AMARU INC
Form 10-K
April 15, 2011

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

FORM 10-K

(MARK ONE)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ________ TO _________

COMMISSION FILE NUMBER: 0-32695

AMARU, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA	88-0490089
(STATE OR 0THER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

62 CECIL STREET, #06-00 TPI BUILDING, SINGAPORE 049710
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE : (65) 6332 9287

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	Name of each exchange on which registered
NONE	NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Title of class

COMMON STOCK
$0.001 PAR VALUE

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes |_| No |X|

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes |_| No |X|

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 such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not 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-K or any amendment to this Form 10-K. |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer |_| Accelerated filer |_| Non-accelerated filer |_| Smaller reporting company |X|

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

Yes |_| No |X|

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 last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. As of March 1, 2011, the aggregate market value of the voting common equity held by non-affiliates of the registrant computed by reference to the closing sale price of the common stock as of March 1, 2011 at $0.02 per share was $3,379,306.94.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. The number of shares outstanding of registrant's common stock, $0.001 par value per share, was 192,790,043 as of March 1, 2011.

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

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PART I

ITEM 1: DESCRIPTION OF BUSINESS

BACKGROUND

Amaru, Inc., a Nevada corporation ("we" or the "Company") is in the business of broadband entertainment-on-demand, streaming via computers, television sets, PDAs (Personal Digital Assistant) and the provision of broadband services. Our business includes channel and program sponsorship (advertising and branding); online subscriptions, channel/portal development (digital programming services); content aggregation and syndication, broadband consulting services, broadband hosting and streaming services and E-commerce.

The Company is also in the business of digit gaming (lottery). The Company has an 18 year license to conduct nation wide lottery in Cambodia. The Company through its subsidiary, M2B Commerce Limited, signed an agreement with Allsports International Ltd, a British Virgin Islands company to operate and conduct digit games in Cambodia and to manage the digit games activities in Cambodia. On March 25, 2009, the Company was notified that the digit game lottery operations have been suspended by the government of Cambodia as part of the suspension of all lotteries in Cambodia.

The Company believes at this time that the suspension of the digit games is permanent, as the Government of Cambodia has closed the gaming business by the order of its Ministry of Economy and Finance. See Note 14.

The key business focus of the Company is to establish itself as the leading provider and creator of a new generation of Entertainment-on-Demand and E-Commerce Channels on Broadband and 3G (Third Generation) devices.

The Company delivers both wire and wireless solutions, streaming via computers, TV sets, PDAs 3G hand phones.

At the same time the Company launches e-commerce channels (portals) that provide on-line shopping and pay per view services but with a difference, merging two leisure activities of shopping and entertainment. The entertainment channels are designed to drive and promote the shopping portals, and vice versa.

The Company's business model in the area of broadband entertainment includes e-services, which would provide the Company with multiple streams of revenue. Such revenues would be derived from advertising and branding (channel and program sponsorship); on-line subscriptions; online games micro-payments; channel/portal development (digital programming services); content aggregation and syndication; broadband consulting services; on-line shopping turnkey solutions; broadband hosting and streaming services; E-commerce commissions and on-line dealerships.

The Company was incorporated under the laws of the state of Nevada in September, 1999. The Company's corporate offices are located at 62 Cecil Street, #06-00 TPI Building, Singapore 049710; telephone (65) 63329287. The corporate website is located at www.amaruinc.com. Information included on the website is not a part of this annual report.

As of February 25, 2004 (the "Closing Date"), Amaru acquired M2B World Pte. Ltd. (M2B World), a Singapore corporation, in exchange for 19,500,000 newly issued "restricted" shares of common voting stock of the Company and 143,000 "restricted" Series A Convertible Preferred Stock shares to the M2B World shareholders on a pro rata basis for the purpose of effecting a tax-free reorganization pursuant to sections 351, 354 and 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended pursuant to the Agreement and Plan of Reorganization by and between the Company, M2B World and M2B World shareholders. As a condition of the closing of the share exchange transaction, certain shareholders of the Company cancelled a total of 1,457,500 shares of common stock. Each one (1) ordinary share of M2B World has been exchanged for 1.3636363 shares of the Company's Common Stock and 100 shares of the Company's Series A Convertible Preferred Stock. Each share of the Company's Series A Convertible Preferred Stock had a conversion rate of 38.461538 shares of the Company's common stock. Following the Closing Date, there were 20,000,000 shares of the Company's Common Stock outstanding and 143,000 shares of the Company's Series A Convertible Preferred Stock outstanding. Immediately prior to the Closing, there were 500,000 shares issued and outstanding. All of the Series A Convertible Preferred Stock was subsequently converted into shares of common stock of the Company.

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The restructuring and re-capitalization has been treated as a reverse acquisition with M2B World becoming the accounting acquirer. The historical financial statements prior to the closing of the transaction are those of M2B World.

On May 17, 2010, the management of the Company concluded upon accepting the recommendation of its independent registered public accounting firm, Mendoza, Berger& Company, LLC, that the Company's audited financial statements for the fiscal year ended December 31, 2009 should no longer be relied upon. The Company amended its financial statements to provide that the asset of film library is fully impaired at December 31, 2009. Due to the material nature of the impairment of the Company's film library asset at and for the year ending December 31, 2009 and the fact that the film library failed to produce any of the budgeted revenue for the fiscal year, management has concluded that a full impairment of the film library was warranted and should have been recorded at December 31, 2009. The film library was impaired for the year ended 2009 in accordance with the requirements of impairment of long lived assets. The management of the Company believes that the film library as a long term asset still has an intrinsic value, to which it cannot presently quantify.

BUSINESS OVERVIEW

The Company, through its subsidiaries under the M2B and WOWtv brand names, is in the Broadband Media Entertainment business, and a provider of interactive Entertainment-on-demand and e-commerce streaming over Broadband channels, Internet portals and 3G (Third Generation) Devices globally.

The Company has launched multiple Broadband TV websites with entertainment and online shopping content, with multiple content channels designed to cater to various consumer segments and lifestyles. Its content covers diverse genres such as movies, dramas, comedies, documentaries, music, fashion, lifestyle and more. The Company markets its products globally through its "M2B" and "WOWtv" brand names. Through these brands, the Company offers access to an expansive range of content libraries for aggregation, distribution and syndication on Broadband and other media, including rights for merchandising, product branding, promotion and publicity.

The Company was also in the business of digit gaming (lottery). The Company has an 18 year license to conduct nationwide lottery in Cambodia. The Company through its subsidiary, M2B Commerce Limited, signed an agreement with Allsports Limited, a British Virgin Islands company to operate and conduct digit games in Cambodia and to manage the digit games in Cambodia. On March 25, 2009, the Company was notified that the digit games were suspended by the Cambodia Government as part of the suspension of all lotteries in Cambodia. Although the Company is still a holder of the license, it cannot use it for the gaming business until the suspension of the digit games is lifted. At this time, the suspension of the digit games is expected to be permanent as the Government of Cambodia has closed the gaming business by the order of its Ministry of Economy and Finance.

Globally, Amaru, Inc. is expanding through several of its subsidiaries, including:

1.	M2B World, Inc.	–	focuses on the US market and is bas Hollywood, California
2.	M2B World Asia Pacific Pte. Ltd.	–	oversees the Asia Pacific business the Asian markets through this offi representative office in Chengdu, C
3.	M2B Australia Pty. Ltd.	–	oversees Oceania markets
4.	M2B Commerce Limited	–	focuses on digit games in Cambodia
5.	M2B World Travel Singapore Pte. Ltd.	–	offers e-travel services
6.	Amaru Holdings Limited	–	focuses on content syndication and in areas other than Asia Pacific re
7.	M2B World Holdings Limited	–	focuses on content syndication and in Asia Pacific region
8.	M2B World Pte. Ltd.	–	provides management services to fel subsidiaries of the Company
9.	Tremax International Limited	–	operates as an investment holding c
10.	M2B World Travel Limited	–	oversees online travel and related

The Company offers consumers personalized entertainment through its wide range of broadband streaming channels available via www.amaruinc.com and www.wowtv.com.

BUSINESS STRATEGY

Our business strategy is to become a premier diversified media, e-commerce and e-lifestyle company. We adopt the latest broadband, e-commerce and communications technology and leverage on our international premium content and programming expertise. This is how we deliver online entertainment, lifestyle products and services to our customers.

Our goal is to constantly identify fresh market opportunities and to stay ahead of changes in the broadband media and related e-commerce industry. We believe that we can accomplish this by continuing to satisfy customers' needs for a convenient, comprehensive and personalized source of broadband video content, services and information with pleasant user experiences. Through our business plan implementation, we aim to become a leading Broadband Media Entertainment business, providing interactive Entertainment-on-demand and e-commerce streaming over Broadband channels, Internet portals, and 3G devices globally.

We intend to continue leveraging on our competitive strengths to attain a leadership position in the industry.

COMPETITIVE STRENGTHS

The Company's competitive strengths are:

o CONTENT LIBRARY

The Company owns a library of content that covers a wide range of genres, of which the majority includes worldwide rights in perpetuity on the broadband. This enables the Company to deliver a rich and diverse variety of on-demand streaming video content that suit the lifestyle and taste of different consumer segments, across different countries - thereby massing a global base of viewers to attract advertisers to its delivery platforms on the PC, 3G, 4G devices and TV. The Company has built relationships with content distributors in the U.S. and Asia that enables it to continually source for content that meet the changing demands and taste of the customers and advertisers. Upon the Company's most recently completed impairment evaluation (fourth quarter of fiscal year 2009), however, the film library was determined to be impaired during the year ended December 31, 2009. In conducting the analysis, the Company used a discounted cash flow approach in estimating fair value as market values could not be readily determined given the unique nature of the respective assets.

o GLOBAL VIDEO STREAMING NETWORK

The Company has also developed and implemented a global video streaming network that enables it to deliver high quality on-demand video streaming programs from its library of content rights to a worldwide audience of broadband users. This global video streaming network is completely integrated with firewalls, loading balancing protocols, bandwidth and consumer monitoring systems and payment gateways to enable worldwide billing. In addition, the Company has its own digital post-production and design capabilities to fully manage content rights protection, user experience and specialized programming for all its consumer-facing delivery platforms. This end-to-end broadband streaming infrastructure enables the Company to customize and diversify its products and services, incorporating video-on-demand and e-commerce services.

- MULTIPLE REVENUE STRENGTHS

  The Company's diversified delivery platforms enable it to capitalize and generate multiple revenue streams by targeting different consumer segments over broadband, across different geographic markets. The multiple revenue streams comprise of advertising, subscriptions, sponsorships, online shopping and games, as well as licensing and content syndication and turn-key broadband consulting solutions. The Company's goal is not to be excessively dependent on any one single revenue source. Its library of content rights combined with its global video streaming network supports the Company's future growth strategy that focuses on multiple growth areas and territories. The Company can thereby cost-effectively tailor its broadband websites and services to suit different cultures, consumer behavior and clients needs in different geographical locations. The Company is also able to localize its products and services to sustain loyalty of its viewers and consumers.

- KEY ALLIANCES

  The Company has entered into strategic alliances and / or agreements with key providers to support the marketing and distribution of its products and services in different territories. Among its key providers are Baidu (China), Zingmobile Pte Ltd (Singapore), MOL Media Sdn Bhd (Malaysia), MOL AccessPortal Berhad (Malaysia), Webvisions Pte Ltd (Singapore), Zentek Technology (Japan), Auto TV Corporation Pte Ltd (Singapore), I-Concerts Asia Pacific (Singapore), Panasonic Asia Pacific Pte Ltd (Singapore), Starhub Mobile Pte Ltd (Singapore) and two regional advertising agencies, Admax Network Holdings Limited (based in Singapore) and Innity Sdn Bhd (based in Malaysia). The Company will continue to forge strategic partnership opportunities including the area of web-enabled mobile devices and extend its accessibility to customers of its broadband websites and services.

GROWTH STRATEGIES

The Company's growth strategies consist of:

- Continuing to build its library of content rights on the broadband to provide sustained high quality on-demand video-based entertainment and e-commerce that will maintain and grow its worldwide base of viewers.

- Penetrating new markets to deliver M2B and WOWtv branded content to any screen including PC, 3G and TV, as well as wireless mobile devices like PDAs and to establish new delivery channels to meet the changing preferences of viewers and consumers, worldwide.

- Capitalize on its growing worldwide viewer and consumer base by aggressively signing up subscribers, as well as advertisers onto its on-demand interactive broadband delivery channels for entertainment, online games and e-commerce.

Consumers access the Company's entertainment sites through its main website, www.amaruinc.com or directly go to the entertainment sites at www.wowtv.com.

NEW PRODUCTS

In August 2007, M2B World Asia Pacific Pte Ltd, a subsidiary company of Amaru which oversees the Asia Pacific markets, launched a new broadband entertainment web TV service, called WOWtv. The Company intends that WOWtv serve as its new brand for its broadband entertainment services. WOWtv had therefore combined and incorporated all the Company's previous entertainment websites into one leading site. WOWtv streams multiple video-on-demand channels of Hollywood and Asian entertainment.

In August 2008, a new enhanced version of WOWtv called WOWtv NEW was launched to promote further this premier personalized broadband entertainment channel.

The new enhanced site, WOWtv NEW is expected to customize user experience through expanded features. These features include:

- High Definition streaming
- New Community and User Generated Content
- Live TV broadcast
- Social Networking

All these features compliment the existing extensive VOD service available on WOWtv.

The service was also designed into two main tiers, namely :

- Free Tier - Web TV channels are provided free to viewers without the need to register and are advertising supported.
- Subscription Tier - Web TV channels are provided to registered subscribers for a pay-per-view fee.

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The initiatives were taken to retain and expand viewership. The plan for an extended viewership base through the expanded features is expected to add value to the WOWtv service and potentially lead to new revenue sources and increase advertising revenue in the years ahead.

The WOWtv service had, as of February 2009, been further developed and relaunched on a global basis in addition to the site in Singapore. In April 2009, the WOWtv service was extended to cover China with the launching of its Chinese site. The WOWtv global service is available on www.wowtv.com, the Singapore service on sg.wowtv.com. and the China service on cn.wowtv.com.

CONSUMER MARKETING

The Company's broadband entertainment websites attract viewers from all over the world. The Company's strategy of converting visitors into customers lies in a combination of incentives, including seasonal and purchase-related promotions that take advantage of the Company's customer database and broadband websites.

The Company plans to negotiate special rates and benefits to obtain access to a superior online inventory for the customers. The increasing scale of the business will enable the Company to negotiate on more favorable terms. Through research with visitors and customers, the Company is developing new programs and features (including personalization and loyalty incentives) that would turn visitors into customers and maintain loyalty.

The Company also employs a variety of online and traditional media programs and promotional activities such as:

(a) Advertising

The Company invests in both online and traditional advertising to drive traffic to our broadband websites. To generate traffic to M2B and WOWtv's broadband websites in a cost efficient manner, the Company purchased targeted keywords and textlinks in reasonably high volume. The Company also advertises in traditional print and broadcast media to increase the awareness of its service, product enhancements and retail offerings.

(b) Public Relations

The core of our public relations effort is media relations and industry analyst relations. We maintain relations with journalists and industry analysts to help secure unbiased, third-party endorsements for the Company. We pursue coverage by online publications, search engines and directories.

(c) Co-marketing, Promotions and Loyalty Programs

We intend to continue to establish significant co-marketing relationships to promote our service and to sponsor contests that offer M2B and WOWtv related prizes. These programs typically involve participation with our partners. We intend to enter into additional co-marketing relationships in support of our marketing strategy. From time to time, we offer various incentives and awards to our existing customer base. These incentives are designed to increase customer loyalty and awareness of the M2B and WOWtv brands.

(d) Direct Marketing

The Company maintains a database which includes customers profiles and preferences and other key customer attributes. This data enables us to track the effectiveness of promotions and incentives and to understand seasonal and other trends in order to create and quickly implement marketing programs targeted to specific customer segments. In addition, we regularly communicate with our customers through targeted e-mail.

The Company, while growing the business, also aims to maintain profitability. While it executes its growth strategies, it also controls costs. It intends to continue to implement programs to control the cost of revenues and reduce operating costs through technology and productivity management, economies of scale and financial controls. This strategy should enable us to provide our products to customers on a cost competitive basis.

BUSINESS SEGMENTS

Our principal operations are carried out through the following three segments of our business:

1. Entertainment Services - Video on-Demand services for entertainment, providing the Company with advertising, subscriptions, online games and e-commerce revenues

2. Digit Games which is inactive at present - see Business Description - Background

ENTERTAINMENT SERVICES

The Company provides online entertainment on-demand on Broadband channels, Internet portals and 3G devices across the globe, for specific and identified viewer lifestyles, demographics and interests. Entertainment and web visit experience is maintained throughout from the initial viewing experience to on-line purchases and payment checkout experience.

The Company uses Broadband technology to provide its services. Broadband technology is defined as high speed, high-bandwidth, two-way data, voice and video communications, delivered at high transmission rates.

SERVICES: Broadband technology allows us to deliver the following services::

- Video-on-demand (VOD) services that enable individuals to select videos from a Central Server, on-demand 24 hours a day, 7 days a week, for viewing on:

- Television screens (Set top Box Technology), including connected TV

- PCs (Digital Subscriber Line (DSL) Technology)and mobile internet devices

- Personal Digital Assistants(PDA), 3G and 4G hand phones (Wireless Technology)

- E-Commerce or online purchases - linked interactively to the VOD platforms on broadband. Consumers choose to buy products online as they watch the videos.

The Company applies broadband technologies to facilitate its growth in the broadband sector. Its main competitive advantage is derived from its ownership of rights for various territories on broadband for its contents i.e. movies, televisions, dramas and programs on lifestyles, business and glamour.

The Company has built and installed its broadband streaming system complete with firewalls, load balancing, bandwidth and consumer monitoring systems, which include video streaming, video storage and web servers in Singapore. The Company has also developed its streaming applications to stream into television sets, via a set top box.

The Company has developed a capability to stream wireless broadband and have its own digitized entertainment sites for wireless broadband applications.

The Company offers consumers personalized entertainment through its wide range of broadband streaming channels available at www.amaruinc.com, www.wowtv.com, sg.wowtv.com and cn.wowtv.com.

PRODUCTS: We offer the following products on the VOD platform:

- Entertainment - Consumers access movies, music, glamour and fashion, lifestyle (hobbies, cooking, and personalities), documentaries, sports, health and fitness and others. They can choose from a large number of different channels depending on their interests or lifestyle preferences.

- E-Commerce - Consumers can purchase products online, view videos on a pay-per-view basis and make payments online.

With this strategy, the Company aims to generate diversified sources of revenue from:

1. Advertising i.e. program and channel sponsorship

2. Online subscriptions

3. Channel/portal development i.e. digital programming services

4. Content aggregation and syndication

5. Broadband consulting services and online shopping turnkey solutions

6. E-commerce services

The Company is constantly in the process of redesigning and adding improvements to its Broadband websites. The current Broadband websites and products, which may change from time to time are highlighted below.

WOWTV - WEB TV SERVICE, CONNECTED TV AND WOWTV EMBEDDED TV

WOWtv, a broadband entertainment web TV service, has embarked on launching its site across the Asia Pacific, streaming multiple channels of Hollywood and Asian entertainment via video on-demand and providing E-commerce services. Its video on-demand content covers diverse genres such as movies, television dramas, variety shows, documentaries, fashion, lifestyle, sports, edutainment and more. WOWtv can be viewed on www.wowtv.com.

