



SCHREINER, LEGGE
& COMPANY

A Professional Accounting & Consulting Corporation

As independent public accountants, we consent to the inclusion of our report dated January 30, 2006, on the financial statements of City Wok, LLC as of December 31, 2005, and the letter addressed to Representative of Respective State Licensing Agencies dated January 30, 2006, in the franchise offering circular of City Wok, LLC for distribution to prospective City Wok, LLC franchisees and for filing with states requiring registration of franchise offers, sales or both.

Schreiner, Legge & Company
SCHREINER, LEGGE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Alexandria, Virginia
January 30, 2006

DAVID R. LEGGE *ca*
KENNETH M. WELCH *ca*
AUDRY POMERENING *ca*

2800 Eisenhower Avenue
Suite 100
Alexandria, VA 22314

703.329.8000
800.800.7520
fax 703.329.9040

info@slcpa.com
www.slcpa.com



Division for CPA Firms - 11-14

American Institute of Certified Public Accountants

RECEIVED
DEPT OF CORPORATIONS
SAN FRANCISCO

'06 MAY -8 AM 11:48

CITY WOK, LLC
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2005



January 30, 2006

Board of Directors
City Wok, LLC
Alexandria, Virginia

We have audited the accompanying balance sheets of City Wok, LLC as of December 31, 2005 and 2004, and the related statements of income, changes in membership equity, and cash flows for the year ended December 31, 2005, and for the period from date of organization through December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Wok, LLC as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the year ended December 31, 2005, and for the period from date of organization through December 31, 2004, in conformity with U.S. generally accepted accounting principles.

SCHREINER, LEGGE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

DAVID R. LEGGE CPA
KENNETH M. WELCH CPA
AUDRY POMERENING CPA

2800 Eisenhower Avenue
Suite 100
Alexandria, VA 22314

703.329.8000
800.800.7520
fax 703.329.9040

info@slc-cpa.com
www.slc-cpa.com



Members American Institute of Certified Public Accountants

**CITY WOK, LLC
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

ASSETS

	<u>2005</u>	<u>2004</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 63,617	\$ 174,523
Accounts Receivable	-0-	6,175
Prepaid Expenses	2,399	-0-
Deposits	-0-	1,050
Start-Up Costs less Accumulation Amortized of \$(1,264)	<u>2,950</u>	<u>-0-</u>
<u>Total Current Assets</u>	<u>68,966</u>	<u>181,748</u>
<u>TOTAL ASSETS</u>	<u><u>\$ 68,966</u></u>	<u><u>\$ 181,748</u></u>

LIABILITIES AND MEMBERSHIP EQUITY

<u>Current Liabilities</u>		
Accounts Payable	\$ 5,102	\$ 1,825
<u>Total Current Liabilities</u>	<u>5,102</u>	<u>1,825</u>
<u>Membership Equity</u>		
Membership Units, Par Value, \$10.00		
200,000 Authorized Units		
20,000 Issued and Outstanding	200,000	200,000
Paid-In-Capital Membership Units	-0-	-0-
Membership Units - Earnings Allocation	<u>(136,136)</u>	<u>(20,077)</u>
<u>Total Membership Equity</u>	<u>63,864</u>	<u>179,923</u>
<u>TOTAL LIABILITIES AND MEMBERSHIP EQUITY</u>	<u><u>\$ 68,966</u></u>	<u><u>\$ 181,748</u></u>

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

CITY WOK, LLC
STATEMENTS OF INCOME
FOR THE YEAR ENDING DECEMBER 31, 2005
AND FOR THE PERIOD FROM THE DATE OF
ORGANIZATION THOUGH DECEMBER 31, 2004

	<u>2005</u>	<u>2004</u>
<u>REVENUE</u>		
Franchise Fees	\$ 20,000	\$ 20,000
Development Fees	50,000	50,000
Franchise Royalties	<u>-0-</u>	<u>-0-</u>
<u>Total Revenue</u>	<u>70,000</u>	<u>70,000</u>
<u>OPERATING EXPENSES</u>		
Franchise Sales Expenses	35,000	35,000
Franchise Training and Operations	37,390	35,000
Legal and Other Professional Services	55,114	17,824
Licensing Expenses	1,900	2,150
Bank Charges	149	103
Marketing	9,508	-0-
Management Expenses	15,000	-0-
System Expenses	28,137	-0-
Insurance	1,931	-0-
Travel	<u>1,930</u>	<u>-0-</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>186,059</u>	<u>90,077</u>
Net Operating Income (Loss)	<u>(116,059)</u>	<u>(20,077)</u>
NET INCOME (LOSS)	<u>\$ (116,059)</u>	<u>\$ (20,077)</u>

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

CITY WOK, LLC
STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY
AND FOR THE PERIOD FROM THE DATE OF
FOR THE YEAR ENDED DECEMBER 31, 2005
ORGANIZATION THROUGH DECEMBER 31, 2004

