Statutory	Accumulated	Accumulated Other	Total
	Shares	Amount	Paid-In	Payable	Receivable	Reserve	Deficit	Comprehensive	Stockholders'
			Capital					Income	Equity
Balance as of March 31, 2009	47,560,814	\$ 47,561	\$ (46,561)		\$ (1,000)		\$ (2,915,403)		\$ (2,915,403)
Equity reduction for change of control			(115,000)						(115,000)
Stock issuance for stock exchange	1,015,683	1,016	(1,016)				(120,000)		(120,000)
Stock issuance for Belmont	6,600,000	6,600	(6,600)						-
Stock issuance for purchase of subsidiary	65,545,503	65,546	7,239,773						7,305,319
Stock issuance for employees	18,000	18	21,402						21,420
Stock options granted for legal services	-	-	199,950						199,950
Stock issuance for conversion in debt	480,000	480	503,520						504,000
Stock issuance for consulting services	521	1	546						547
Stock payable for cash contributed to subsidiary				3,079,901					3,079,901
Foreign exchange translation loss								10,121	10,121
Net loss							(5,721,042)		(5,721,042)
Balance as of March 31, 2010	<u>121,220,521</u>	<u>\$ 121,222</u>	<u>\$ 7,796,014</u>	<u>\$ 3,079,901</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ (8,756,445)</u>	<u>\$ 10,121</u>	<u>\$ 2,249,813</u>
Stock issuance upon exercise of options	309,524	310	(310)						-
Stock issuance for cash	20,977,500	20,977	2,302,633	(2,323,610)					-
Stock issuance for cash	5,079,000	5,079	557,505	(562,584)					-
Stock issuance for consulting services	842,500	842	883,783						884,625
Stock options granted for legal services	-	-	105,000						105,000
Stock issuance for cash	1,748,784	1,749	191,958	(193,707)					-
Unrealized loss - marketable securities								(26,669)	(26,669)
Appropriation for statutory reserve						12,389	(12,389)		-
Foreign exchange translation loss								54,414	54,414
Net Loss							(2,599,779)		(2,599,779)
Balance as of March 31, 2011	<u>150,177,829</u>	<u>\$ 150,179</u>	<u>\$ 11,836,583</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ 12,389</u>	<u>\$ (11,368,613)</u>	<u>\$ 37,866</u>	<u>\$ 667,404</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHINA YIBAI UNITED GUARANTEE INTERNATIONAL HOLDING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Audited)

	FOR THE YEARS ENDED MARCH 31,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (2,599,779)	\$ (5,721,042)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	31,728	14,003
Impairment on investments in unconsolidated affiliated companies	826,844	4,868,260
Impairment on marketable securities	-	178,161
Stock based compensation	884,625	21,967
Stock options granted for services	105,000	199,950
Loss on debt conversation	-	384,000
Realized gain on sales of securities	(21,936)	(6,969)
Reserve on investment deposit	127,643	-
Changes in operating assets and liabilities:		
Accounts receivable	-	10,130
Prepaid expenses	17,356	(26,175)
Deposits	-	(12,090)
Accrued expenses	68,045	22,300
Deferred revenue	206,104	7,335
Total adjustment	2,245,409	5,660,872
Net cash used in operating activities	(354,370)	(60,170)
Cash flows from investing activities:		
Acquisition of property and equipment	(12,208)	(122,485)
Acquisition of intangible asset	-	(1,907)
Acquisition of shell company	-	(115,000)
Purchases of securities	(228,714)	(220,067)
Sales of securities	98,480	48,782
Investment in unconsolidated affiliated companies	(845,689)	(4,996,278)
Other receivables	(56,943)	-
Due from related parties	(461,465)	3,516,711
Net cash used in investing activities	(1,506,539)	(1,890,244)
Cash flows from financing activities:		
Payment of note payable	(6,013)	-
Proceeds from note payable	-	47,034
Proceeds from share issuances	-	3,079,901
Payment to due to related parties	(326,966)	-
Proceeds from due to related parties	8,430	1,189,399
Net cash provided by (used in) financing activities	(324,549)	4,316,334
Effects of foreign currency translation	82,057	625
Net increase (decrease) in cash and cash equivalents	(2,103,401)	2,366,545
Cash and cash equivalents-beginning of period	2,374,547	8,002
Cash and cash equivalents-ending of period	\$ 271,146	\$ 2,374,547
Supplemental disclosures for non cash financing activities		
Shares issuance for conversion in debt	\$ -	\$ 504,000
Shares issuance for control VIE	\$ -	\$ 7,305,319
Shares issuance for shell company	\$ -	\$ (120,000)
Stock option issued	\$ 105,000	\$ 199,950
Shares issuance for stock payable	\$ 3,079,901	\$ -

The accompanying notes are an integral part of these consolidated financial statements.