Beginning with Singapore, WOWtv is set to expand globally with its new global site and across the Asia Pacific. Having launched its global and China sites in 2009, it intends to expand its growing presence to specific territories, namely India, Indonesia and Malaysia within the next 12 months. The Company has plans to incorporate a video e-travel portal and possibly e-travel services within its WOWtv site. No assurance can be given that such plans will materialize as planned.

LEVERAGING ON THE STRENGTHS OF WOWTV

WOWtv is an innovative platform that we believe will establish a first mover advantage to become the first Pan-Asian broadband entertainment services provider. Its strengths and competitive advantages include:

Content Aggregation, Distribution and Syndication - with the technology and expertise to stream with high clarity and also manage operations and costs well.

Premium Content Portfolio - with a vast library of worldwide broadband rights of film and content, copyright ownership and exclusivity on the majority of broadband titles.

Strong relationships in Asia and Hollywood - with good connections to enable it to make further in-roads to content acquisition.

Broadband Distribution Deals - with secured broadband distribution deals with major media companies.

MARKETING STRATEGY OF WOWTV

WOWtv's marketing strategy is to offer viewers a plethora of video on-demand entertainment over two segments on its website, where consumers will get a chance to sample its products and services in different tiers - FREE and SUBSCRIPTION (PAY-PER-VIEW).

DIGIT GAMES

The Company has an 18-year license to conduct nation wide lottery in Cambodia. The Company also signed an agreement with Allsports Limited, a British Virgin Islands company, to operate, administer, and manage the lottery digit games activities in Cambodia. On March 25, 2009, the Company was notified that the digit games were suspended by the Cambodia Government as part of the suspension of all lotteries in Cambodia. The suspension of the digit games is expected to be permanent as the Government of Cambodia has closed the gaming business by the order of its Ministry of Economy and Finance.

ONGOING DEVELOPMENTS

Moving on from 2010's initiatives, the Company's target markets are all Telcos, TV Channels, and ISP's :

A. Selling Contents to local and regional Telcos. The Company has contracts with Singtel, Starhub, M1 in Singapore. It is currently in discussion with regional Telcos in Malaysia, Indonesia for Content cooperation.

B. Contents sales to TV Stations - Singapore Starhub TV Channel and Malaysia, Cambodia and Myanmar. The Company is working on content sales in the above countries, however, no sales have been made so far.

C. Bulk Sales of Contents to ISP's in S.E. Asia. The Company is working on the above referenced bulk sales in S.E. Asia, however, no sales materialized so far.

Specific Country Focus

A. China

- The Company is currently the only foreign listed Content Company for China Mobile (with 600 million subscribers). The Content censorship and approval process will take to the middle of 2011 in order to start providing contents to China.

B. Vietnam

- The Company has completed developing the IPTV site for VIET TV, and will be licensing CMS to VDC online.

C. Myanmar

The Company has worked on the ground to sell bulk Contents to Myanmar TV Channels.

D. India/Sri Lanka/Maldives

As the Company sees the huge market in India, it is exploring integrating the Company's online contents for the Indian market.

The Company is planning to enter into the Indian, Sri Lankan and Maldives Media market in the 2nd Quarter of 2011. Acting through its JV company Mediamedes, the Company will attempt to bring in Home Cable International providing Indian contents to India.

Other Media Co-operation for our Online Platform

The Company has kept its Contents relevant and at zero-cost, by securing choice Contents like i-Concerts (Geneva), Auto TV(Asia), and Mr. Paparazzi (UK) without any minimum guarantee. Following 2010, the Company has also explored content collaboration with Singapore Mediacorp and China TV stations. The online Content business.

The content business is evolving very fast, with vast contents flooding the market. Therefore to grow organically is not the Company's growth plans. The Company has identified key market participants and plans to move forward to secure the subscription base or the viewership. In that regard, the Company has worked on the following:

1. A formal partnership arrangement to access to m1905's two million hits per month movie channel.

2. Latch onto CCTV6's distribution channels for all the provinces in China, both for regular TV as well as online.

3. The Company is developing with Kingsoft/iciba, a popular China English Language Learning Site, which provides access to 60 million users per

day.

4. The Company is looking for cooperation with e-commerce sites in China, to take advantage of the four-fold increase in e-commerce sites as targeted by the Chinese Central Government.

Other business developments.

* The Company signed a Contract with Panasonic the 1st Quarter 2011 to incorporate WOWtv onto its VIERA Cast TV model. The sales forecast for this model which is to be sold in 9 countries, is expected to be 750,000 units. Panasonic has asked the Company for an agreement to extend to both Hong Kong and Taiwan, and also to negotiate a new Panasonic contract for Europe, which is under another management team.

* On the technology front, the Company will be developing a Social Networking Application with Beijing University of Post and Telecommunications for the mobile phone. It is currently being developed on Nokia's Symbian platform. The Company will co-develop the application for both Apple and Android phones.

* Connected TV

The Company is edging into technology partnerships so as to make WOWtv applicable across all media platforms. It is in discussion with Shanghai Media Group to utilize and incorporate WOWtv platform with their technology.

* Advertisement Bulk Sales

The Company is pursuing bulk sales of Contents through Dentsu Beijing, and OMD Shanghai.

There can be no assurance that the above plans will materialize as planned and stated.

MARKETS

The business operations and financial results of the Company are directly affected by the markets that the Company operates in.

- RISING DISPOSABLE INCOME AND USAGE OF PC AND BROADBAND TECHNOLOGY

  In many other parts of the world, especially emerging markets with growing use of PCs, Internet with fast growing number of broadband subscribers and rising disposable incomes, these markets offer significant growth potential.

- THE ADVENT AND INCREASING ADOPTION OF BROADBAND TECHNOLOGY

  The advent of broadband technology and ever-increasing bandwidth has pushed for the next generation of online on-demand broadband entertainment as one of the desired applications that will meet the needs of increasingly demanding and bandwidth hungry consumers and enterprise. Such technology can be further enhanced by the coupling of value added services, namely Internet telephony communication services and E- Commerce, together with the Broadband entertainment sites.

The market consists of both the consumers and the enterprise. The demand from consumers is rich media content, on demand, highly interactive and fast. On the other hand the enterprise must reach out to such demands and the next generation through the new medium, or be left behind. To meet this demand, the Company has established relationships with major production houses, and access to major distributors worldwide. This is expected to put the Company in a position to acquire high quality, original video content. Such strategic positioning has resulted in the Company acquiring extensive content on broadband for multiple countries and for dedicated time periods.

The Company intends to continue to maximize on its key strength, the packaging of our content. The Company believes that it will shape the delivery of its content in the most cost effective manner and innovative way.

o THE BOOMING ONLINE ADVERTISING MARKET

According to the Euromonitor International, an industry research provider, the market for advertising is forecasted to grow by 119.1% from 2004 to 2009, to reach a value of US$609.3 billion.

The online video is growing dramatically, with increased broadband penetration creating a larger audience, leading more advertisers to consider adding video to their online efforts. Jupiter Research estimates that the online video advertising industry is worth $1.3 billion.

o THE GROWTH OF THE VIDEO ON DEMAND MARKET

According to Jupiter Research, in 2007 the Video-on-Demand (VOD) market is expected to be worth $1.4 billion while the Subscription VOD market is worth $800 million.

According to ZDNet Research, there were approximately 7.5 million worldwide cable-based VOD users at the end of 2004. VOD user growth is projected to remain strong for the next several years. Total number of worldwide users is 13 million at the end of 2005 and is forecasted to ultimately reach 34 million in 2009.

A study released by Adams Media Research in 2007 forecasts that sales of video downloads will total $427 million in 2007. $1.2 billion in 2008, $2 billion in 2009, $3.1 billion in 2010, then hit $4.1 billion in 2011.

The same study also predicts that advertiser spending on internet video streams to PCs and TVs will approach $1.7 billion in 2011.

COMPETITION

The Company faces intense competition in every aspect of our business, and particularly in the acquisition of content.

In the entertainment services business, we compete with free-to-air channels, cable operators as well as other broadband entertainment providers for distribution rights of programs in terms of price, quality and variety.

Traditional TV networks and cable TV operators today provide alternate sources of entertainment in a broadcast mode. In future, it is expected that these networks may also extend their reach to the video-on-demand broadband service. This may put them in direct competition with us, although their entry costs will likely be higher and both the technical and manpower capabilities existing in these traditional companies will make it somewhat difficult for them to transit into new broadband media.

In our multi player online gaming business, we face competition from the various gaming offerings on the market as well as the various gaming portals and platforms. In the subscription based multi player online gaming business, the Company faces vigorous competition from the numerous games that are distributed free over the Internet. More generically, it also competes with console based games made for products like Playstation and X-box.

The Company also competes within the industry for advertising revenue and viewers. More generically, the Company faces competition from other leisure entertainment activities from Video CDs (especially in Asia), DVDs to cinemas, home theatres and emerging mobile multi media kiosks and display panels.

The Company believes that it is competing favorably on the factors described above. However, the industry is evolving rapidly and is becoming increasingly competitive. Larger, more established companies than us are increasingly focusing on the video content, travel, and e-commerce businesses that directly compete with us.

INTELLECTUAL PROPERTY

The Company's intellectual property consists of trademarks, patents, copyrights, and other technology and trade secrets. In addition to technology that we develop internally, we license software or other technology from third parties. We also grant licenses to some of our intellectual property, such as trademarks, patents or websites technology, to our vendors and strategic partners.

GOVERNMENT REGULATION

The Company must comply with laws and regulations relating to our sales and marketing activities, including those prohibiting unfair and deceptive advertising or practices and those requiring us to register as a service provider in the spheres of business that we operate in, and with disclosure requirements.

Data collection, protection, security and privacy issues are a growing concern in the U.S., and in many countries around the world. Government regulation is evolving in these areas and could limit or restrict the Company's ability to market its products and services to consumers, increase the Company's costs of operation and lead to a decrease in demand for our products and services. US Federal, state and local governmental organizations, as well as foreign governments and regulatory agencies, are also considering legislative and regulatory proposals that directly govern Internet commerce, and will likely consider additional proposals in the future.

We do not know how courts will interpret laws governing Internet commerce or the extent to which they will apply existing laws regulating issues such as property ownership, sales and other taxes, libel and personal privacy to the Internet. The growth and development of the market for online commerce has prompted calls for more stringent consumer protection laws that may impose additional burdens on companies that conduct business online.

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

The Company has incurred no, and does not expect to incur, material expenditures or obligations related to environmental compliance issues.

EMPLOYEES

The Company had 18 employees as of December 31, 2010, of which 16 are full time and 2 part-time employees. All of the 18 employees are based in Singapore.

ITEM 1A: RISK FACTORS

An investment in the Company's common stock involves a high degree of risk. One should carefully consider the following risk factors in evaluating an investment in the Company's common stock. If any of the following risks actually occurs, the Company's business, financial condition, results of operations or cash flow could be materially and adversely affected. In such case, the trading price of the Company's common stock could decline, and one could lose all or part of one's investment. One should also refer to the other information set forth in this report, including the Company's consolidated financial statements and the related notes.

THE COMPANY CONTINUES TO USE SIGNIFICANT AMOUNTS OF CASH FOR ITS BUSINESS OPERATIONS, WHICH COULD RESULT IN US HAVING INSUFFICIENT CASH TO FUND THE COMPANY'S OPERATIONS AND EXPENSES UNDER OUR CURRENT BUSINESS PLAN. THE COMPANY IS ALSO HOLDING A CONSIDERABLE AMOUNT OF QUOTED EQUITY SECURITIES THAT ARE HELD FOR TRADING.

The Company's liquidity and capital resources remain limited. There can be no assurance that the Company's liquidity or capital resource position would allow us to continue to pursue its current business strategy. The Company's quoted equity securities held as assets are dependent on the market value. Any fluctuations or downturn in the securities market could adversely affect the value of these equity securities held. As a result, without achieving growth in its business along the lines it has projected, it would have to alter its business plan or further augment its cash flow position through cost reduction measures, sales of assets, additional financings or a combination of these actions. One or more of these actions would likely substantially diminish the value of its common stock.

THE MARKET MAY NOT BROADLY ACCEPT THE COMPANY'S BROADBAND WEBSITES AND SERVICES, WHICH WOULD PREVENT THE COMPANY FROM OPERATING PROFITABLY.

The Company must be able to achieve broad market acceptance for its Broadband websites and services, at a price that provides an acceptable rate of return relative to the Company-wide costs in order to operate profitably. There is no assurance that the market will develop sufficiently to enable the Company to operate its Broadband business profitably. Furthermore, there is no assurance that any of the Company's services will become generally accepted, nor is there any assurance that enough paying users and advertisers will ultimately be obtained to enable us to operate these business profitably.

BROADBAND USERS MAY FAIL TO ADOPT THE COMPANY'S BROADBAND SERVICES.

The Company's Broadband services are targeted to the growing market of Broadband users worldwide to deliver content and E-commerce in an efficient, economical manner over the Broadband networks. The challenge is to make the Company's business attractive to consumers, and ultimately, profitable. To do so has required, and will require, the Company to invest significant amounts of cash and other resources. There is no assurance that enough paying users and advertisers will ultimately be obtained to enable the Company to operate the business profitably.

FAILURE TO SIGNIFICANTLY INCREASE THE COMPANY'S USERS AND ADVERTISERS MAY RESULT IN FAILURE TO ACHIEVE CRITICAL MASS AND REVENUE TO BUILD A SUCCESSFUL BUSINESS.

The Company incurs significant up-front costs in connection with the acquisition of content, and bandwidth and network charges. The plan is to obtain recurring revenues in the form of subscription and advertising fees to use the Broadband services, either paid by the users or advertisers.

There is no assurance as to whether the Company will be able to maintain, or whether and how quickly the Company will be able to increase its user base, or whether the Company will be able to generate recurring subscription and advertising fees to such a level that would enable this line of business to continue to operate profitably. If the Company is not successful in these endeavors, the Company could be required to revise its business model, exit or reduce the scale of the business, or raise additional capital.

COMPETITION IN THE BROADBAND BUSINESS IS EXPECTED TO INCREASE, WHICH COULD CAUSE THE BUSINESS TO FAIL.

The Company's Broadband services are targeted to the end user market. As the Broadband penetration rates increase globally, an increasing number of well-funded competitors have entered the market. Companies that compete with the Company's business include telecommunications, cable, content management and network delivery companies.

The Company may face increased competition as these competitors partner with others or develop new Broadband websites and service offerings to expand the functionality that they can offer to their customers. These competitors may, over time, develop new technologies and acquire content that are perceived as being more secure, effective or cost efficient than the Company. These competitors could successfully garner a significant share of the market, to the exclusion of the Company. Furthermore, increased competition could result in pricing pressures, reduced margins, or the failure of the business to achieve or maintain market acceptance, any one of which could harm the business.

THE INABILITY TO SUCCESSFULLY EXECUTE TIMELY DEVELOPMENT AND INTRODUCTION OF NEW AND RELATED SERVICES AND TO IMPLEMENT TECHNOLOGICAL CHANGES COULD HARM THE BUSINESS.

The evolving nature of the Broadband business requires the Company to continually develop and introduce new and related services and to improve the performance, features, and reliability of the existing services, particularly in response to competitive offerings.

The Company has under development new features and services for its businesses. The Company may also introduce new services. The success of new or enhanced features and services depends on several factors - primarily market acceptance. The Company may not succeed in developing and marketing new or enhanced features and services that respond to competitive and technological developments and changing customer needs. This could harm the business.

CAPACITY LIMITS ON THE COMPANY'S TECHNOLOGY AND NETWORK HARDWARE AND SOFTWARE MAY BE DIFFICULT TO PROJECT, AND THE COMPANY MAY NOT BE ABLE TO EXPAND AND/OR UPGRADE ITS SYSTEMS TO MEET INCREASED USE, WHICH WOULD RESULT IN REDUCED REVENUES.

While the Company has ample through-put capacity to handle its customers' requirements for the medium term, at some point it may be required to materially expand and/or upgrade its technology and network hardware and software. The Company may not be able to accurately project the rate of increase in usage of its network. In addition, it may not be able to expand and/or upgrade its systems and network hardware and software capabilities in a timely manner to accommodate increased traffic on its network. If the Company does not appropriately expand and/or upgrade our systems and network hardware and software in a timely fashion, it may lose customers and revenues.

INTERRUPTIONS TO THE DATA CENTERS AND BROADBAND NETWORKS COULD DISRUPT BUSINESS, AND NEGATIVELY IMPACT CUSTOMER DEMAND FOR THE COMPANY.

The Company's business depends on the uninterrupted operation at the data centers and the broadband networks run by the various service providers. The data centers may suffer for loss, damage, or interruption caused by fire, power loss, telecommunications failure, or other events beyond the Company. Any damage or failure that causes interruptions in the Company's operations could materially harm business, financial conditions, and results of operations.

In addition, the Company's services depend on the efficient operation of the Internet connections between customers and the data centers. The Company depends on Internet service providers efficiently operating these connections. These providers have experienced periodic operational problems or outages in the past. Any of these problems or outages could adversely affect customer satisfaction and customers could be reluctant to use our Internet related services.

THE COMPANY MAY NOT BE ABLE TO ACQUIRE NEW CONTENT, OR MAY HAVE TO DEFEND ITS RIGHTS IN INTELLECTUAL PROPERTY OF THE CONTENT THAT IS USED FOR ITS SERVICES WHICH COULD BE DISRUPTIVE AND EXPENSIVE TO ITS BUSINESS.

The Company may not be able to acquire new content, or may have to defend its intellectual property rights or defend against claims that it is infringing the rights of others, where its content rights are concerned. Intellectual property litigation and controversies are disruptive and expensive. Infringement claims could require us to develop non-infringing services or enter onto royalty or licensing arrangements. Royalty or licensing arrangements, if required, may not be obtainable on terms acceptable to the Company. The business could be significantly harmed if the Company is not able to develop or license new content. Furthermore, it is possible that others may license substantially equivalent content, thus enabling them to effectively compete against us.

THE COMPANY DEPENDS ON KEY PERSONNEL.

The Company depends on the performance of its senior management team. Its success depends on its ability to attract, retain, and motivate these individuals. There are no binding agreements with any of its employees that prevent them from leaving the Company at any time. There is competition for these people. The loss of the services of any of the key employees or failure to attract, retain, and motivate key employees could harm the business.

THE COMPANY RELIES ON THIRD PARTIES.

If critical services and products that the Company sources from third parties, such as content and network services were to no longer be made available to the Company or at a considerably higher price than it currently pays for them, and suitable alternatives could not be found, the business could be harmed.

THE COMPANY COULD BE AFFECTED BY GOVERNMENT REGULATION.

The list of countries to which our solutions and services could not be exported could be revised in the future. Furthermore, some countries may in future impose restrictions on streaming of broadband contents and related services. Failure to obtain the required governmental approvals would preclude the sale or use of services in international markets and therefore, harm the Company's ability to grow sales through expansion into international markets. While regulations in almost all countries in which our business currently operates generally permit the broadband services, such regulations in future may not be as favorable and may impede our ability to develop business.