	<u>2005</u>	<u>2004</u>
Membership Units - Beginning of Period	\$ 200,000	\$ -0-
Issuance of Membership Units	<u>-0-</u>	<u>200,000</u>
Membership Units - End of Period	<u>200,000</u>	<u>200,000</u>
 Paid-In-Capital Membership Units - Beginning of Period	 -0-	 -0-
Issuance of Units - Paid-In-Capital in Excess of Par Value	<u>-0-</u>	<u>-0-</u>
Paid-In-Capital Membership Units - End of Period	<u>-0-</u>	<u>-0-</u>
 Membership Units - Earnings Allocation - Beginning of Period	 (20,077)	 -0-
Net Income (Loss)	<u>(116,059)</u>	<u>(20,077)</u>
Membership Units - Earnings Allocation - End of Period	<u>(136,136)</u>	<u>(20,077)</u>
 <u>TOTAL MEMBERSHIP EQUITY</u>	 <u>\$ 63,864</u>	 <u>\$ 179,923</u>

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

CITY WOK, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
AND FOR THE PERIOD FROM THE DATE OF
ORGANIZATION THROUGH DECEMBER 31, 2004

	<u>2005</u>	<u>2004</u>
<u>Cash Flows from Operating Activities:</u>		
Inflows:		
Franchise and Development Fee Receipts	\$ 70,000	\$ 70,000
Outflows:		
Payments for Franchise Expenses	75,661	70,000
Payments to Vendors	<u>105,245</u>	<u>25,477</u>
	<u>180,906</u>	<u>95,477</u>
Net Cash (Used in) Operating Activities	<u>(110,906)</u>	<u>(25,477)</u>
Cash Flows from Financial Activities:		
Sale of Membership Units	<u>-0-</u>	<u>200,000</u>
Net Cash Provided by Financial Activities	<u>-0-</u>	<u>200,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(110,906)	174,523
Cash and Cash Equivalents - Beginning of Period	<u>174,523</u>	<u>-0-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 63,617</u>	<u>\$ 174,523</u>
<u>Reconciliation of Net Income (Loss) to Net Cash (Used in)</u>		
<u>Operating Activities:</u>		
Net Income (Loss)	\$ (116,059)	\$ (20,077)
Adjustments to Reconcile Net Income (Loss) to Net Cash (Used in)		
Operating Activities:		
Amortization Expense	1,264	-0-
(Increase) Decrease in:		
Other Assets	(5,563)	(1,050)
Accounts Receivable	6,175	(6,175)
Increase (Decrease) in:		
Accounts Payable	<u>3,277</u>	<u>1,825</u>
Total Adjustments	<u>5,153</u>	<u>(5,400)</u>
Net Cash (Used in) Operating Activities	<u>\$ (110,906)</u>	<u>\$ (25,477)</u>

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

CITY WOK, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NATURE OF BUSINESS

City Wok, LLC was organized and established on May 24, 2004, as a limited liability company to promote the sales of franchises in Hu-Yu-Inc (dba City Wok Corporation), a California corporation which has developed and owns a distinctive format system relating to the establishment and operation of restaurants and other like affiliates.

Start-up activities were conducted during May and June 2004 to establish the limited liability company. Business activity was initiated in the late summer of 2004.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles.

Income Recognition

Revenues from sales are recognized as earned or billed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Organizational Costs

Costs incurred to establish the Company will be paid by Fransmart, Inc., and will be capitalized or charged to operating expenses in accordance with U.S. generally accepted accounting principles only if the pre-funded expenses are invoiced to City Wok, LLC. In the agreement between Fransmart, Inc. and City Wok, LLC, these organizational expenses cannot exceed \$20,000. As of December 31, 2005, nothing has been invoiced on any of these organization costs.

Depreciation of Furniture and Equipment

Furniture and fixtures are carried at original cost less accumulated depreciation. Depreciation expense is computed on the straight-line basis over the estimated useful lives of the various classes of assets. At present, City Work, LLC does not own any fixed assets.

Statement of Cash Flows

The Company considers all checking and savings accounts with no fixed maturity to be cash equivalents for purposes of the statement of cash flows.

Membership Units

City Wok, LLC is authorized to issue 200,000 units of membership, at a par value of \$10.00 each. As of December 31, 2005, 20,000 units had been issued and were outstanding. The weighted average number of units outstanding during the period then ended was 20,000. In these financial statements, membership equity is broken out into three categories to provide funding source information.

NOTE 2 - INCOME TAXES

No provision for income taxes has been established, as City Wok, LLC operates as a limited liability company which is not a tax paying entity for federal income tax purposes and thus, all taxable gains or losses are passed through to membership unit holders.

NOTE 3 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit and investment purchase commitments, etc., which are not reflected in the accompanying financial statements. Management does not anticipate losses as a result of any of these transactions.

In the normal course of business operations, the Company may have funds on deposit in various correspondent financial institutions in excess of federal deposit insurance ceilings. The Company does not anticipate any loss as a result of this activity.