

EXHIBIT B
FINANCIAL STATEMENTS

Manchu WOK Franchising USA Inc.

Financial Statements

May 2, 2005

(expressed in U.S. dollars)

May 9, 2005

Auditors' Report

**To the Directors of
Manchu WOK Franchising USA Inc.**

We have audited the balance sheet of **Manchu WOK Franchising USA Inc.** as at May 2, 2005 and the statements of operations and deficit and cash flows for the period from February 27, 2005, date of commencement, to May 2, 2005. 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 audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at May 2, 2005 and the results of its operations and its cash flows for the period from February 27, 2005, date of commencement, to May 2, 2005 in accordance with United States generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Manchu WOK Franchising USA Inc.

Balance Sheet

(expressed in U.S. dollars)

	May 2, 2005 \$	February 27, 2005 \$
Assets		
Cash	104,135	-
Amount due from China Inn Inc. (note 4(a))	-	100,000
	<u>104,135</u>	<u>100,000</u>
Liabilities		
Amount due to China Inn Inc. (note 4(b))	5,119	100,000
Shareholder's Equity		
Share capital and contributed surplus (note 5)	100,000	-
Deficit	(984)	-
	<u>99,016</u>	<u>-</u>
	<u>104,135</u>	<u>100,000</u>
Liquidity (note 1)		
		\$
General and administration expense		<u>984</u>
Net loss for the period and deficit - End of period		<u>984</u>

Approved by the Board of Directors

_____ Director

_____ Director

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

Manchu WOK Franchising USA Inc.

Statement of Operations and Deficit

For the period from February 27, 2005, date of commencement, to May 2, 2005

(expressed in U.S. dollars)

	\$
General and administration expense	<u>984</u>
Net loss for the period and deficit - End of period	<u>984</u>

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

Manchu WOK Franchising USA Inc.

Statement of Cash Flows

For the period from February 27, 2005, date of commencement, to May 2, 2005

(expressed in U.S. dollars)

	\$
Cash provided by (used in)	
Operating activities	
Net loss for the period	<u>(984)</u>
Financing activities	
Issuance of share capital	100,000
Net increase in related party balances	<u>5,119</u>
	<u>105,119</u>
Net increase in cash during the period	104,135
Cash - Beginning of period	<u>-</u>
Cash - End of period	<u>104,135</u>

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

Manchu WOK Franchising USA Inc.

Notes to Financial Statements

May 2, 2005

(expressed in U.S. dollars)

1 Liquidity

Any interest in this company has been pledged as collateral for external debt of Manchu WOK CaliNev, Inc., which is not presently in compliance with certain financial covenants under its external debt agreement. Presently, Manchu WOK CaliNev, Inc. is in discussions with its lender with respect to its non-compliance. The ultimate parent of Manchu WOK CaliNev, Inc.'s significant shareholders have agreed to continue to support the obligations of Manchu WOK CaliNev, Inc. and its subsidiaries, including Manchu WOK Franchising USA Inc., for the period to August 31, 2005.

These financial statements have been prepared in accordance with United States generally accepted accounting principles applicable to a going concern, which assumes the company will be able to realize its assets and discharge its liabilities in the normal course of business.

2 Nature of operations

The company was incorporated on August 4, 2004 in the State of Delaware. Prior to February 27, 2005, the company had no operations.

3 Basis of presentation and summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with United States generally accepted accounting principles.

Use of estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies 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.

4 Amount due from/to parent

- a) The amount due from China Inn Inc. is non-interest bearing and due on demand.
- b) The amount due to China Inn Inc. bears interest at 8%, and had no fixed terms of repayment. The amount was repaid during the period. No interest was charged on this loan. The amount outstanding at May 2, 2005 is non-interest bearing.

Manchu WOK Franchising USA Inc.

Notes to Financial Statements

May 2, 2005

(expressed in U.S. dollars)

5 Share capital

Authorized

There are 50 common shares with a par value of \$0.01 and 50 preferred shares with a par value of \$0.01.

Issued and outstanding

There are currently 50 common shares outstanding. These shares were issued in the period for cash consideration of \$100,000.

Manchu WOK Franchising USA Inc
Balance Sheet
8/28/2005

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ASSETS

	YEAR TO DATE
Wells Fargo Concentration Acct	100,964.70
TOTAL CASH AND BANK	100,964.70
TOTAL ACCOUNTS RECEIVABLE	0.00
TOTAL LOANS RECEIVABLE	0.00
TOTAL INVENTORY	0.00
TOTAL PREPAIDS	0.00
TOTAL CURRENT ASSETS	100,964.70
TOTAL FIXED ASSETS	0.00
TOTAL FIXED ASSET AMORTIZATION	0.00
TOTAL LONG TERM LOANS	0.00
TOTAL INTANGIBLE ASSETS	0.00
TOTAL INVESTMENTS	0.00
I/C CI & MW Franchising	(5,119.88)
I/C MW USA/MW Franchising	(32,543.93)
TOTAL INTERCOMPANY	(37,663.81)
TOTAL ASSETS	63,300.89

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

LIABILITIES

	<u>YEAR TO</u> <u>DATE</u>
TOTAL ACCOUNTS PAYABLE	0.00
TOTAL PAYROLL LIABILITES	0.00
TOTAL ACCRUED LIABILITIES	0.00
TOTAL TAX LIABILITES	0.00
TOTAL INTERCOMPANY LIABILITES	0.00
TOTAL CURRENT LIABILITIES	0.00
TOTAL DEFERRED CHARGES	0.00
TOTAL INTERCOMPANY LIABILITES	0.00
TOTAL LOANS PAYABLE	0.00
TOTAL LONG TERM LIABILITES	0.00
SHARE CAPITAL	100,000.00
NET PROFIT	(36,699.11)
TOTAL SHAREHOLDERS' EQUITY	63,300.89
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY	<u>63,300.89</u>
	0.00

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Manchu WOK Franchising USA Inc**Consolidated Profit and Loss
For The Period Ending August 28, 2005**

	For the Six Months Ending August 28, 2005
	<u>Actual</u>
Total Sales	0.00
Total Meats	0.00
Total Other Food	0.00
Total Cost Of Sales	0.00
Gross Margin	0.00
Total Labour	0.00
Total Other Direct	0.00
Profit Before Committed	0.00
Total Committed	0.00
Restaurant Profit	0.00
Total Other Income	0.00
Total Contribution	0.00
Total Overheads	36,699.11
E.B.I.T.	(36,699.11)
Profit Before Tax and Extraordinary Items	(36,699.11)
Net Profit to date	<u>(36,699.11)</u>

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