THE COMPANY COULD BE AFFECTED BY PIRACY IN ASIA.

The Company is in the process of expanding its services globally, and in particular is entering specific countries in Asia with customized country sites. These country sites are designated to suit viewership patterns and styles in the countries they are launched in, and make use of the Company's content and intellectual property rights to the content. The piracy of content is a significant problem in many Asian countries, and it is not uncommon to see movies and television dramas appearing on illegal internet sites, and sold as pirated DVDs and VCDs. The extent of this piracy of content in the specific countries that the Company is launching its sites will adversely affect to a certain degree the amount of advertising and subscription revenues that the Company intends to earn.

THE COMPANY COULD BE AFFECTED BY ECONOMIC DOWNTURNS

The global economy underwent a massive downturn in 2009, which commenced in the second half of 2008. Many countries were faced with negative growth rates.. Where the media industry was concerned, major corporations reduced their advertising expenditures or even to cut back substantially all advertising and promotional expenditures towards the later half of 2008. The Company is heavily reliant on advertising and syndication revenues. Any future downturns in any one country that the Company operates its WOWtv service would significantly affect the Company's revenues.

OUR COMMON STOCK IS CONSIDERED A "PENNY STOCK". THE APPLICATION OF THE "PENNY STOCK" RULES TO OUR COMMON STOCK COULD LIMIT THE TRADING AND LIQUIDITY OF THE COMMON STOCK, ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK AND INCREASE THE TRANSACTION COSTS TO SELL THOSE SHARES.

Our common stock is a "low-priced" security or "penny stock" under rules promulgated under the Securities Exchange Act of 1934, as amended. In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document which describes the risks associated with such stocks, the broker-dealer's duties in selling the stock, the customer's rights and remedies and certain market and other information. Furthermore, the broker-dealer must make a suitability determination approving the customer for low-priced stock transactions based on the customer's financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will likely decrease the willingness of broker-dealers to make a market in our common stock, will decrease liquidity of our common stock and will increase transaction costs for sales and purchases of our common stock as compared to other securities.

THE STOCK MARKET IN GENERAL HAS EXPERIENCED VOLATILITY THAT OFTEN HAS BEEN UNRELATED TO THE OPERATING PERFORMANCE OF LISTED COMPANIES. THESE BROAD FLUCTUATIONS MAY BE THE RESULT OF UNSCRUPULOUS PRACTICES THAT MAY ADVERSELY AFFECT THE PRICE OF OUR STOCK, REGARDLESS OF OUR OPERATING PERFORMANCE.

Shareholders should be aware that, according to SEC Release No. 34-29093 dated April 17, 1991, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The occurrence of these patterns or practices could increase the volatility of our share price.

WE DO NOT EXPECT TO PAY DIVIDENDS FOR THE FORESEEABLE FUTURE, AND WE MAY NEVER PAY DIVIDENDS. INVESTORS SEEKING CASH DIVIDENDS SHOULD NOT PURCHASE OUR COMMON STOCK.

We currently intend to retain any future earnings to support the development of our business and do not anticipate paying cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our Board of Directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. In addition, our ability to pay dividends on our common stock may be limited by Nevada state law. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our common stock.

FUTURE SALES OF OUR COMMON STOCK COULD PUT DOWNWARD SELLING PRESSURE ON OUR COMMON STOCK, AND ADVERSELY AFFECT THE PER SHARE PRICE. THERE IS A RISK THAT THIS DOWNWARD PRESSURE MAY MAKE IT IMPOSSIBLE FOR AN INVESTOR TO SELL SHARE OF COMMON STOCK AT ANY REASONABLE PRICE, IF AT ALL.

Future sales of substantial amounts of our common stock in the public market or the perception that such sales could occur, could put downward selling pressure on our common stock and adversely affect its market price.

THE OVER THE COUNTER BULLETIN BOARD IS A QUOTATION SYSTEM, NOT AN ISSUER LISTING

SERVICE, MARKET OR EXCHANGE. THEREFORE, BUYING AND SELLING STOCK ON THE OTC BULLETIN BOARD IS NOT AS EFFICIENT AS BUYING AND SELLING STOCK THROUGH AN EXCHANGE. AS A RESULT, IT MAY BE DIFFICULT FOR YOU TO SELL YOUR COMMON STOCK OR YOU MAY NOT BE ABLE TO SELL YOUR COMMON STOCK FOR AN OPTIMUM TRADING PRICE.

The Over the Counter Bulletin Board (the "OTC BB") is a regulated quotation service that displays real-time quotes, last sale prices and volume limitations in over-the-counter securities. Because trades and quotations on the OTC Bulletin Board involve a manual process, the market information for such securities cannot be guaranteed. In addition, quote information, or even firm quotes, may not be available. The manual execution process may delay order processing and intervening price fluctuations may result in the failure of a limit order to execute or the execution of a market order at a significantly different price. Execution of trades, execution reporting and the delivery of legal trade confirmations may be delayed significantly. Consequently, one may not be able to sell shares of our common stock at the optimum trading prices.

When fewer shares of a security are being traded on the OTC Bulletin Board, volatility of prices may increase and price movement may outpace the ability to deliver accurate quote information. Lower trading volumes in a security may result in a lower likelihood of an individual's orders being executed, and current prices may differ significantly from the price one was quoted by the OTC Bulletin Board at the time of the order entry. Orders for OTC Bulletin Board securities may be canceled or edited like orders for other securities. All requests to change or cancel an order must be submitted to, received and processed by the OTC Bulletin Board. Due to the manual order processing involved in handling OTC Bulletin Board trades, order processing and reporting may be delayed, and an individual may not be able to cancel or edit his order. Consequently, one may not be able to sell shares of common stock at the optimum trading prices.

The dealer's spread (the difference between the bid and ask prices) may be large and may result in substantial losses to the seller of securities on the OTC Bulletin Board if the common stock or other security must be sold immediately. Further, purchasers of securities may incur an immediate "paper" loss due to the price spread. Moreover, dealers trading on the OTC Bulletin Board may not have a bid price for securities bought and sold through the OTC Bulletin Board. Due to the foregoing, demand for securities that are traded through the OTC Bulletin Board may be decreased or eliminated.

WE GENERATED A NET LOSS OF $2,146,613 AND $33,693,548 BEFORE TAXES FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009, RESPECTIVELY. WE MAY BE UNABLE TO CONTINUE AS A GOING CONCERN.

Our consolidated financial statements have been prepared on a going concern basis which assumes that we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future. We generated a consolidated net loss before taxes of $2,146,613 for the year ended December 31, 2010 compared to a consolidated net loss before taxes of $33,693,548 during 2009. We realized a negative cash flow from operating activities of $1,389,494 during 2010 compared to $1,952,720 in 2009. At December 31, 2010, we had an accumulated deficit of $39,425,386 and a working capital deficiency of $2,308,861 compared to an accumulated deficit of $37,436,006 and a working capital deficiency of $2,489,437 at December 31, 2009. At December 31, 2010, we had a stockholders' deficit of $141,597 compared to a stockholders' equity of $835,348 at December 31, 2009. Our ability to continue as a going-concern is in substantial doubt as it is dependent on a number of factors including, but not limited to, the receipt of continued financial support from our investors, our ability to market and sell domain name assets for cash, our ability to raise equity or debt financing as we need it, and whether we will be able to use our securities to meet certain of our liabilities as they become payable. The outcome of these matters is dependent on factors outside of our control and cannot be predicted at this time.

ITEM 1B: UNRESOLVED STAFF COMMENTS

As a smaller reporting company, we are not required to provide this information.

ITEM 2: PROPERTIES

The headquarters for operations and management is located in Singapore in an office space of about 3,928 square feet. We entered into a three year operating lease paying a monthly rent of $9,332 (S$12,000). The headquarters is currently located at 62 Cecil Street, TPI Building, #06-00.

In addition to the office which housed the management staff of the Company, there is one other office: located in the US. The office in the US is situated on Sunset Boulevard, West Hollywood and it consists of 2,965 square feet.

The office in the US is on a monthly lease and the rent is $10,530.

The office in the US was subleased on November 1, 2007 as part of the Company's cost reduction measures.

We believe that our existing facilities are adequate to meet our current needs and that suitable additional or alternative space will be available in the future on commercially reasonable terms, although we have no assurance that future terms would be as favorable as our current terms.

The Company has not invested in any real property at this time nor does the Company intend to do so. The Company has no formal policy with respect to investments in real estate or investments with persons primarily engaged in real estate activities.

ITEM 3: LEGAL PROCEEDINGS

On September 15, 2008, M2B Commerce Limited filed a lawsuit in the Kingdom of Cambodia for breach of the Performance and Maintenance Agreement dated May 20, 2005 between M2B Commerce Limited and Allsports International Ltd, by Allsports International Ltd seeking damages in the total amount of $794,189 and calling for the termination of the Performance and Maintenance Agreement.

On December 4, 2008, M2B Commerce Limited filed two further lawsuits in the Kingdom of Cambodia against the owners of Allsports International Ltd, in support of its earlier suit of September 15, 2008 against Allsports International Ltd for breach of the Performance and Maintenance Agreement dated May 20, 2005. One lawsuit was against the four principal officers of Allsports International Ltd for breach of trust of the total amount of $794,189 owing to M2B Commerce Limited. The other lawsuit was to get Allsports International Ltd to transfer the shares of the Lottery Company to M2B Commerce Limited, in lieu of the earlier lawsuit of September 15, 2008 which called for the termination of the Performance and Maintenance Agreement.

With the suspension of all digit gaming operations by the Cambodia Government in March 2009, and which the suspension is expected to be permanent, no progress has been made by the Cambodian Courts with respect to the three lawsuits filed on September 15, 2008 and December 4, 2008 in the Kingdom of Cambodia. The Company believes that the Cambodian Courts are not likely to pursue these legal cases with the parties concerned in the light of the digit games suspension in Cambodia.

On November 7, 2008, M2B World Asia Pacific Pte. Ltd was served a summons in Singapore by M2B Game World Pte. Ltd, a company owned 81% by Auston International Group Limited and 19% by M2B World Pte. Ltd, claiming a sum of US$153,744 (S$235,229) in unpaid invoices in 2006. Following this, M2B World Asia Pacific Pte. Ltd filed a counter claim to strike off this summons on the basis that the invoices were non-existent and that M2B World Asia Pacific Pte. Ltd was not yet incorporated as a company as of the date of the invoices produced by M2B Game World Pte. Ltd.

On February 23, 2009, M2B World Pte Ltd was served a summons in Singapore by Auston International Group Limited, claiming a sum of US$496,765 (S$760,050) to be paid as shortfall in Guaranteed Profit to M2B Game World Pte. Ltd for financial years 2006 and 2007, as part of the agreement for the acquisition of M2B Game World in December 20, 2005 between M2B World Pte Ltd and Auston International Group Limited. On March 20, 2009 in response to this summons, M2B World Pte. Ltd filed a counter-claim against Auston International Group Limited to claim damages amounting to US$1,568,172 and other damages as a result of material breaches on the part of Auston International Group Limited to the agreement of December 20, 2005 for the acquisition of M2B Game World Pte Ltd.

ITEM 4: [RESERVED]

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

PUBLIC MARKET

Our common stock trades on the Financial Industry Regulatory Authority ("FINRA") over-the counter Bulletin Board market ("OTCBB") under the symbol "AMRU". As of March 1, 2011, there were 397 holders of our common stock.

The price of the Company's stock as of March 1, 2011 was $0.02.

The Company's high and low closing bid and close information for the fiscal years ended December 31, 2010 and 2009 is listed as provided by the Nasdaq website. Quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission and may not represent actual transactions.

	Open	High
Year Ended December 31, 2010		
First Quarter	$ 0.08	$ --
Second Quarter	$ 0.09	$ 0.09
Third Quarter	$ 0.085	$ --
Fourth Quarter	$ 0.032	$ --
Year Ended December 31, 2009		
First Quarter	$ 0.1000	$ --
Second Quarter	$ 0.1000	$ 0.1000
Third Quarter	$ 0.0900	$ --
Fourth Quarter	$ 0.1000	$ 0.1000

* Closing price is provided as of the last day of the month.

DIVIDENDS

The Company does not expect to pay any dividends at this time. The payment of dividends, if any, will be contingent upon the Company's revenues and earnings, capital requirements, and general financial condition. The payment of any dividends will be within the discretion of the Company's Board of Directors and may be subject to restrictions under the terms of any debt or other financing arrangements that the Company may enter into in the future.

RECENT SALE OF UNREGISTERED SECURITIES

As of December 22, 2010, the Company issued a total of 2,146,467 shares of common stock through its private placement of shares of common stock at a purchase price of $0.03 per share for a total amount of $64,394.00, to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933.

As of December 1, 2010, the Company issued a total of 1,221,374 shares of common stock through its private placement of shares of common stock at a purchase price of $0.05 per share for a total amount of $61,068.70, to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933.

As of February 17, 2010 to November 9, 2010, the Company issued a total of 10,442,053 shares of common stock through its private placement of shares of common stock at a purchase price of $0.10 per share for a total amount of $1,044,205.34, to "accredited investors", as that term is defined in Regulation D of the Securities Act of 1933.

The total amount of funds raised through the private placements of shares of common stock for the year ended December 31, 2010 was $1,169,668.04. The total proceeds were used for working capital.

The shares of the Company's common stock in above private placements were issued and sold in reliance upon the exemption provided by Section 4(2) and/or Regulation D/Regulation S of the Securities Act of 1933. Appropriate investment representations were obtained and the securities were issued with restrictive legends.

The shares of the Company's common stock were issued and sold in reliance upon the exemption provided by Section 4(2) and/or Regulation D/Regulation S of the Securities Act of 1933.

EQUITY COMPENSATION PLAN

The Company's 2004 Equity Compensation Plan has 2,921,260 million shares remaining as of December 31, 2010. In 2007 and 2008, no shares were issued under the Company's 2004 Equity Compensation Plan. In 2006 and 2005, the Company issued 420,000 shares and 58,740 shares respectively under the 2004 Equity Compensation Plan. There are no outstanding options under the 2004 Equity Compensation Plan.

ITEM 6: SELECTED FINANCIAL DATA

The following selected consolidated financial data is derived from the Company's audited financial statements. These data is not necessarily indicative of results of future operations, and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7 and, the Consolidated Financial Statements and Notes to Consolidated Financial Statements under Item 8.

No cash dividends were declared in any of the years shown below:

	Years Ended December 31,	
	2010	2009
STATEMENT OF OPERATIONS DATA:		
Revenues (1)	$ 48,382	$ 22,016
Cost of Services	248,573	226,319
Gross Profit (Loss)	(200,191)	(204,303)
Operating income (loss)	(1,504,063)	(33,738,846)
Net Income (loss)	(2,146,613)	(33,693,548)
Basic and diluted income (loss) per share	(0.013)	(0.21)

Shares used in computing basic and diluted income/loss per common share	171,361,807	157,266,951
BALANCE SHEET DATA:		
Working Capital (Deficit)	(2,308,861)	(2,489,437)
Total Assets	3,332,345	4,232,297
Long-term obligations	24,765	36,924
Stock holders' (Deficit) Equity	(141,597)	835,348

NOTES ON SELECTED FINANCIAL DATA

(1) The digit gaming operations were suspended in March 2009 by the Cambodia Government, as part of the suspension of all lotteries in Cambodia, resulting in the removal of such revenues in 2008.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE DEEMED BY THE COMPANY TO BE COVERED BY AND TO QUALIFY FOR THE SAFE HARBOR PROTECTION PROVIDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. PROSPECTIVE SHAREHOLDERS SHOULD UNDERSTAND THAT SEVERAL FACTORS GOVERN WHETHER ANY FORWARD - LOOKING STATEMENT CONTAINED HEREIN WILL BE OR CAN BE ACHIEVED. ANY ONE OF THOSE FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED HEREIN. THESE FORWARD - LOOKING STATEMENTS INCLUDE PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, INCLUDING PLANS AND OBJECTIVES RELATING TO THE PRODUCTS AND THE FUTURE ECONOMIC PERFORMANCE OF THE COMPANY. ASSUMPTIONS RELATING TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE AND MARKET CONDITIONS, FUTURE BUSINESS DECISIONS, AND THE TIME AND MONEY REQUIRED TO SUCCESSFULLY COMPLETE DEVELOPMENT PROJECTS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN ARE REASONABLE, ANY OF THOSE ASSUMPTIONS COULD PROVE INACCURATE AND, THEREFORE,THERE CAN BE NO ASSURANCE THAT THE RESULTS CONTEMPLATED IN ANY OF THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN WILL BE REALIZED. BASED ON ACTUAL EXPERIENCE AND BUSINESS DEVELOPMENT, THE COMPANY MAY ALTER ITS MARKETING, CAPITAL EXPENDITURE PLANS OR OTHER BUDGETS, WHICH MAY IN TURN AFFECT THE COMPANY'S RESULTS OF OPERATIONS. IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD - LOOKING STATEMENTS INCLUDED THEREIN, THE INCLUSION OF ANY SUCH STATEMENT SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES OR PLANS OF THE COMPANY WILL BE ACHIEVED.

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements and the notes to our consolidated financial statements included elsewhere in this report.

General

The Company is in the business of broadband entertainment-on-demand, streaming via computers, television sets, and 3G (Third Generation) devices and the provision of broadband services. Its business includes channel and program sponsorship (advertising and branding); online subscriptions, channel/portal development (digital programming services); content aggregation and syndication, broadband consulting services, broadband hosting and streaming services and E-commerce.

The Company was also in the business of digit gaming (lottery). The Company had an 18 years license to conduct nation wide lottery in Cambodia. The Company through its subsidiary, M2B Commerce Limited, signed an agreement with Allsports Limited, a British Virgin Islands company to operate and conduct digit games in Cambodia and to manage the digit games activities in Cambodia. On March 25, 2009, the Company was notified that the digit games were suspended by the At this time, the Company believes that the suspension of the digit games is permanent as the Government of Cambodia has closed the gaming business by the order of its Ministry of Economy and Finance.

The following discussion should be read in conjunction with selected financial data and the financial statements and notes to financial statements.

OVERVIEW

The business focus of the Company is Entertainment-on-Demand and E-Commerce Channels on Broadband, and 3G (Third Generation) devices.

For the broadband, the Company delivers both wire and wireless solutions, streaming via computers, TV sets, PDAs and 3G hand phones. At the same time the Company launches e-commerce channels (portals) that provide on-line shopping but with a difference, merging two leisure activities of shopping and entertainment. The entertainment channels are designed to drive and promote the shopping portals, and vice versa.

The Company's business model in the area of broadband entertainment includes e-services, which would provide the Company with multiple streams of revenue. Such revenues would be derived from advertising and branding (channel and program sponsorship); on-line subscriptions; online games micro-payments; channel/portal development (digital programming services); content aggregation and syndication; broadband consulting services; on-line shopping turnkey solutions; broadband hosting and streaming services; E-commerce commissions and on-line dealerships; and digit game operations.

In fiscal 2008, the business was reorganized under the following entities to spearhead the expansion of the Company's business and focus on specific growth areas and territories.

M2B WORLD PTE. LTD.

M2B World Pte. Ltd. was incorporated on April 3, 2003. This subsidiary used to oversee the management and operation of the Company as a whole and oversees the Asian business. With effect from September 1, 2006, the Company's Asian business was overseen by another subsidiary, M2B World Asia Pacific Pte. Ltd.

The Company took an investment on May 16, 2005 for a 9.1% equity position with a company called Activ Lifestyle Pte Ltd in Singapore to help facilitate Amaru Inc.'s diversification into the health and wellness market.On September 27, 2005, the Company raised its investment in Activ Lifestyle Pte Ltd to 12.6%. This was further increased to 17.4% as of December 31, 2006.

In December 2005, M2B World Pte. Ltd. sold 81% equity interests of its wholly-owned subsidiary, M2B Game World Pte. Ltd. to Auston International Group Ltd (Auston), a public listed company in Singapore, in exchange for 27% equity interest in Auston. As of December 31, 2008, the Company disposed all of its common shares in Auston. As of the date of this report, the Company holds no shares in Auston.

M2B WORLD, INC.

M2B World, Inc., a California corporation, was incorporated on January 24, 2005. This subsidiary handles and oversees the Company's business in the U.S. The Company has leased a new office on Sunset Boulevard, West Hollywood that came into effect in August 2006, which offices are currently being subleased (see below). In October 2007, M2B World Inc reduced its staffing and in November 2007 sub-leased its premise as part of the Company's cost reduction measures.

On May 27, 2005, M2B World, Inc. entered into an agreement with Indie Vision Films, Inc., a California corporation, to purchase 20% of the beneficial ownership of Indie Vision Films, Inc. The investment will allow M2B World, Inc.to access the library of programs of Indie Vision Films, Inc. The Company entered into an agreement on December 22, 2009 with Indie Vision Films, Inc to convert its investment into content rights, thereby giving up its 20% share of beneficial ownership in lieu of library rights that the Company could exploit commercially for international use.

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On November 1, 2007, the Company sub-leased the office premises of M2B World Inc, a wholly owned subsidiary of the Company in Los Angeles, California as part of its efforts to streamline its operations and reduce operating costs. The staffing of M2B World Inc was also reduced from 9 staff to 1 staff as of October 31, 2007, and remains as 1 staff as of the date of this report. The company has transferred its server farm to the Singapore server farm to, optimize bandwidth and support cost.

M2B WORLD ASIA PACIFIC PTE. LTD.

M2B World Asia Pacific Pte Ltd was incorporated in the Republic of Singapore on 1 August 2006 for the purposes of handling all the business operations of the Company in the Asia Pacific region. This company had taken over the Asian business operations as well as the assets and liabilities of M2B World Pte. Ltd. with effect from September 1, 2006.

On January 3, 2007, M2B World Asia Pacific Pte Ltd, issued 7,778,014 shares of common stock through a private placement at a price of $0.77 a share for a total amount of $6,000,000. This had effectively reduced the Company's effective equity interest in M2B World Asia Pacific Pte. Ltd from 100% to 81.6%.

On July 8, 2008, M2B World Asia Pacific Pte Ltd signed a two year convertible loan agreement with a third party to raise $2,500,000 in funding. The loan allows the borrower to convert the loan into shares of the Company at the issue price of $0.942 per share at the end of the two years period. The loan bears an interest rate of 5.0% per annum, and will mature in June 2010. The note was obtained from a company in which a board of director is the Joint Company Secretary of the lender. Subsequent to June 30, 2010, the conversion period of the convertible loan was extended for an additional twelve months commencing July 8, 2010.

M2B COMMERCE LIMITED

M2B Commerce Limited, a company incorporated in the British Virgin Islands on July 25, 2002, focuses on e-commerce and digit gaming, with a branch in Cambodia that oversees the digit gaming operation in Cambodia.

The Company has an agreement with Allsports Limited, a British Virgin Islands company to operate, administer, and manage the lottery digit game activities in Cambodia, as an extension of the Company's entertainment operations. On March 25, 2009, the Company was notified that the digit game were suspended by the Cambodia Government as part of the suspension of all lotteries in Cambodia. At this time, the Company believes that the suspension of the digit game is permanent as the Government of Cambodia has closed the gaming business by the order of its Ministry of Economy and Finance.

The company had entered into an investment agreement on January 12, 2006, with Khoo Kim Leng, the beneficial owner of Dai Long Co., Ltd, which holds a valid casino license and freehold land and intends to develop and operate an integrated resort in the Kingdom of Cambodia. The resort will feature a hotel, guest house, shopping arcade, entertainment and amusement center and some gaming tables. As of December 31, 2006, the company had invested $2,402,613 in relation to this investment. The resort was completed and is in operation.

M2B ENTERTAINMENT, INC.

On April 19, 2010, M2B Entertainment, Inc. was dissolved because the Company did not want to continue operations in Canada.

M2B AUSTRALIA PTY LTD

M2B Australia Pty Ltd was incorporated on June 15, 2005. This subsidiary handles and oversees the Company's business in Australia. As of December 31, 2010 this subsidiary is dormant.

M2B WORLD TRAVEL SINGAPORE PTE. LTD.

M2B World Travel Singapore Pte Ltd was incorporated in the Republic of Singapore on March 7, 2006. This subsidiary of M2B World Travel Limited launches a global online travel platform which offers global e-travel services.

The Company has completed the development of an online travel engine and travel web applications for integration with suppliers of travel information and travel services; and incorporating travel features with current media operations under the M2B brand name.

M2B World Travel Limited signed a global agreement with Amadeus Global Travel Distribution, SA, a Spanish corporation. Through the agreement, the company will be able to offer direct access to the extensive range of travel options available through the Amadeus network to viewers around the world.

AMARU HOLDINGS LIMITED AND M2B WORLD HOLDINGS LIMITED

Amaru Holdings Limited and M2B World Holdings Limited are incorporated in the British Virgin Islands on February 21, 2005 and June 15, 2006, respectively. Amaru Holdings Limited focuses on content syndication and distribution in areas other than Asia Pacific region. M2B World Holdings Limited focuses on content syndication and distribution in Asia Pacific region and is a subsidiary of M2B World Asia Pacific Pte. Ltd.

TREMAX INTERNATIONAL LIMITED AND M2B WORLD TRAVEL LIMITED

Tremax International Limited and M2B World Travel Limited are both incorporated in the British Virgin Islands on June 8, 2006 and May 3, 2005 respectively. Both companies are investment holdings companies.

On July 10, 2007, Tremax International Limited entered into a sale and purchase agreement (the "Agreement") with Domaine Group Limited, a British Virgin Islands corporation (the "Vendor"), for the acquisition of CBBN Holdings Limited ("CBBN Holdings"). CBBN Holdings is a 80% beneficial owner of Cosmactive Broadband Networks Co. Ltd ("CBN"), which is a broadband service provider incorporated in Taiwan. The purchase consideration is satisfied in full by the issuance of 5,333,333 of common stock of the Company.

On January 22, 2009, the Company approved the termination and rescission of the Agreement, because the seller failed to comply with the terms of the Agreement and did not deliver to the Company or Purchaser the consideration for the issuance of the Company's common stock. The Company further approved the cancellation of the common stock issued by the Company under the Agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In the preparation of the financial statements, the Company adopted the following critical accounting policies.

FILM LIBRARY

Investment in the Company's film library includes movies, dramas, comedies and documentaries in which the Company has acquired distribution rights from a third party. For acquired films, these capitalized costs consist of minimum guarantee payments to acquire the distribution rights. Costs of acquiring the Company's film libraries are amortized using the individual-film-forecast method, whereby these costs are amortized and participations and residuals costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the films. Ultimate revenue for acquired films includes estimates over a period not to exceed twenty years following the date of acquisition. Investments in films are stated at the lower of amortized cost or estimated fair value.

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The valuation of investment in films is reviewed on a overall basis, when an event or change in circumstances indicates that the fair value of the film library is less than its unamortized cost. The fair value of the film is determined using management's future revenue and cost estimates and a discounted cash flow approach. Additional amortization is recorded in the amount by which the unamortized costs exceed the estimated fair value of the film. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in films may be required as a consequence of changes in management's future revenue estimates.

The Company most recently completed an impairment evaluation in the fourth quarter of fiscal year 2009. The film library was determined to be impaired during the year ended December 31, 2009. In conducting the analysis, the Company used a discounted cash flow approach in estimating fair value as market values could not be readily determined given the unique nature of the respective assets.

INTANGIBLE ASSETS

Intangible assets consist of gaming licenses, software licenses and product development costs. Intangible assets which were purchased and have indefinite lives are stated at cost less impairment losses. Intangible assets which were purchased for a specific period are stated at cost less accumulated amortization and impairment losses. Such intangible assets are amortized over the period of the contract, which is 2 to 18 years.

REVENUE

Subscription and related services revenues are recognized over the period that services are provided. Advertising and sponsorship revenues are recognized as the services are performed or when the goods are delivered. Licensing and content syndication revenue is recognized when the license period begins, and the contents are available for exploitation by customer, pursuant to the terms of the license agreement. Gaming revenue is recognized as earned net of winnings. E-commerce commissions are recognized as received. Broadband consulting services and on-line turnkey solutions revenue are recognized as earned.

The Company has adopted accounting pronouncements issued before December 31, 2010, that are applicable to the Company.

RESULTS OF OPERATIONS

For the fiscal year ended December 31, 2010 compared with the fiscal year ended December 31, 2009.

FINANCIAL STATEMENT

- Revenue for the year ended December 31, 2010 was $48,382 compared with $22,016 in 2009.

- Loss from operations was $1,504,063 in 2010 compared with loss of $33,738,846 in 2009.

- Net loss was $2,146,613 in 2010 compared with loss of $33,693,548 in 2009.

- The Company's cash balance was $221,183 at December 31, 2010 compared with $356,477 at December 31 2009.

Revenue

The following table sets forth a year-over-year comparison of the key components of the Company's revenues :

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
ENTERTAINMENT	$ 48,382	$ 22,016	$ 26,366	120%
DIGIT GAMES	$ --	$ --	$ --	0%
OTHER	--	$ --	$ --	-%
TOTAL REVENUES	$ 48,382	$ 22,016	$ 26,366	120%

Entertainment revenue for the year ended December 31, 2010 at $48,382 was higher than entertainment revenue of $22,016 for year ended December 31, 2009 by $26,366 (120%). It was mainly due to the increase in advertising revenue from new customers during 2010.

COST OF SERVICES

The following table sets forth a year-over-year comparison of the Company's cost of services :

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
COST OF SERVICES	$248,573	$226,319	$ 22,254	10%

Cost of services for the years ended December 31, 2010 was $248,573 which increased by $22,254 (10%) from $226,319 for the year ended December 31, 2009. It was mainly due to increase in cost spending on website design and maintenance costs by $20,567 (46%) from $44,214 for the year ended December 31, 2009 to $64,681 for the year ended December 31, 2010.

DISTRIBUTION EXPENSES

The following table sets forth a year-over-year comparison of the Company's distribution expenses :

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
TOTAL DISTRIBUTION EXPENSES	$40,450	$299,881	$(259,431)	(87%)

Distribution expenses for the year ended December 31, 2010 at $40,450 Were lower by $259,431 (87%) as compared to the amount of $299,881 Incurred for the year ended December 31, 2009.

The lower distribution expenses were attributed to decreased spending on marketing and promoting the WOWtv and M2Btv services which decreased by $210,472 (97%) from $217,483 for the year ended December 31, 2009 to $7,011 for the year ended December 31, 2010

BAD DEBTS WRITTEN OFF

The following table sets forth a year-over-year comparison of the Company's bad debts written off:

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
BAD DEBTS WRITTEN OFF	$ --	$9,641,508	$ (9,641,508)	(100%)

The bad debts written off were primarily attributed to the write off of the outstanding balance of $9,500,000 receivables from sale of IPTV platform for the year ended December 31, 2009.

GENERAL AND ADMINISTRATIVE EXPENSES

The following table sets forth a year-over-year comparison of the Company's general and administrative expenses :

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$1,263,422	$1,701,341	$(437,919)	(26%)

ADMINISTRATION EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2010 AT $1,263,422 WERE LOWER BY $437,919 (26 %) AS COMPARED TO THE AMOUNT OF $1,701,341 INCURRED FOR THE YEAR ENDED DECEMBER 31, 2009.

THE DECREASE IN ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2010 WAS ATTRIBUTED MAINLY TO THE DECREASE IN:

o DEPRECIATION AND AMORTIZATION. EQUIPMENT DEPRECIATION AND LICENSE AMORTIZATION HAD DECREASED BY $281,980 (48%), FROM $589,644 FOR THE YEAR ENDED DECEMBER 31,2009 TO $307,664 FOR THE YEAR ENDED DECEMBER 31,2010. THE DECREASE WAS MAINLY DUE TO MOST OF THE INTANGIBLE ASSETS AND EQUIPMENT BEING FULLY AMORTIZED AND IMPAIRED DURING END OF DECEMBER 31, 2009.

o LEGAL AND PROFESSIONAL FEES. FEES HAD DECREASED BY $92,265 (33%), FROM $277,656 FOR THE YEAR ENDED DECEMBER 31, 2009 TO $185,391 FOR THE YEAR ENDED DECEMBER 31, 2010. THE DECREASE WAS MAINLY DUE AS A RESULT OF COSTS REDUCTION MEASURES TO REDUCE OPERATING COSTS

o STAFF COSTS. STAFF COSTS HAD DECREASED BY $33,880 (9%), FROM $357,061 FOR THE YEAR ENDED DECEMBER 31, 2009 TO $323,181 FOR THE YEAR ENDED DECEMBER 31, 2010.THE DECREASE WAS MAINLY DUE AS A RESULT OF COSTS REDUCTION MEASURES TO REDUCE OPERATING COSTS

INVENTORIES WRITTEN OFF

The following table sets forth a year-over-year comparison of the Company's inventories written off :

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
INVENTORIES WRITTEN OFF	$ --	$642,267	($642,267)	(100%)

Inventories were fully written off for the year ended December 31, 2009.

IMPAIRMENT LOSS ON FILM LIBRARY

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
IMPAIRMENT LOSS ON FILM LIBRARY	$ --	$19,164,782	($19,164,782)	(100%)

For the year ended December 31, 2009, there was an impairment loss of $19,164,782 due to a lack of revenue the past two fiscal years.

IMPAIRMENT LOSS ON INTANGIBLE ASSET

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
IMPAIRMENT LOSS ON INTAGIBLE ASSETS	$ --	$2,084,764	($2,084,764)	(100%)

For the year ended December 31, 2009, there was an impairment loss of $2,084,764 on intangible assets.

The impairment loss of $2,084,764 for the year ended December 31, 2009 was due to the impairment of online game license which has yet to commence its operations.

IMPAIRMENT LOSS ON INVESTMENTS-NET

	YEAR ENDED DECEMBER 31		VARIANCE 2010 VS. 2009	
	2010	2009	$	%
IMPAIRMENT LOSS ON INVESTMENTS - NET	$875,673	$ --	$875,673	100%

(LOSS) INCOME FROM OPERATIONS

The following table sets forth a year-over-year comparison of the Company's income from operations:

	Year Ended December 31	
	2010	2009
(LOSS) INCOME FROM OPERATIONS	$(1,504,063)	$(33,378,846)

THE COMPANY INCURRED A LOSS FROM OPERATIONS OF $1,504,063 FOR THE YEAR ENDED DECEMBER 31, 2010 AS COMPARED TO THE LOSS FROM OPERATIONS OF $33,378,846 FOR THE YEAR ENDED DECEMBER 31, 2009. THIS WAS MAINLY DUE TO THE WRITE OFF OF THE OUTSTANDING BALANCE $9,500,000 RECEIVABLES FROM SALE OF IPTV PLATFORM, IMPAIRMENT LOSS ON THE FILM LIBRARY OF $19,164,782, AND IMPAIRMENT LOSS OF INTANGIBLE ASSET OF $2,084,764 DURING 2009.

NET INCOME (LOSS)

The following table sets forth a year-over-year comparison of the Company's net income (loss) :

	Year Ended December 31	
	2010	2009
Net income (Loss)	$(2,146,613)	$(33,693,548)

NET LOSS FOR THE YEAR ENDED DECEMBER 31, 2010, WAS $2,146,613 WHICH DECREASED BY $31,546,935 (94%) FROM NET LOSS OF $33,693,548 FOR THE YEAR ENDED DECEMBER 31, 2009.

The significant decrease in net loss for the year ended December 31 2010 was mainly attributed to the loss from operations of $32,234,783 (96%) as explained above under Loss From Operations for the year ended December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $221,183 at December 31, 2010 as compared to cash of $356,477 at December 31, 2009.

The Company does not finance its operations through short-term bank credit nor long-term bank loans as it believes that cash generated from its operations will be able to cover its daily running cost and overheads.

During the year ended December 31, 2010, the Company had not entered into any transactions using derivative financial instruments or derivative commodity instruments. Accordingly the Company believes its exposure to market interest rate risk is not material.

In summary of the sources and use of cash, the Company had raised $1,169,668 through equity financings in fiscal year 2010. The cash generated from financing activities totaling $1,267,857 was used to cover the Company's operations and to reduce the Company's accounts payable and accrued expenses levels by $88,400 for fiscal year 2010.

There was net cash used in operating activities of $1,389,494 and $1,952,720, for each of the two years in 2010 and 2009, respectively. The decrease of $563,226 for net cash used in operating activities in 2010 as compared to 2009 was mainly due to reduction of payments to the Company's suppliers.

There was net cash used in investing activities of $13,657 and $293,194 for each of the two years in 2010 and 2009, respectively. The decrease of $279,537 for net cash used in investing activities in 2010 as compared to 2009 was mainly due to no acquisition of investments available for sale.

There was net cash provided by financing activities of $1,267,857 and $1,117,446 for each of the two years in 2010 and 2009, respectively. The increase of $150,411 for net cash provided by financing activities in 2010 as compared to 2009 was mainly due to a higher sum of financing raised through related parties.

The Company's intention in fiscal year 2011 is to raise additional funds through new equity placements with investors to fund its business, and the intended growth plans. To date, the Company has raised $1,468,251.94 for 2011, and is expected to raise more new funding during the year. This new funding coupled with its cash as at December 31, 2010 should be able to cover operating expenses for the fiscal year 2011, and the Company believes that it should be able to raise additional funding for the next fiscal year.

The Company has relinquished its old trade obligations and reduced the overall fixed overhead cost. On the operational side, where possible, IT work has been out-sourced to other countries with lower labor cost. The most significant operational factor is the disproportionately high bandwidth cost. With that in mind the Company has strategized a two-prong approach. A Joint Venture Company called Mediamedes was formed in Sept 2010 to gain access to a Danish streaming technology to allow streaming in greater volume at lower bandwidth cost. On its own, the Company has signed a working contract with Velocix in March, 2011, to deliver superior streaming technology at lower cost. In addition to the Company's content of I-Concerts, Mr Paparazzi, Auto TV gained in 2010, the Company is seeking to acquire new Contents from Holland, Mid-East, Australia, Korea, Japan and China. Currently, the Company is finalizing a cooperation agreement with m1905, a fully owned subsidiary of CCTV6. The Company's goal is to keep contents current at 'zero-cost' acquisition, with revenue share model where possible. During the industry downturn, the Company has continued to push its key selling points of legal contents across various countries, It is rewarded by the newly enforced Intellectual Property Rights in China and globally. This puts the Company's content library in a favourable position in negotiating for new business ventures. The Company believes that being based in Singapore, at the crossroads of communication and commerce, it is ideally placed to develop the media industry. The Company's fully legal Contents and various country rights, enables it to take advantage of the Internet and Mobile 3G/4G roll out regionally and globally. The Company has a self sufficient, complete and compact operation, cross-platforms abilities, and new product developments, and is nimble enough to adapt to the new media to realize revenue for the highly connected mobile marketplace. We expect that the broadband business segment would be able to generate sufficient cash to cover its operations in fiscal year 2011. Cash generated from operations meanwhile will not be able to cover the Company's intended growth and expansion. The Company intends to raise additional funds to fund its business expansion until its revenue generation is self sufficient to fund the business. However no assurances can be made that the Company will raise sufficient funds as planned.

NEW CONTRACTS

On May 20, 2010, the Company through its subsidiary, M2B World Asia Pacific Pte. Ltd. ("M2B") signed an agreement with Auto TV Corporation Pte. Ltd., ("Auto TV"), one of the world's leading provider of premium automobile content, to launch Auto TV channel on the Company's WOWtv. M2B and Auto TV shall share net of total revenue collected in the ratio of 40%("M2B"):60%("Auto TV").

On July 23, 2010, the Company through its subsidiary, M2B World Asia Pacific Pte. Ltd. ("M2B") signed an agreement with I-Concerts Asia Pte. Ltd., ("I-Concerts"), one of the world's largest collection of live concert recordings, to launch live music channel on the Company's WOWtv. The Company and I-Concerts shall share net of total revenue collected in the ratio of 40%("M2B"):60% ("I-Concerts").

On August 31, 2010, the Company through its subsidiary, M2B World Asia

Pacific Pte. Ltd. ("M2B") signed an agreement with Starhub Mobile Pte. Ltd. ("Starhub"), a Singapore corporation, one of the leading info-communications providers. Pursuant to the terms of the Agreement, Starhub shall launch the Company's content and services on mobile platform of Starhub mobile Network. The Company shall be paid 50% of net of total revenue collected by Starhub.

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On September 1, 2010, the Company signed a MDA with Mr. Paparazzi.com (UK) to distribute Paparazzi's contents on an exclusive basis for Asia Pacific region, including China.

On March 7, 2011, the Company through its subsidiary, M2B World Asia Pacific Pte. Ltd. ("M2B") signed an agreement with Panasonic Asia Pacific Pte. Ltd. ("Panasonic"), one of the world's leading electronics producers. Pursuant to the terms of the Agreement, Panasonic shall launch M2B's content and services on connected TV platform, Viera Connect of Panasonic in the Asia Pacific region, namely Singapore, Malaysia, Thailand, Vietnam, Philippines, Indonesia, India, Australia and New Zealand. M2B and Panasonic shall share net of total revenue collected in the ratio of 90%("M2B"):10%("Panasonic").

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ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve principal while concurrently maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we may invest in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the current value of the principal amount of our investment will decline. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including commercial paper, money market funds, high-grade corporate bonds, government and non- government debt securities and certificates of deposit. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. The Company held $3,335,964 and $3,045,729 in marketable securities as of December 31, 2010 and 2009 respectively.

The Company does not believe that it faces material market risk with respect to its cash and cash equivalents which totaled $221,183 and $356,477 at December 31, 2010 and 2009, respectively.

The Company has no material long-term obligations or hedging activities.

ABILITY TO EXPAND CUSTOMER BASE

The Company's future operating results depend on our ability to expand our customer base for broadband services and e-commerce portals. An increase in total revenue depends on our ability to increase the number of broadband and e-commerce portals, in the US, Europe and Asia. The degree of success of this depends on:

- our efforts to establish independent broadband sites in countries where conditions are suitable.

- our ability to expand our offerings of content in entertainment to include more niche channels and offerings.

- our ability to provide content beyond just personal computers but to encompass television, wireless application devices and 3G hand phones.

ABILITY TO ACQUIRE NEW MEDIA CONTENTS

The continued ability of the Company to acquire rights to new media contents, at competitive rates, is crucial to grow and sustain the Company's business.

AVAILABILITY OF TECHNOLOGICALLY RELIABLE NEW GENERATION OF BROADBAND DEVICES

The growth of demand for broadband services is dependent on the wide availability of technologically reliable new generation of broadband devices, at affordable prices to prospective customers of broadband services. The early and widespread availability and market adoption of new generation broadband devices, will significantly impact demand for broadband services and the growth of the Company's business.

CAPITAL INVESTMENT IN BROADBAND INFRASTRUCTURE BY GOVERNMENT AND TELCOS

The growth of demand for broadband services is dependent on the capital investment in broadband infrastructure by governments and Telcos. A significant source of demand for the Company's broadband services could be from homes and enterprises with access to high-speed broadband connections. The ability of countries to invest in public broadband infrastructure to offer public accessibility is subject to countries' economic health. The Company's prospects for business growth in Asia especially would be impacted by overall economic conditions in the territories that we seek to expand into.

COMPETITION FROM BROADBAND CABLE AND TV NETWORKS OPERATORS

The competition of services provided by broadband cable network operators and TV networks. As traditional TV networks and cable TV operators provide alternate supply of entertainment and on-demand broadband services, they are in competition with the Company, for market share. The Company, nevertheless, will continue to leverage on its advantage of ownership rights to its own portfolio of media content and its ability to provide broadband services over both the cable and wireless networks, at competitive rates.

The Company's business is reliant on complex information technology systems and networks. Any significant system or network disruption could have a material adverse impact on our operations and operating results. The Company's nature of business is highly dependent on the efficient and uninterrupted operation of complex information technology systems networks, may they, either be that of ours, or our Telco/ ISP partners.

All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to computer viruses, security breach, energy blackouts, natural disasters and terrorism, war and telecommunication failures.

System or network disruptions may arise if new systems or upgrades are defective or are not installed properly. The Company has implemented various measures to manage our risks related to system and network disruptions, but a system failure or security breach could negatively impact our operations and financial results.

LAW AND REGULATIONS GOVERNING INTERNET

Increased regulation of the Internet or differing application of existing laws might slow the growth of the use of the Internet and online services, which could decrease demand for our services. The added complexity of the law may lead to higher compliance costs resulting in higher costs of doing business.

UNAUTHORIZED USE OF PROPRIETARY RIGHTS

Our copyrights, patents, trademarks, including our rights to certain domain names are very important to M2B and WOWtv's brand and success. While we make every effort to protect and stop unauthorized use of our proprietary rights, it may still be possible for third parties to obtain and use the intellectual property without authorization. The validity, enforceability and scope of protection of intellectual property in Internet-related industries remain uncertain and still evolving. Litigation may be necessary in future to enforce these intellectual property rights. This will result in substantial costs and diversion of the Company's resources and could disrupt its business, as well as have a material adverse effect on its business.

LAW AND REGULATIONS GOVERNING BUSINESS

As the Company continues to expand its business internationally across different geographical locations there are risks inherent including:

1) Trade barriers and changes in trade regulations
2) Local labor laws and regulations
3) Currency exchange rate fluctuations
4) Political,social or economic unrest
5) Potential adverse tax regulation
6) Changes in governmental regulations

OUTBREAK OF BIRD FLU PANDEMIC OR SIMILAR ADVERSE PUBLIC HEALTH DEVELOPMENTS

Any future outbreak of the bird flu pandemic or similar adverse public health developments may have a material adverse effect on the Company's business operations, financial condition and results of operations.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Financial Statements and Notes thereto commencing on Page F-1.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On July 21, 2008, Nexia Court & Co. resigned as the Company's auditors. The Board of Directors of the Company accepted Nexia Court's decision as of the date hereof and appointed Mendoza Berger & Co., LLP. as its new certified accountants and auditors.

During the Company's fiscal years 2006-2007, and during the interim period from January 1, 2008 through the date of July 21, 2008, there have been no past disagreements between the Company and Nexia Court & Co., on any matter of accounting principles or practices, financial statement disclosure or auditing, scope or procedure.

The audit reports provided by the Company's auditors, Nexia Court & Co. for the fiscal years ended December 31, 2006 and 2007 did not contain any adverse opinion or disclaimer of opinion nor was any report modified as to uncertainty, audit scope or accounting principles.

The Board of Directors approved the appointment of Mendoza Berger & Company, LLP. of Irvine, California as its new auditors on July 21, 2008. During the two most recent fiscal years and through the date hereof, neither the Company nor any one on behalf of the Company has consulted with Mendoza Berger & Company, LLP., regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events required to be disclosed under Items 304 (a)(2)(i)and (ii) of Regulation S-K.

ITEM 9A: CONTROLS AND PROCEDURES

RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

On May 28, 2010 on Form 8-K, the Company announced that its previously issued financial statements for the year ended December 31, 2009 included in the Company's Form 1O-K, should no longer be relied upon.

Management began a review of its reporting policies with respect to its film library and concluded that its film library should have been impaired at December 31, 2009 based upon a lack of historical revenue from which to calculate a fair value in accordance with ASC 926, "Entertainment - Films." This form 10-K/A includes the changes and restatement of the December 31, 2009 year ended financial statements.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

A system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-l5(e)) under the Securities Exchange Act of 1934,as amended [the "Exchange Act"]) are controls and other procedures that are designed to provide reasonable assurance that the information that the Company is required to disclose in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls is based in pan upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Moreover, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

At the time of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed on April 15, 2011, our Chief Executive officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2010. Subsequent to that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, have re-evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1943, as amended) as of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements because of the identification of the material weakness in our internal control over financial reporting of the film library from the misinterpretation of accounting literature in accordance with United States Generally Accepted Accounting Principles ("GAAP").Thus, the Company recognizes that it has a material weakness in financial reporting due to a lack of staff with adequate knowledge of US GAAP. The Company will correct this weakness by hiring a consultant who is knowledgeable in US GAAP and by providing continuing professional education for the existing staff. It is the Company's intent to have a professional US GAAP consultant available on as needed basis in connection with the preparation of the Company's financial reports. The Company intends to have its senior accounting staff attend classes in US GAAP for a minimum of forty hours per calendar year. The Company believes that such corrective actions should eliminate this material weakness.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States of America generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our consolidated financial statements.

In connection with the preparation of this Annual Report on Form 10K, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), as supplemented by the COSO publication Internal Control over Financial Reporting - Guidance for Smaller Public Companies. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of December 31, 2010, based on these criteria. Management believes that this material weakness has no affect on our ability to present GAAP-compliant financial statements. Management does not believe that the weakness with respect to its procedures and controls had a pervasive effect upon the financial reporting and overall control environment due to our ability to make the necessary adjustments to our financial statements. Management is also aware that there is a lack of segregation of duties at the Company due to the fact that there are only four people dealing with financial and accounting matters. However, at this time, management has decided that considering the experience and abilities of the employees involved and the low quantity of transactions processed, the risks associated with such lack of segregation are low and the potential benefits of adding employees to clearly segregate duties do not justify the substantial expenses associated with such increases. Management will periodically reevaluate this situation.

This annual report does not include an attestation report of our registered independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by our registered independent auditors pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected.

MANAGEMENT'S REMEDIATION INITIATIVES

In addition to the re-evaluation discussed above, management has, subsequent to December 31, 2010, implemented the following procedures to address the material weakness noted above, including the following:

- Enhanced the access to accounting literature, research materials and documents.
- Identified third party professionals with whom to consult regarding complex accounting applications
- Looking to additional staff to supplement our current accounting professionals with the requisite experience and training

The elements of our remediation plan can only be accomplished over time and we can offer no assurance that these initiatives will ultimately have the intended effects.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Our directors, executive officers and key employees as of March 21, 2011 were as follows:

Name	Age	Position
Sakae Torisawa	65	Chairman of the Board of Directors
Zee Moey Ngiam	55	Director
Chua Leong Hin	52	Chief Executive Officer, President, Interim Acting Chief Financial Officer and Director
Percy Chua Soo Lian	51	Director

SAKAE TORISAWA

Mr. Torisawa has served as a director of the Company since January 2007, and as the Chairman of the Company's Board of Directors since March 5, 2007. Mr. Torisawa graduated from the Journalism Course of Law Department at Nippon University, Japan. In 1973, Mr. Torisawa joined Hockmetals Group in Tokyo, which is a worldwide trading and mining firm. He worked as a trader for non-ferrous metals and raw materials, especially copper, zinc, lead, tungsten, and antimony. In 1976, Hockmetals closed its Tokyo office, and he joined Union Carbide, USA as a representative in Tokyo office for the Metal Division. In 1977, Mr. Torisawa joined Glencore Far East Ag in Switzerland, an international trading and industrial firm, specializing in oil, coal, metals and minerals. He served as a partner in charge of Tokyo office. He continued in trading copper, zinc and lead metals and raw materials. Due to nature of business, he was involved in mining and smelting green field projects. Presently Mr. Torisawa works for C & P Asia Pte Ltd, Singapore as a Senior Advisor.

ZEE MOEY NGIAM

Mr. Ngiam has served as a director of the Company since March 5, 2007. He is a Fellow Member of the Institute of Certified Public Accountants of Singapore; he is a Member of Marketing Institute of Singapore, and a Fellow of Association of Chartered Certified Accountants UK. From 1987 - March, 2005 he has been Group Financial Controller for Lauw & Sons Group of Companies. He was responsible for all financial matters of the Group's Singapore operation, development and implementation of marketing programs of the Group's Properties and identification and development of investment opportunities. He also reviewed quarterly financial and Management reports of overseas Companies in USA, Taiwan and Australia. From 2004 until present, he has been Joint Company Secretary for AEI Corporation Ltd.

CHUA LEONG HIN

Mr. Chua Leong Hin has served as a director of the Company since April 2, 2009. He graduated from the National University of Singapore in 1983 with a Bachelor of Law degree. He was admitted as an advocate and solicitor of the Supreme Court of Singapore to practice law in Singapore in February 1984.

He was initially employed by the law firm of Thomas Tham & Partners as a legal assistant, and subsequently in October 1984, together with Mr. Leong Keng Kheong, started the firm Leong Chua & Associates which is now known as Leong Chua & Wong. The firm currently has 4 partners and about 15 employees. The firm specializes in the field of litigation and commercial law.

Mr. Chua Leong Hin is a shareholder of M2B World Asia Pacific Pte. Ltd, a subsidiary of the Company. He holds 1,296,336 ordinary shares (3.05%) of the total shares outstanding of 42,459, 976 ordinary shares in M2B World Asia Pacific Pte. Ltd. Mr Chua is the Company's President, CEO and acting CFO following the resignation of Mr. Binny from those position.

PERCY CHUA SOO LIAN

Mr. Percy Chua Soo Lian, is appointed as the Company's director to fill the vacancy on the Board of Directors created by the resignation of Mr. Binny from that position.

Mr. Percy Chua Soo Lian graduated from the National University of Singapore in 1986, with a Bachelor of Arts, Architectural Studies (B.A.(AS), and a Bachelor of Environmental Design Studies degree (B.E.D.S.) in 1989, and a Masters of Architecture, (M.ARCH) in 1991 from Technical University of Nova Scotia (Daltech), Halifax, Nova Scotia, Canada.

He has more than twenty years experience in the fields of art and architecture. In the past decade he has been involved in restructuring assets such as hotels, buildings, and master planning of New Towns in various Asia Pacific countries. He is a founding partner of CSL Architects and managing director of CSLA Management PTE Ltd., as well as a president and director of PT Bintan Pacific Development.

Mr. Percy Chua Soo Lian has no beneficial ownership of the Company's or any of its subsidiaries' shareholdings.

The following directors and executive officers have resigned from the Company as of the effective date set forth below:

Name	Age	Position	
Colin St.Gerard Binny	56	Chief Executive Officer, President Interim Acting Chief Financial Officer and Director	

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

BOARD MEMBERS WHO ARE DEEMED INDEPENDENT

Our board of directors has determined that with exception of Ngiam Zee Moey, none of our directors are "independent" as that term is defined by the National Association of Securities Dealers Automated Quotations ("NASDAQ"). See "Lack of Committees" for the NASDAQ definition of "Independent Director."

Ngiam Zee Moey has been determined to be an "independent" director. Under the National Association of Securities Dealers Automated Quotations definition, an "independent director means a person other than an officer or employee of the Company or its subsidiaries or any other individuals having a relationship that, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of the director. The board's discretion in determining director independence is not completely unfettered. Further, under the NASDAQ definition, an independent director is a person who (1) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years), employed by the company; (2) has not (or whose immediate family members have not) been paid more than $60,000 during the current or past three fiscal years; (3) has not (or whose immediately family has not) been a partner in or controlling shareholder or executive officer of an organization which the company made, or from which the company received, payments in excess of the greater of $200,000 or 5% of that organizations consolidated gross revenues, in any of the most recent three fiscal years; (4) has not (or whose immediate family members have not), over the past three years been employed as an executive officer of a company in which an executive officer of the Company has served on that company's compensation committee; or (5) is not currently (or whose immediate family members are not currently), and has not been over the past three years (or whose immediate family members have not been over the past three years) a partner of the Company's outside auditor.

Our board of directors has determined that Ngiam Zee Moey fulfilled the definition of "Financial Expert". The term "Financial Expert" is defined as a person who has the following attributes: an understanding of generally accepted accounting principles and financial statements; has the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the company's financial statements, or experience actively supervising one or more persons engaged in such activities; an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions.

COMMITTEES

The Board of Directors of the Company has established the following committees on April 30, 2007:

o Audit Committee

The Audit Committee's responsibilities include:

- appointing, retaining, approving the compensation of and assessing the independence of our independent registered public accounting firm, including pre-approval of all services performed by our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including the receipt and consideration of certain reports from the firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly consolidated financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- establishing procedures for the receipt and retention of accounting related complaints and concerns;
- meeting independently with our independent registered public accounting firm and management; and
- preparing the audit committee report required by SEC rules.

The members of the Audit Committee were Ngiam Zee Moey and Colin Binny who resigned on April 02, 2010. Mr.Ngiam Zee Moey remains as a sole member of the Audit Committee.

o Nominating and Governance Committee

The Nominating and Corporate Governance Committee's responsibilities include:

- identifying individuals qualified to become directors;
- reviewing with the board the standards to be applied in making determinations regarding independence of board members;
- reviewing and making recommendations to the board with respect to size, composition and structure;
- developing and recommending to the board our code of business conduct and ethics;
- developing and recommending to the board Corporate Governance Guidelines;
- overseeing an annual evaluation of the board; and
- providing general advice to the board on corporate governance matters.

The members of the Nominating and Corporate Governance Committee are Sakae Torisawa and Ngiam Zee Moey.

o Compensation Committee

The Compensation Committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to chief executive officer compensation and the compensation structure for our officers;
- approving the chief executive officer's compensation;
- reviewing and approving, or making recommendations to the board of directors with respect to, the compensation of our other executive officers;
- overseeing and administering our equity incentive plans; and
- preparing the annual executive compensation report

The members of the Compensation Committee are Sakae Torisawa and Ngiam Zee Moey.

CODE OF BUSINESS CONDUCT AND ETHICS

Our code of business conduct and ethics, as approved by our board of directors, and it can be obtained from our Website, at www.amaruinc.com

We intend to satisfy the disclosure requirement relating to amendments to or waivers from provisions of the code that relate to one or more of the items set forth in Regulations S-K, by describing on our Internet Website, within five business days following the date of a waiver or a substantive amendment, the date of the waiver or amendment, the nature of the amendment or waiver, and the name of the person to whom the waiver was granted.

Information on our Internet website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the Securities and Exchange Commission.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our common stock, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission, or the SEC. These officers, directors and stockholders are required by SEC regulations to furnish us with copies of all such reports that they file.

Based solely upon a review of copies of such reports furnished to us during the fiscal year ended December 31, 2010 and thereafter, or any written representations received by us from reporting persons that no other reports were required, to the best of our knowledge, during our fiscal 2010, all Section 16(a) filing requirements applicable to our reporting persons were met.

ITEM 11: EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning the annual and long-term compensation for services rendered during the last three fiscal years to our company in all capacities as an employee by our Chief Executive Officer and our other executive officers whose aggregate compensation exceeded $100,000 (collectively, the "named executive officers") during fiscal year ended 2010 shown below.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Options Awards ($)	Non-Equity Incentive Plan Compensation ($)	C Non Co
Chua Leong Hin, CEO and CFO	2010	--	--	--	--	--	
Colin Binny, former	2010	--	--	--	--	--	
CEO and CFO	2009	--	--	--	--	--	
	2008	--	--	--	--	--	

(1) Bonus awarded based on performance.

(2) No officers received or will receive any long term incentive plan payouts or other payouts during financial years ended December 31, 2008, December 31, 2009 and December 2010.

In December 2006, a total of 120,000 shares of common stock were approved by the Board of Directors to be issued to Francis Foong, the Company's former CFO for services rendered valued at $54,000 pursuant to the Company's 2004 Equity Compensation Plan. In December 2006, aj total of 90,000 shares of common stock were approved by the Board of Directors to be issued to Bee Leng Ho, the Company's then CFO for services rendered valued at $40,500 pursuant to the Company's 2004 Equity Compensation Plan.

In December 2005, a total of 7,300 shares of common stock were issued to Colin Binny, the Company's CEO for services rendered valued at $21,900 pursuant to the Company's 2004 Equity Compensation Plan. In December, 2005, a total of 4,700 shares of common stock were issued and 18,800 shares of common stock were approved by the Board of Directors to be issued to Francis Foong, the Company's then CFO for services rendered to the Company valued at $70,500 pursuant to the Company's 2004 Equity Compensation Plan.

As of December 31 2010, 2,921,260 million shares of common stock remain unused in the Company's 2004 Equity Compensation Plan.

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Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth certain information concerning unexercised stock options for each named executive officer above. There were no stock awards outstanding as of end of fiscal year 2010.

Option Awards Stock Awards

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisabe	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ($)	Market Value of Shares or Units of Stock That Have Not Vested That Have Not Vested (#)
Chus Leong Hin, CEO and CFO	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Colin Binny former CEO and CFO	NIL	NIL	NIL	NIL	NIL	NIL	NIL

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth equity compensation plan information as of December 31, 2010:

PLAN CATEGORY	NUMBER OF SHARES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	A F
2004 Equity Compensation Plan approved by stockholders	NIL	NIL	2

Our Board of Directors administers the Plan. Our Board of Directors has the authority to determine, at its discretion, the number and type of awards that will be granted, the recipients of the awards, and the exercise or purchase price required to be paid, when options may be exercised and the term of the option grants. Options granted under the Plan may not be exercised after 10 years from the date the option is granted. A total of 2,921,260 shares of common stock were reserved for awards granted under the Plan.

EMPLOYMENT AGREEMENTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

There are no employment agreements with the Company's key employees at this time.

DIRECTOR COMPENSATION

STOCK OPTIONS

Stock options and equity compensation awards to our non-employee / non-executive director are at the discretion of the Board. To date, no options or equity awards have been made to our non-employee / non-executive director.

CASH COMPENSATION

Our non-employee / non-executive director is eligible to receive a fee to be paid for attending each Board meeting; however, no fees were paid in 2010 other than those disclosed in the Director Compensation table.

TRAVEL EXPENSES

All directors shall be reimbursed for their reasonable out of pocket expenses associated with attending the meeting.

DIRECTOR COMPENSATION

The following table shows the overall compensation earned for the 2010 fiscal year with respect to each non-employee and non-executive director as of December 31, 2010.

	DIRECTOR COMPENSATION					
NAME AND PRINCIPAL POSITION	FEES EARNED OR PAID IN CASH ($)	STOCK AWARDS ($)	OPTION AWARDS (1)	NON-EQUITY INCENTIVE PLAN COMPENSATION ($)(2)	NONQUALIFIED DEFERRED COMPENSATION EARNINGS($)	AL CO (3
Colin Binny	Former Director	--	--	--	--	
Sakae Torisawa	Director	--	--	--	--	
Zee Moe Ngiam	Director	--	--	--	--	
Chua Leong Hin	Director	--	--	--	--	
Percy Chua Soo Lian	Director	--	--	--	--	

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(1) Reflects dollar amount expensed by the company during applicable fiscal year for financial statement reporting purposes pursuant to FAS 123R. FAS 123R requires the company to determine the overall value of the options as of the date of grant based upon the Black-Scholes method of valuation, and to then expense that value over the service period over which the options become exercisable (vest). As a general rule, for time-in-service-based options, the company will immediately expense any option or portion thereof which is vested upon grant, while expensing the balance on a pro rata basis over the remaining vesting term of the option. For a description FAS 123 R and the assumptions used in determining the value of the options under the Black-Scholes model of valuation, see the notes to the financial statements included with this Form 10-K.

(2) Excludes awards or earnings reported in preceding columns.

(3) Includes all other compensation not reported in the preceding columns, including (i) perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than $10,000; (ii) any "gross-ups" or other amounts reimbursed during the fiscal year for the payment of taxes; (iii) discounts from market price with respect to securities purchased from the company except to the extent available generally to all security holders or to all salaried employees; (iv) any amounts paid or accrued in connection with any termination (including without limitation through retirement, resignation, severance or constructive termination, including change of responsibilities) or change in control; (v) contributions to vested and unvested defined contribution plans; (vi) any insurance premiums paid by, or on behalf of, the company relating to life insurance for the benefit of the director; (vii) any consulting fees earned, or paid or payable; (viii) any annual costs of payments and promises of payments pursuant to a director legacy program and similar charitable awards program; and (ix) any dividends or other earnings paid on stock or option awards that are not factored into the grant date fair value required to be reported in a preceding column.

LIMITATION OF LIABILITY OF DIRECTORS

The laws of the State of Nevada and the Company's By-laws provide for indemnification of the Company's directors for liabilities and expenses that they may incur in such capacities. In general, directors and officers are indemnified with respect to actions taken in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the Company, and with respect to any criminal action or proceeding, actions that the indemnitee had no reasonable cause to believe were unlawful.

The Company has been advised that in the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

GENERAL

As of March 1, 2010, a total of 192,790,043 shares of our common stock were outstanding. The following table set forth information as of that date regarding the beneficial ownership of our common stocks by:

- Each of our directors
- Each of our named executive officers
- All of our directors and executive officers as a group; and
- Each person known by us to beneficially own 5% or more of the

outstanding shares of our common stock as of the date of the table

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Common
Colin St.Gerard Binny former CEO, CFO and Director 62 Cecil Street #06-00 TPI Building Singapore 049710	22,111,888 (1) & (2) (Indirect)	12.9
Sakae Torisawa, Chairman 62 Cecil Street #06-00 TPI Building Singapore 049710	1,712,808 (Direct)	1.
Zee Moey Ngiam, Director 62 Cecil Street #06-00 TPI Building Singapore 049710	0 (Direct)	0
Chua Leong Hin, CEO, CFO and Director 62 Cecil Street #06-00 TPI Building Singapore 049710	0 (Direct) (3)	
Percy Chua Soo Lian, Director 62 Cecil Street #06-00 TPI Building Singapore 049710	0 (Direct)	0%
All Directors and Officers As a Group (5 persons)	23,824,696	13.

1) Except as otherwise indicated, the Company believes that the beneficial owners of Common Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage of any other person.

2) Based on a total of 22,111,888 shares of common stock of Amaru,

Inc held by Mr. Binny and his wife, Chew Bee Lian, indirectly as 100% shareholders of B Media Pte Ltd (formerly known as M2B Media Pte Ltd).

3) Mr. Chua Leong Hin is a shareholder of M2B World Asia Pacific Pte. Ltd, a subsidiary of the Company. He holds 1,296,336 ordinary shares (3.05%) of the total shares outstanding of 42,459, 976 ordinary shares in M2B World Asia Pacific Pte. Ltd.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

None

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

AUDIT FEES

The following table presents fees for professional audit services rendered by our auditors for the year ended December 31, 2010 and December 31, 2009.

	2010	2009
Audit fees (1)	$ 162,777	$ 245,857
	--	--
Total	$ 162,777	$ 245,857

(1) Audit Fees: These are fees paid and payable for professional services performed for the financial year ended December 31, 2010 and 2009 by Nexia Court & Co.,Nexia Tan & Sitoh, Horwath First Trust and Mendoza, Berger & Co. LLP.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

For the fiscal years ended December 31, 2010 and 2009, there were no fees billed for professional services by the Company's independent auditors rendered in connection with, directly or indirectly, operating or supervising the operation of its information system or managing its local area network.

ALL OTHER FEES

For the fiscal years ended December 31, 2010 and 2009, there were no fees paid or billed for preparation of corporate tax returns, tax research and other professional services rendered by the Company's independent auditors.

ITEM 15: EXHIBITS

The following exhibits are included herein or incorporated by reference:

Exhibit Number	Description
2.1	Agreement and Plan of Reorganization with M2B World Pte. Ltd..*
3.1	Articles of Incorporation*
3.2	Amendment to the Articles of Incorporation***
3.3	Bylaws*
4.1	Form of Subscription Agreement executed by investors in the Private Placement*
10.1	Sale and Purchase Agreement dated January 15, 2007.**
14.1	Code of Ethics of the Company*
14.2	Code of Ethics of Senior Officers of the Company*
21	Company's Subsidiaries should be ex. 21.1
23.1	Consent of MendozaBerger & Company.
31.1	Certification of Chief Executive Officer Pursuant to Section 30 Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer Pursuant to Section 30 Sarbanes-Oxley Act
32.1	Certification of Chief Executive Officer Pursuant to Section 90 Sarbanes-Oxley Act
32.2	Certification of Chief Financial Officer Pursuant to Section 90 Sarbanes-Oxley Act

* Previously filed with the Securities and Exchange Commission On Form 10-SB.

** Previously filed with the Securities and Exchange Commission On Form 8-K.

*** Previously filed with the Securities and Exchange Commission on Schedule 14C.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Amaru, Inc.

BY: /s/ Leong Hin Chua

Leong Hin Chua, President and CEO

Date: April 15, 2011

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Leong Hin Chua Leong Hin Chua	President, CEO, Interim CFO and Director (Principal Executive Officer and Principal Financial officer)	Date: April 15, 2011
/s/ Sakae Torisawa Sakae Torisawa	Director and Chairman of the Board of Directors	Date: April 15, 2011
/s/ Zee Moey Ngiam Zee Moey Ngiam	Director	Date: April 15, 2011
/s/ Percy Chua Soo Lian Percy Chua Soo Lian	Director	Date: April 15, 2011

AMARU, INC.

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2010 AND 2009

AMARU, INC.

TABLE OF CONTENTS TO CONSOLIDATED FINANCIAL STATEMENTS PAGE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Amaru, Inc.

We have audited the accompanying consolidated balance sheets of Amaru, Inc. (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' deficit and comprehensive income and cash flows for the years then ended. These consolidated statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amaru, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements are presented assuming the Company will continue as a going concern. As more fully described in Note 2.2 to the consolidated financial statements, the Company has sustained accumulated losses from operations totaling approximately $38,500,000 at December 31, 2010. This condition and the Company's lack of significant revenue, raise substantial doubt about its ability to continue as going concern. Management's plans to address these conditions are also set forth in Note 2.2 to the consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments which might be necessary if the Company is unable to continue as a going concern.

MENDOZA BERGER & COMPANY, LLP

/s/ Mendoza Berger & Company, LLP

Irvine, California
April 15, 2011

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009

	DECEMBER 31, 2010	DECEMBER 31, 2009
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	$ 221,183	$ 356,477
ACCOUNTS RECEIVABLE, NET OF ALLOWANCE OF $262,213 AND $10,697,363 AT DECEMBER 31, 2010 AND 2009 RESPECTIVELY	12,295	--
EQUITY SECURITIES HELD FOR TRADING	617,215	326,980
OTHER CURRENT ASSETS	289,623	187,131

TOTAL CURRENT ASSETS	1,140,316	870,588
NON-CURRENT ASSETS		
PROPERTY AND EQUIPMENT, NET	348,916	642,960
ASOCIATE	37	--
INVESTMENTS - NET	1,843,076	2,718,749
TOTAL NON-CURRENT ASSETS	2,192,029	3,361,709
TOTAL ASSETS	$ 3,332,345	$ 4,232,297
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 827,750	$ 916,150
ADVANCES FROM RELATED PARTIES	102,682	--
CAPITAL LEASE PAYABLE - SHORT TERM	18,745	11,079
CONVERTIBLE TERM LOAN	2,500,000	2,432,796
TOTAL CURRENT LIABILITIES	3,449,177	3,360,025
NON-CURRENT LIABILITIES		
CAPITAL LEASE PAYABLE - LONG TERM	24,765	36,924
TOTAL NON-CURRENT LIABILITIES	24,765	36,924
Total liabilities	3,473,942	3,396,949
Commitments	--	--
Stockholders' equity		
Preferred stock (par value $0.001) 5,000,000 shares authorized; 0 shares issued and outstanding at December 31, 2010 and 2009, respectively	--	--
Common stock (par value $0.001) 200,000,000 shares authorized; 179,666,062 and 165,856,168 shares issued and outstanding at December 31, 2010 and 2009, respectively	179,666	165,856
Additional paid-in capital	41,510,530	40,354,672
Accumulated Deficit	(39,425,386)	(37,436,006)
Accumulated other comprehensive income	968,406	968,406
Total Amaru Inc.'s Stockholders' deficit	3,233,216	4,052,928
Noncontrolling interest	(3,374,813)	(3,217,580)
Total stockholders' (deficit) equity	(141,597)	835,348
Total liabilities and stockholders' equity	$ 3,332,345	$ 4,232,297

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	DECEMBER 31, 2010	DECEMBER 31, 2009
Revenue:		
Entertainment	$ 48,382	$ 22,016
Total revenue	48,382	22,016
Cost of services	(248,573)	(226,319)
Gross profit (loss)	(200,191)	(204,303)
Distribution costs	(40,450)	(299,881)
Bad debts written off	--	(9,641,508)
Administrative expenses	(1,263,422)	(1,701,341)
Inventories written off	--	(642,267)
Impairment loss on intangible asset	--	(2,084,764)
Impairment loss on film library	--	(19,164,782)
Total expenses	(1,303,872)	(33,534,543)
Income (loss) from operations	(1,504,063)	(33,738,846)
Other income (expense):		
Interest expenses	(69,534)	(127,157)
Interest income	46	130
Impairment loss on investment	(875,673)	--
Loss on disposal of equipment	--	(16,607)
Net change in fair value of equities held for trading	290,235	147,360
Other	12,376	41,572
Income (loss) before income taxes	(2,146,613)	(33,693,548)
(Provision) benefit for income taxes	--	--
Net Income (loss)including noncontrolling interest	$ (2,146,613)	$ (33,693,548)
Attributable to:		
Equity holders of Amaru, Inc.	$ (1,989,380)	$ (27,709,593)
Noncontrolling interests	(157,233)	(5,983,955)
Net loss per share attributable to Amaru, Inc. - - basic and diluted	$ (0.013)	$ (0.21)
Weighted average number of common shares outstanding - - basic and diluted	171,361,807	157,266,951

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT AND COMPREHENSIVE IN
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

	PREFERRED STOCK		COMMON STOCK		
	NUMBER OF SHARES	PAR VALUE ($0.001)	NUMBER OF SHARES	PAR VALUE ($0.001)	ADDITIONAL IN CAPIT
Balance at December 31, 2008	--	--	154,098,528	$ 154,098	$ 39,190,6
Subscribed common stock issued	--	--	11,757,640	11,758	1,164,0
Net loss	--	--	--	--	
Comprehensive loss	--	--	--	--	
Balance at December 31, 2009	--	--	165,856,168	$ 165,856	$ 40,354,6

	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2008	$ 12,927	$ 955,479	$ 2,766,375	$ 33,353,132
Subscribed common Stock issued	--	--	--	1,175,764
Net loss	--	--	(5,983,955)	(33,693,548)
Comprehensive loss	--	--	--	(33,693,548)
Balance at December 31, 2009	$ 12,927	$ 955,479	$ (3,217,580)	$ 835,348

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT AND COMPREHENSIVE IN
FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009

	PREFERRED STOCK		COMMON STOCK		
	NUMBER OF SHARES	PAR VALUE ($0.001)	NUMBER OF SHARES	PAR VALUE ($0.001)	ADDITIONAL P IN CAPITAL
BALANCE AT DECEMBER 31, 2009	--	--	165,856,168	$ 165,856	$ 40,354,6
SUBSCRIBED COMMON STOCK ISSUED	--	--	13,809,894	13,810	1,155,
NET LOSS	--	--	--	--	
COMPREHENSIVE LOSS	--	--	--	--	
BALANCE AT DECEMBER 31, 2010	--	--	179,666,062	$ 179,666	$ 41,510,5

	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	NONCONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 2009	$ 12,927	$ 955,479	$(3,217,580)	$ 835,348
SUBSCRIBED COMMON STOCK ISSUED	--	--	--	1,169,668
NET LOSS	--	--	(157,233)	(2,146,613)

COMPREHENSIVE LOSS	--	--	--	(2,146,613)
BALANCE AT DECEMBER 31, 2010	$ 12,927	$ 955,479	$(3,374,813)	$ (141,597)

See accompanying notes to consolidated financial statements

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

	DECEMBER 31, 2010	DECEMBER 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (2,146,613)	$(33,693,548)
Adjustments for:		
Amortization	70,301	267,017
Depreciation	304,567	447,626
Allowance for doubtful debts	--	9,641,508
Allowance for obsolete inventory	--	642,267
Loss on disposal of equipment	--	16,607
Impairment loss on film library	--	19,164,782
Impairment loss on intangible asset	--	2,084,764
Impairment loss on investment	875,673	--
Net change in fair value of equities held for trading	(290,235)	(147,360)
Changes in operation assets and liabilities		
Accounts receivable	(12,295)	(6,798)
Inventories	--	1,886
Other current assets	(102,492)	43,162
Accounts payable and accrued expenses	(88,400)	(403,747)
Other payables	--	(5,458)
Income tax payable	--	(5,428)
Net cash used in operating activities	(1,389,494)	(1,952,720)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(10,523)	(73,687)
Acquisition of intangible assets	(3,097)	(19,507)
Acquisition of associate	(37)	--
Acquisition of investments available for sale	--	(200,000)
Net cash provided by (used in) investing activities	(13,657)	(293,194)

CASH FLOWS FROM FINANCING ACTIVITIES		
Payable to related parties	--	(48,681)
Receipts from related parties	102,682	--
Repayment of obligation under capital lease	(4,493)	(9,637)
Issuance of common stock for cash	1,169,668	1,175,764
Net cash provided by financing activities	1,267,857	1,117,446
Effect of exchange rate changes on cash and cash equivalents	--	--
CASH FLOWS FROM ALL ACTIVITIES	(135,294)	(1,128,468)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	356,477	1,484,945
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 221,183	$ 356,477
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid For Interest	$ 2,330	$ 2,157
Cash Paid For Income Taxes	$ --	$ 5,428
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Sale of investment available for sale in exchange for Acquisition of film library	$ --	$ 500,000

See accompanying notes to consolidated financial statements

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AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. BASIS OF PRESENTATION AND REORGANIZATION

1.1 DESCRIPTION OF BUSINESS

AMARU, INC. (THE "COMPANY") IS IN THE BUSINESS OF BROADBAND ENTERTAINMENT-ON-DEMAND, STREAMING VIA COMPUTERS, TELEVISION SETS, PDAS (PERSONAL DIGITAL ASSISTANT) AND THE PROVISION OF BROADBAND SERVICES. ITS BUSINESS INCLUDES CHANNEL AND PROGRAM SPONSORSHIP (ADVERTISING AND BRANDING); ONLINE SUBSCRIPTIONS, CHANNEL/PORTAL DEVELOPMENT (DIGITAL PROGRAMMING SERVICES); CONTENT AGGREGATION AND SYNDICATION, BROADBAND CONSULTING SERVICES, BROADBAND HOSTING AND STREAMING SERVICES AND E-COMMERCE.

THE COMPANY WAS ALSO IN THE BUSINESS OF DIGIT GAMING (LOTTERY). THE COMPANY HAS AN 18 YEAR LICENSE TO CONDUCT NATION WIDE LOTTERY IN

CAMBODIA. THE COMPANY THROUGH ITS SUBSIDIARY, M2B COMMERCE LIMITED, SIGNED AN AGREEMENT WITH ALLSPORTS INTERNATIONAL LTD, A BRITISH VIRGIN ISLANDS COMPANY TO OPERATE AND CONDUCT DIGIT GAMES IN CAMBODIA AND TO MANAGE THE DIGIT GAMES ACTIVITIES IN CAMBODIA. THE LICENSE HAS BEEN SUSPENDED, SEE NOTE 17.

THE KEY BUSINESS FOCUS OF THE COMPANY IS TO ESTABLISH ITSELF AS THE LEADING PROVIDER AND CREATOR OF A NEW GENERATION OF ENTERTAINMENT-ON-DEMAND AND E-COMMERCE CHANNELS ON BROADBAND, AND 3G (THIRD GENERATION) DEVICES.

THE COMPANY DELIVERS BOTH WIRE AND WIRELESS SOLUTIONS, STREAMING VIA COMPUTERS, TV SETS, PDAS AND 3G HAND PHONES.

AT THE SAME TIME THE COMPANY LAUNCHES E-COMMERCE CHANNELS (PORTALS) THAT PROVIDE ON-LINE SHOPPING AND PAY PER VIEW SERVICES BUT WITH A DIFFERENCE, MERGING TWO LEISURE ACTIVITIES OF SHOPPING AND ENTERTAINMENT. THE ENTERTAINMENT CHANNELS ARE DESIGNED TO DRIVE AND PROMOTE THE SHOPPING PORTALS, AND VICE VERSA.

THE COMPANY'S BUSINESS MODEL IN THE AREA OF BROADBAND ENTERTAINMENT INCLUDES E-SERVICES, WHICH WOULD PROVIDE THE COMPANY WITH MULTIPLE STREAMS OF REVENUE. SUCH REVENUES WOULD BE DERIVED FROM ADVERTISING AND BRANDING (CHANNEL AND PROGRAM SPONSORSHIP); ON-LINE SUBSCRIPTIONS; ONLINE GAMES MICRO-PAYMENTS; CHANNEL/PORTAL DEVELOPMENT (DIGITAL PROGRAMMING SERVICES); CONTENT AGGREGATION AND SYNDICATION; BROADBAND CONSULTING SERVICES; ON-LINE SHOPPING TURNKEY SOLUTIONS; BROADBAND HOSTING AND STREAMING SERVICES; E-COMMERCE COMMISSIONS AND ON-LINE DEALERSHIPS; AND DIGIT GAMES OPERATIONS.

1.2 Recent Accounting Standards and Pronouncements

In February 2010, the FASB issued Accounting Standards Update 2010-10, Consolidation (Topic 10): Amendments for Certain Funds. ASU 2010-10 defers the effective date of certain amendments to the consolidation requirements of ASC Topic 810, Consolidation, resulting from the issuance of FAS 167, Amendments to FASB Interpretation No. 46(R). Specifically, the amendments to the consolidation requirements of Topic 810 resulting from the issuance of FAS 167 are deferred for a reporting entity's interest in an entity (1) that has all the attributes of an investment company; or (2) for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. The ASU does not defer the disclosure requirements in FAS 167 amendments to Topic 810. The amendments in this ASU are effective as of the beginning of a reporting entity's first annual period that begins after November 15, 2009, and for interim for interim periods within that first annual reporting period. Early application is not permitted. The provisions of ASU 2010-10 is not expected to have an impact on the Company's financial statements.

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

In February 2010, the FASB issued Accounting Standards Update 2010-09, Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements. ASU 2010-09 removes the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The FASB also clarified that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. The FASB believes these amendments remove potential conflicts with the SEC's literature. In addition, the amendments in the ASU requires an entity that is a conduit bond obligor for conduit debt securities that are traded in a public market to evaluate subsequent events through the date of issuance of its financial statements and must disclose such date. All of the amendments in the ASU were effective upon issuance (February 24, 2010) except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010. The provisions of ASU 2010-09 did not have a material impact on the Company's financial statements.

In February 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-08, Technical Corrections to Various Topics, thereby amending the FASB Accounting Standards Codification (Codification). This ASU resulted from a review by the FASB of its standards to determine if any provisions are outdated, contain inconsistencies, or need clarifications to reflect the FASB's original intent. The FASB believes the amendments do not fundamentally change U.S. GAAP. However, certain clarifications on embedded derivatives and hedging reflected in Topic 815, Derivatives and Hedging, may cause a change in the application of the guidance in Subtopic 815-15. Accordingly, the FASB provided special transition provisions for those amendments. The ASU contains various effective dates. The clarifications of the guidance on embedded derivatives and hedging (Subtopic 815-15) are effective for fiscal years beginning after December 15, 2009. The amendments to the guidance on accounting for income taxes in a reorganization (Subtopic 852-740) applies to reorganizations for which the date of the reorganization is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. All other amendments are effective as of the first reporting period (including interim periods) beginning after the date this ASU was issued (February 2, 2010). The provisions of ASU 2010-08 is not expected to have an impact on the Company's financial statements.

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends Codification Subtopic 820-10 to add two new disclosures: (1) transfers in and out of Level 1 and 2 measurements and the reasons for the transfers, and (2) a gross presentation of activity within the Level 3 roll forward. The proposal also includes clarifications to existing disclosure requirements on the level of disaggregation and disclosures regarding inputs and valuation techniques. The proposed guidance would apply to all entities required to make disclosures about recurring and nonrecurring fair value measurements. The effective date of the ASU is the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. Early application is permitted. The Company is currently assessing the impact that the adoption will have on its financial statements.

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

In January 2010, the FASB issued two ASU's that (1) codify SEC Observer comments made at the June 2009 EITF meeting and (2) make technical corrections to several SEC sections of the FASB Codification. In general, the two ASU's, do not change existing practice. ASU 2010-05, Compensation--Stock Compensation (Topic 718)--Escrowed Share Arrangements and the Presumption of Compensation, codifies EITF Topic D-110, Escrowed Share Arrangements and the Presumption of Compensation, which provides the SEC staff's view on when an escrowed share arrangement involving shareholders is presumed to be compensatory and the factors to consider when analyzing whether that presumption has been overcome. The SEC Observer announced the views captured in EITF Topic D-110 at the June 2009 EITF meeting. ASU 2010-04, Accounting for Various Topics--Technical Corrections to SEC Paragraphs, primarily includes technical corrections to various topics containing SEC guidance as a result of recently-issued authoritative guidance and updates for Codification references. These two ASU's do not have an impact on the Company's financial statements.

In January 2010, the FASB issued ASU No. 2010-02, Consolidation (Topic 810) - Accounting and Reporting for Decreases in Ownership of a Subsidiary - A Scope Clarification. This ASU clarifies that the scope of the decrease in ownership provisions of Subtopic 810-10 and related guidance applies to (1) a subsidiary or group of assets that is a business or nonprofit activity; (2) a subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture; and (3) an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture). ASU 2010-02 also clarifies that the decrease in ownership guidance in Subtopic 810-10 does not apply to: (a) sales of in substance real estate; and (b) conveyances of oil and gas mineral rights, even if these transfers involve businesses. The amendments in this ASU expand the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets. ASU 2010-02 is effective beginning in the period that an entity adopts FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB 51 (now included in Subtopic 810-10). If an entity has previously adopted Statement 160, the amendments are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in ASU 2010-02 should be applied retrospectively to the first period that an entity adopts Statement 160. The provisions of ASU 2010-02 did not have an impact on the Partnership's financial statements.

In January 2010, the FASB issued ASU No. 2010-01, Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash. The amendments to the Codification in this ASU clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. This ASU codifies the consensus reached in EITF Issue No. 09-E, Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. This ASU did not have an impact on the Company's financial statements.

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810) - Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which codifies FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R). ASU 2009-17 represents a revision to former FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities, and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other

things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. ASU 2009-17 also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. ASU 2009-17 is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. Early application is not permitted. The provisions of ASU 2009-17 are currently not expected to have an impact on the Company's financial statements.

In December 2009, the FASB issued ASU 2009-16, Transfers and Servicing (Topic 860) - Accounting for Transfers of Financial Assets, which formally codifies FASB Statement No. 166, Accounting for Transfers of Financial Assets into the ASC. ASU 2009- 16 represents a revision to the provisions of former FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. Among other things, ASU 2009-16 (1) eliminates the concept of a "qualifying special-purpose entity", (2) changes the requirements for derecognizing financial assets, and (3) enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity's continuing involvement in transferred financial assets. ASU 2009-16 is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. Early application is not permitted. The provisions of ASU 2009-16 are not expected to have a material impact on the Company's financial statements.

In October 2009, the FASB published FASB Accounting Standards Update 2009-15, Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing. It includes amendments to Topic 470, Debt, (Subtopic 470- 20), and Topic 260, Earnings per Share (Subtopic 260-10), to provide guidance on share-lending arrangements entered into on an entity's own shares in contemplation of a convertible debt offering or other financing. The provisions of ASU 2009-15 is effective for fiscal years beginning on or after December 15, 2009, and interim periods within those fiscal years for arrangements outstanding as of the beginning of those years. Retrospective application is required for such arrangements. The provisions of ASU 2009-15 is effective for arrangements entered into on (not outstanding) or after the beginning of the first reporting period that begins on or after June 15, 2009. Certain transition disclosures are also required. Early application is not permitted. The provisions of ASU 2009-15 is not expected to have an impact on the Company's financial statements.

In October 2009, the FASB published FASB Accounting Standards Update 2009-14, Software (Topic 985) - Certain Revenue Arrangements that Include Software Elements. It changes the accounting model for revenue arrangements that include both tangible products and software elements. Under this guidance, tangible products containing software components and non- software components that function together to deliver the tangible product's essential functionality are excluded from the software revenue guidance in Subtopic 985-605, Software-Revenue Recognition. In addition, hardware components of a tangible product containing software components are always excluded from the software revenue guidance. The provisions of ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The provisions of ASU 2009-14 is not expected to have an impact on the Company's financial statements.

In October 2009, the FASB published FASB Accounting Standards Update 2009-13, Revenue Recognition (Topic 605) - Multiple- Deliverable Revenue Arrangements. It addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, Revenue Recognition-Multiple-Element Arrangements, for separating consideration in multiple- deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. The provisions of ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The provisions of ASU 2009-13 is not expected to have an impact on the Company's financial statements.

In September 2009, the FASB published FASB Accounting Standards Update No. 2009-12, Fair Value Measurements and Disclosures (Topic 820) - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). It amends Subtopic 820-10, Fair Value Measurements and Disclosures--Overall, to permit a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). It also requires new disclosures, by major category of investments, about the attributes includes of investments within the scope of this amendment to the Codification. The provisions of ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009. Early application is permitted. The provisions of ASU 2009-12 is not expected to have an impact on the Company's financial statements.

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 PRINCIPLES OF CONSOLIDATION

THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THE FINANCIAL STATEMENTS OF AMARU, INC. AND ITS MAJORITY OWNED SUBSIDIARIES. ALL SIGNIFICANT INTERCOMPANY BALANCES AND TRANSACTIONS HAVE BEEN ELIMINATED IN CONSOLIDATION. IN ADDITION, THE COMPANY EVALUATES ITS RELATIONSHIPS WITH OTHER ENTITIES TO IDENTIFY WHETHER THEY ARE VARIABLE INTEREST ENTITIES AS DEFINED BY ASC 810 CONSOLIDATION OF VARIABLE INTEREST ENTITIES AND TO ASSESS WHETHER IT IS THE PRIMARY BENEFICIARY OF SUCH ENTITIES. IF THE DETERMINATION IS MADE THAT THE COMPANY IS THE PRIMARY BENEFICIARY, THEN THAT ENTITY IS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ASC 860.

2.2 Presentation as a Going Concern

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has sustained net losses of $2,146,613 and $33,693,548 for the years ended December 31, 2010 and

December 31, 2009, respectively. The Company also has an accumulated deficit of $39,425,386 and a working capital deficit of $2,308,861 at December 31, 2010.

The items discussed above raise substantial doubts about the Company's ability to continue as a going concern. If the Company's financial resources are insufficient, the Company may require additional financing in order to execute its operating plan and continue as a going concern. The Company cannot predict whether this additional financing will be in the form of equity, debt or another form. The Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. Should financing sources fail to materialize, management would seek alternate funding sources such as the sale of common and/or preferred stock, the issuance of debt or other means. The Company plans to attempt to address its working capital deficiency by increasing its sales, maintaining strict expense controls and seeking strategic alliances.

In the event that these financing sources do not materialize, or the Company is unsuccessful in increasing its revenues and profits, the Company will be forced to further reduce its costs, may be unable to repay its debt obligations as they become due or respond to competitive pressures, any of which circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

The financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts or amounts and reclassification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2.3 Use of Estimates

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include carrying amount of property and equipment, film library, intangibles, valuation allowances of receivables and inventories. Actual results could differ from those estimates.

Management has not made any subjective or complex judgments the application of which would result in any material differences in reported results.

2.4 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS ARE DEFINED AS CASH ON HAND, DEMAND DEPOSITS

AND SHORT-TERM, HIGHLY LIQUID INVESTMENTS READILY CONVERTIBLE TO CASH AND SUBJECT TO INSIGNIFICANT RISK OF CHANGES IN VALUE.

CASH IN BANKS AND SHORT-TERM DEPOSITS ARE HELD TO MATURITY AND ARE CARRIED AT COST. FOR THE PURPOSES OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS, CASH AND CASH EQUIVALENTS CONSIST OF CASH ON HAND AND DEPOSITS IN BANKS, NET OF OUTSTANDING BANK OVERDRAFTS.

THE COMPANY MONITORS ITS LIQUIDITY RISK AND MAINTAINS A LEVEL OF CASH AND CASH EQUIVALENTS DEEMED ADEQUATE BY MANAGEMENT TO FINANCE THE COMPANY'S OPERATIONS AND TO MITIGATE THE EFFECTS OF FLUCTUATIONS IN CASH FLOWS.

2.5 Accounts Receivable

Accounts receivable, which generally have 30 to 90 day terms, are recorded at the invoiced amount less an allowance for any uncollectible amounts (if any) and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debts are written off as incurred. The Company does not have any off-balance sheet credit exposure related to its customers.

The Company's primary exposure to credit risk arises through its accounts receivable. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company's operations are conducted over the world wide web and some purchases are made from locations outside of Singapore.

	FOR THE YEAR ENDED	
	DECEMBER 31, 2010	DECEMBER 31, 2009
SALES OUTSIDE OF THE U.S.	$ 48,382	$ 22,016
SERVICES PURCHASED OUTSIDE OF THE U.S.	$ 248,573	$ 226,319

2.6 Inventories

Inventories are carried at the lower of cost or and net realizable value. Cost is calculated using first-in, first-out ("FIFO") method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories comprised primarily of finished products used in the Company's IPTV service.

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2.7 Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statement of income of the respective period. The estimated useful lives of the assets range from 3 to 5 years.

2.8 FILM LIBRARY

Investment in the Company's film library includes movies, dramas, comedies and documentaries in which the Company has acquired distribution rights from a third party. For acquired films, these capitalized costs consist of minimum guarantee payments to acquire the distribution rights. Costs of acquiring the Company's film libraries are amortized using the individual-film-forecast method in accordance with ASC 926, "Accounting for Producers and Distributors of Films," whereby these costs are amortized and participations and residuals costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the films. Ultimate revenue for acquired films includes estimates over a period not to exceed twenty years following the date of acquisition. Investments in films are stated at the lower of amortized cost or estimated fair value.

The valuation of investment in films is reviewed on a overall basis, when an event or change in circumstances indicates that the fair value of the film library is less than its unamortized cost. The fair value of the film is determined using management's future revenue and cost estimates and a discounted cash flow approach. Additional amortization is recorded in the amount by which the unamortized costs exceed the estimated fair value of the film. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in films may be required as a consequence of changes in management's future revenue estimates.

The Company most recently completed an impairment evaluation in the fourth quarter of fiscal year 2009. The film library was determined to be impaired during the year ended December 31, 2009. In conducting the analysis, the Company used a discounted cash flow approach in estimating fair value as market values could not be readily determined given the unique nature of the respective assets. Based upon the analysis the Company determined that carrying amount of the film library exceeded its fair value by $19,164,782, as reflected Note 6.

2.9 INTANGIBLE ASSETS

Intangible assets consist of gaming, software license and product development costs. Intangible assets which were purchased for a specific period are stated at cost less accumulated amortization and impairment losses. Such intangible assets are reviewed for impairment in accordance with ASC 350, Accounting for Goodwill and Other Intangible Assets. Such intangible assets are amortized over the period of the contract, which is 2 to 18 years.

Included in the gaming license are the rights to a digit games license in Cambodia. The license is for a minimum period of 18 years commencing from June 1, 2005, with an option to extend for a further 5 years or such other period as may be mutually agreed. The digit gaming license was suspended, and the asset was impaired during the year ended December 31, 2008. See Note 14.

The Company most recently completed an impairment evaluation in the fourth quarter of fiscal year 2009 of its remaining gaming licenses relating to it online video game downloads. The gaming license was determined to be impaired during the year ended December 31, 2009. In conducting the analysis, the Company used a discounted cash flow approach in estimating fair value as market values could not be readily determined given the unique nature of the gaming licenses. For the gaming licenses identified as being impaired, the cash flows associated with underlying assets did not support a value greater than zero due to a lack of revenue associated with the gaming license. The licenses were fully impaired as disclosed in Note 7.

The Company capitalized the development and building cost related to the broad-band sites and infrastructure for the streaming system, most of which was developed in 2002 as product development costs. The Company projects that these development costs will be useful for up to 5 years before additional significant development needs to be done.

2.10 Associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

2.11 Equity Method Investment

An Equity Method Investment is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of Equity Method Investment are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the Equity Method Investment, less any impairment in the value of individual investments. Losses of an Equity Method Investment in excess of the group's interest in that Equity Method Investment (which includes any long-term interests that, in substance, form part of the Company's net investment in the Equity Method Investment) are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the Equity Method Investment.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the Equity Method Investment recognized at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a group entity transacts with an Equity Method Investment of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

2.12 Investments

The Company classifies its investments in marketable equity and debt securities as "available-for-sale", "held to maturity" or "trading" at the time of purchase in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("ASC 320"). Equity securities held for trading as of December 31, 2010 totaled $617,215, December 31, 2009 totaled $326,980. The changes relates to an unrealized gain of $290,235 and $147,360, for December 31, 2010 and 2009, respectively.

Available-for-sale securities are carried at fair value with unrealized gains and losses, net of related tax, if any, reported as a component of other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary will result in an impairment, which is charged to earnings.

Investments that are not publicly traded or have resale restrictions greater than one year are accounted for at cost. The Company's cost method investments include companies involved in the broadband and entertainment industry. The Company uses available qualitative and quantitative information to evaluate all cost method investment impairments at least annually. An impairment is booked when there is an other-than-temporary difference between the carrying amount and fair value of the investment that would result in a loss.

2.13 Valuation of Long-Lived Assets

The Company accounts for long-lived assets under ASC 360,"Accounting for the Impairment or Disposal of Long-lived Assets". Management assesses the recoverability of its long-lived assets, which consist primarily of fixed assets and intangible assets with finite useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. The following factors, if present, may trigger an impairment review: (i) significant underperformance relative to expected historical or projected future operating results; (ii) significant negative industry or economic trends; (iii) significant decline in the Company's stock price for a sustained period; and (iv) a change in the Company's market capitalization relative to net book value. If the recoverability of these assets is unlikely because of the existence of one or more of the above-mentioned factors, an impairment analysis is performed using a projected discounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If these estimates or related assumptions change in the future, the Company may be required to record an impairment charge. Impairment charges would be included with costs and expenses in the Company's consolidated statements of operations, and would result in reduced carrying amounts of the related assets on the Company's consolidated balance sheets. See notes 2.8 and 2.9 for impairment.

2.14 Fair Value of Financial Instruments

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1:	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2:	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3:	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The table below sets forth a summary of the fair values of the Company's financial assets and liabilities as of December 31, 2010:

	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities held for trading	$617,215	$617,215	$ --	$ --
	$617,215	$617,215	$ --	$ --

The Company's equity securities held for trading are classified within the Level 1 of the fair value hierarchy and are valued using quoted market prices reported on the active market on which the securities are traded.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (ASC 825), The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in net income. SFAS No. 159 (ASC 825) is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Upon adoption of this Statement, the Company did not elect SFAS No. 159 (ASC 825) option for existing financial assets and liabilities and therefore adoption of SFAS No. 159 (ASC 825) did not have any impact on its Consolidated Financial Statements.

	2010		Note	2009	
	Carrying Amount	Fair Value		Carrying Amount	
Cash and Cash Equivalents	$221,183	$221,183	2.4	$ 356,477	$
Equity Securities Held for Trading	617,215	617,215	3	326,980	
Other Current Assets	289,623	289,623	2.22	187,131	
Investments Cost	2,718,749	1,843,076	8	2,718,749	2
Advances from related parties	102,682	102,682	2.22	--	
Capital Lease Payable	43,510	43,510	9	48,003	
Convertible Term Loan	2,500,000	2,500,000	15	2,432,796	2

The investment held at cost located in Cambodia represents 10 percent of the issued common stock of an untraded company; that investment is carried at its fair value of $1,726,940 (2009, $2,402,613)in the consolidated balance sheet. At year-end the total assets reported by the untraded company were $25,742,378 (2009,$24,232,528), common stockholders' equity was $17,269,400 (2009, $20,070,792),revenues were $7,751,364 (2009, $6,489,617)and net income (loss)was ($2,801,392)(2009,($2,715,893)). The investment held at cost located in Singapore represents 8 percent of the issued common stock of an untraded company; the investment is carried at its original cost of $116,136 (2009, $116,636)in the consolidated balance sheet. In 2010, all investments were classified as long term with $1,843,076 as its fair value.

2.15 Advances from Related Party

Advances from director and related party of $102,682 at December 31, 2010 are unsecured, non-interest bearing and payable on demand. As at December 31, 2009, the amount is $0.00.

2.16 Leases

The Company is the lessee of equipment under a capital lease expiring in 2014. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for the year ended December 31, 2010 and 2009.

2.17 Foreign Currency Translation

Transactions in foreign currencies are measured and recorded in the functional currency, U.S. dollars, using the Company's prevailing month exchange rate. The Company's reporting currency is also in U.S. dollars. At the balance sheet date, recorded monetary balances that are denominated in a foreign currency are adjusted to reflect the rate at the balance sheet date and the income statement accounts using the average exchange rates throughout the period. Translation gains and losses are recorded in stockholders' equity as other Comprehensive income and realized gains and losses from foreign currency transactions are reflected in operations.

2.18 Revenues

The Company's primary sources of revenue are from the sales of advertising space on interactive websites owned by the Company; distribution and licensing of content to our partners, broadband consulting services, and gaming revenue from our digit games.

The Company recognizes revenue in accordance with Accounting Standard Codification (ASC) 605-10 Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service or product is performed or delivered and collectability of the resulting receivable is reasonably assured.

Website advertising revenue is recognized on a cost per thousand impressions (CPM) or cost per click (CPC), and flat-fee basis. The Company earns CPM or CPC revenue from the display of graphical advertisements. An impression is delivered when an advertisement appears in pages viewed by users. Revenue from graphical advertisement impressions is recognized based on the actual impressions delivered in the period. Revenue from flat-fee services is based on a customer's period of contractual service and is recognized on a straight-line basis over the term of the contract. Proceeds from subscriptions are deferred and are included in revenue on a pro-rata basis over the term of the subscriptions.

The Company enters into contractual arrangements with customers to license and distribute content; revenue is earned from content licenses, and content syndication, Agreements with these customers are typically for multi-year periods. For each arrangement, revenue is recognized when both parties have signed an agreement, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, the delivery of the service has occurred, and no other significant obligations on the part of the Company remain. Licensing and content syndication revenue is recognized when the license period begins, and the contents are available for exploitation by customer, pursuant to the terms of the license agreement

The Company enters into contractual arrangements with customers on broadband consulting services and on-line turnkey solutions. Revenue is earned over the period in which the services are rendered. For each arrangement, revenue is recognized when a written agreement between both parties exist, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, and fulfillment of the obligations under the agreement has occurred, Revenue from broadband consulting services and on-line turnkey solutions is recognized over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be performed. It is generally recognized from the date of acceptance and fulfillment of obligations under the sale and purchase agreement.

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2.19 Costs of Services

The cost of services pertaining to advertising and sponsorship revenue and subscription and related services are cost of bandwidth charges, channel design and alteration, copyright licensing, and hardware hosting and maintenance costs. The cost of services pertaining to E-commerce revenue is channel design and alteration, and hardware hosting and maintenance costs. The cost of services pertaining to gaming is for managing and operating the operations and gaming centers. All these costs are accounted for in the period its was incurred.

2.20 Income Taxes

Deferred income taxes are determined using the liability method in accordance with ASC 740, Accounting for Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the statement of income of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company files income tax returns in the United States federal jurisdiction and certain states in the United States and certain other foreign jurisdictions. With a few exceptions, the Company is no longer subject to U. S. federal, state or foreign income tax examination by tax authorities on income tax returns filed before December 31, 2004. U. S. federal. State and foreign income returns filed for years after December 31, 2004 are considered open tax years as of the date of these consolidated financial statements. No income tax returns are currently under examination by any tax authorities.

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2.21 Earnings (Loss) Per Share

In February 1997, the Financial Accounting Standards Board ASC 260 "Earnings Per Share" which requires the Company to present basic and diluted earnings per share, for all periods presented. The computation of earnings per common share (basic and diluted) is based on the weighted average number of shares actually outstanding during the period. The Company has no common stock equivalents, which would dilute earnings per share.

2.22 Fair Value of Financial Instruments

The carrying amounts for the Company's cash, other current assets, accounts payable, advances from related parties accrued expenses and other liabilities approximate their fair value. Investments that are not publicly traded or have resale restrictions greater than one year are accounted for at cost. Trading securities are held at fair value based upon prices quoted on an exchange.

2.23 Advertising

The cost of advertising is expensed as incurred. For the year ended December 31, 2010 and 2009, the Company incurred advertising expenses of $7,011 and $217,483 respectively.

2.24 Reclassifications

Certain amounts in the previous periods presented have been reclassified to conform to the current year financial statement presentation.

3. EQUITY SECURITIES HELD FOR TRADING INVESTMENT

	DECEMBER 31, 2010	DECEMBER 31, 2009
Quoted equity security, at fair value	$ 617,215	$ 326,980

The fair value of quoted security is based on the quoted closing market price on the date of Sale and Purchase agreement. The investment in quoted equity security at fair value includes a gain of $290,235 for the year ended December 31, 2010 and gain $147,360 for the year ended December 31, 2009.

The Company's equity securities held for trading investment is denominated in Indonesian Ruppiah.

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4. OTHER CURRENT ASSETS

Other current assets consist of the following:

	DECEMBER 31, 2010	DECEMBER 31, 2009
Prepayments	$ 59,454	$ 53,159
Deposits	54,303	55,159
Other receivables	175,866	78,813
	$ 289,623	$ 187,131

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31, 2010	DECEMBER 31, 2009
Office equipment	$ 1,034,311	$ 1,023,788
Motor vehicle	91,190	91,190
Furniture, fixture and fittings	87,082	87,082
Pony set-top boxes	843,946	843,946
	2,056,529	2,046,006
Accumulated depreciation	(1,707,613)	(1,403,046)
	$ 348,916	$ 642,960

Depreciation expense was $304,567 for the year ended December 31, 2010 and $447,626 for the year ended December 31, 2009.

6. FILM LIBRARY

Film library consist of the following:

	DECEMBER 31, 2010	DECEMBER 31, 2009
Acquired Film Library	$ 23,686,731	$ 23,683,634
Accumulated Amortization	(4,521,949)	(4,518,852)
	$ 19,164,782	$ 19,164,782
Impairment of Film Library	(19,164,782)	(19,164,782)
Film Library	$ --	$ --

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Amortization expense was $3,097 for the year ended December 31, 2010 and $22,016 for the year ended December 31, 2009. See Note 2.8 for impairment analysis.

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7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	DECEMBER 31, 2010	DECEMBER 31, 2009
FINITE-LIVED INTANGIBLE ASSETS		
Gaming license	7,090,000	7,090,000
Product development expenditures	719,220	719,220
Software license	12,649	12,649
	7,821,869	7,821,869
Accumulated amortization	(1,974,328)	(1,974,328)
	5,847,541	5,847,541
Impairment loss	(5,847,541)	(5,847,541)
	$ --	$ --

Amortization expense was $0 for the year ended December 31,2010 and $120,001 for the year ended December 31, 2009. See Note 2.9 for impairment analysis.

8. INVESTMENTS - NET

Investments held at cost consist of the following:

	DECEMBER 31, 2010	DECEMBER 31, 2009
Current:		
Unquoted securities	--	--
	--	--
Non Current :		
Unquoted securities	116,136	116,136
Unquoted securities	1,726,940	2,602,613

$ 1,843,076	$ 2,718,749

The Company's $116,13 investment held at cost relates to its investment in M2B Game World Pte Ltd. Management reviews this investment on a quarterly basis and has noted no impairment for the years ended December 31, 2010 and 2009, respectively.

The Company's $2,602,613 investment at cost operates in Cambodia. During the year ended 2010, the Company has decided to hold this investment for a period greater than one year and as such have reclassified it to long term. This investment is subject to numerous risks, including:

- difficulty enforcing agreements through the Cambodia's legal system;
- general economic and political conditions in Cambodia; and
- the Cambodian government may adopt regulations or take other actions that could directly or indirectly harm the equity method investment's business and growth strategy.

The occurrence of any one of the above risks could harm equity method investment's business and results of operations. Management reviews this investment on a quarterly basis and has noted that impairment loss of $875,673 and $0 for the years ended December 31, 2010 and 2009, respectively.

9. COMMITMENTS

Capital Leases

The Company is the lessee of equipment under capital leases expiring in various years through 2013. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for 2010 and 2009. Interest rates on capitalized leases is fixed at 2.85%.

The following summarizes the Company's capital lease obligations at December 31, 2010:

	2010	2009
Future minimum lease payments	$ 51,682	$ 57,580
Less: amounts representing interest	(8,172)	(9,577)

Present value of net minimum lease payments	43,510	48,003
Less: current portion	(18,745)	(11,079)
	$ 24,765	$ 36,924

At December 31, 2010, total future minimum lease commitments under such lease are as follows:

For the Year Ended December 31,	Capital
2011	18,745
2012	12,098
2013	12,667
	$ 43,510

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Operating Leases

The Company leases facilities and equipment under operating leases expiring through 2012. Total rental expense on operating leases for the year ended December 31, 2010 and 2009 was $185,391 and $277,656, respectively. As of December 31, 2010, the future minimum lease payments are as follows:

For the Year Ended December 31,	Operating
2011	111,984
2012	69,990
2013	--
	$181,974

10. INCOME TAXES

The Company files separate tax returns for Singapore and the United States of America.

The Company had approximately $4,500,000 in deferred tax assets as of December 31, 2010. The provided an allowance of $4,500,000 as of December 31, 2010.

The Company had available approximately $7,900,000 of unused U.S. net operating loss carry-forwards at December 31, 2010, that may be applied against future taxable income. These net operating loss carry-forwards expire for U.S. income tax purposes beginning in 2026. There is no assurance the Company will realize the benefit of the net operating loss carry-forwards.

The Company requires a valuation allowance to be recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2010 the Company maintained a valuation allowance for the U.S. deferred tax asset due to uncertainties as to the amount of the taxable income from U.S. operations that will be realized.

The Company had available approximately $7,600,000 of unused Singapore tax losses and capital allowance carry-forwards at December 31, 2010,that may be applied against future Singapore taxable income indefinitely provided the company satisfies the shareholdings test for carry-forward of tax losses and capital allowances.

The Company files income tax returns in U.S. federal and various state jurisdictions. The Company is beyond the statute of limitations subjecting it to U.S. federal and state income tax examinations by tax authorities for years before 2007 and 2006, respectively. The Company is not currently subject to any income tax examinations by any tax authority. Should a tax examination be opened, management does not anticipate any tax adjustments, if accepted, that would result in a material change to its financial position.

AMARU, INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

11. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Company's transactions and arrangements are with the related party and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the period, the Company entered into the following transactions with the related parties:

FOR THE YEAR ENDED

	DECEMBER 31, 2010	DECEMBER 31, 2009	DECEMBER 31, 2008
Associate :			
Marketing	$ -	$ 16,460	$ 2,467
Other Related Party :			
Consultancy fee	$ -	$ 7,656	$ 2,467

12. SALE OF IPTV PLATFORM

In April 2007 the Company through its subsidiary M2B World Holdings Limited entered into an agreement to sell its IPTV platform to a company in Indonesia (buyer) for $14,500,000. The total amount of the consideration was to be received in shares of the buyer and a 50% share of a newly incorporated entity. The Company has received $1,000,000 in cash and $4,000,000 in publicly-traded securities. The balance outstanding receivable of $9,500,000 is included as "Receivable from sale of IPTV platform" at December 31, 2008. During the third quarter of 2009 management allowed for the $9,500,000 as uncollectable. Management is currently still in negotiations with PT Agis on trying to collect the receivable.

13. PURCHASE OF CBBN HOLDINGS LIMITED

The Company through its wholly owned subsidiary, Tremax International Limited, entered into a sale and purchase agreement dated July 10, 2007 with Domaine Group Limited which has not yet been consummated. Per the agreement the Company through its wholly owned subsidiary, Tremax International Limited would transfer 5,333,333 shares of the Company valued at $3,733,333 in exchange for Domaine Group Limited transferring its 100% shares in CBBN Holdings Limited, a company incorporated in the British Virgin Islands. The transaction has not been consummated and the agreement had expired and was not extended. The Management of the Company had decided not to proceed with this agreement.

On January 22, 2009, the Company approved the termination and recission of the Agreement where the seller failed to comply with the terms of the Agreement and did not deliver to the Company or Purchaser the consideration for the issuance of the Amaru Shares. The Company further approved the cancallation of the Amaru Shares.

14. IMPAIRMENT OF DIGIT GAMES LICENSE

The digit game license has been impaired due to the digit game operations being suspended and all operations stopped by the Cambodia Government. The company, Allsports managing the digit games in the Kingdom of Cambodia had also not released the profit to M2B Commerce, Ltd. from 2007 to present. Management has been recording revenues based on information provided by Allsports's staff throughout the years and have verified and adjusted them to actual as of year end. Due to lack of access as stated above, all revenues for the year ended 2008 will be reversed since the Company's recognition criteria related to the associated revenues were not met.

15. LOAN AND BORROWINGS

	DECEMBER 31, 2010	DECEMBER 31, 2009
Current		
Convertible loan	$ 2,500,000	2,500,000
Less: Future interest charges	--	(67,204)
	$ 2,500,000	2,432,796

Term loans held by the Company at balance sheet date are as follows:

(a) $2,500,000 represents a two year convertible loan drawn down by a subsidiary company. It bears interest at a fixed rate of 5.0% per annum. The loan allows the borrower the option to convert the loan into shares of the subsidiary company at the issue price of $0.942 per share at the end of the two years period. The loan commenced in July 2008 and the due date of the loan is July 7, 2010. Subsequent to June 30, 2010, the conversion period of the convertible loan was extended for an additional twelve months commencing July 8, 2010.

16. SUBSEQUENT EVENTS

The following subsequent events have occurred through the filing date of this report, March 31, 2011.

As of January 17, 2011, the Company issued a total of 1,012,731 shares of common stock through its private placement of shares of common stock at a purchase price of $0.027 per share for a total amount of $27,343.74, to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933.

As of January 21, 2011, the Company issued a total of 2,840,909 shares of common stock through its private placement of shares of common stock at a purchase price of $0.022 per share for a total amount of $62,500.00, to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933.

As of February 17, 2011, the Company issued a total of 3,937,008 shares of common stock through its private placement of shares of common stock at a purchase price of $0.02 per share for a total amount of $78,740.16, to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933.

As of March 4, 2011, the Company issued a total of 2,500,000 shares of common stock through its private placement of shares of common stock at a purchase price of $0.02 per share for a total amount of $50,000.00, to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933.

As of March 16, 2011, the Company issued a total of 4,000,000 shares of common stock through its private placement of shares of common stock at a purchase price of $0.02 per share for a total amount of $80,000.00, to an "accredited investor", as that term is defined in Regulation D of the Securities Act of 1933.