

Edgar Filing: AMARU INC - Form 10-K

AMARU INC  
Form 10-K  
March 31, 2009

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

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FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

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: 0-28560

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

NEVADA

88-0490089

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

112 MIDDLE ROAD, #01-00 MIDLAND HOUSE, SINGAPORE 188970  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE : (011) (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

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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

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  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

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

Yes  No

As of March 20, 2009, 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 20, 2009 at \$0.10 per share was \$13,560,716.50.

The number of shares outstanding of registrant's common stock, \$0.001 par value per share, was 159,431,861 as of March 20, 2009.

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### PART I

#### ITEM 1: DESCRIPTION OF BUSINESS

##### BACKGROUND

Amaru, Inc., a Nevada corporation (the "Company" or "Amaru") through its subsidiaries under the M2B and WOWtv brand names, is in the Broadband Media Entertainment business, providing interactive Entertainment-on-demand and e-commerce streaming over Broadband channels, Internet portals, and 3G devices globally. The Company's entertainment sites are available via its main website of [www.amaruinc.com](http://www.amaruinc.com). The Company is also in the business of digit gaming (lottery), and has an 18 year license to conduct nationwide lottery in Cambodia. The digit game lottery operations have been suspended by the government of Cambodia in March, 2009, and it cannot be determined at this time whether the suspension of the digit games lottery is temporary or permanent. The Company was incorporated under the laws of the state of Nevada in September, 1999. The Company's corporate offices are located at 112 Middle Road, #01-00 Midland House, Singapore 188970; telephone (65) 63329287.

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

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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.

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.

### BUSINESS OVERVIEW

The Company, through its subsidiaries under the M2B and new 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 is 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. It cannot be determined at this time whether the suspension of the digit games is temporary or permanent, though the Government of Cambodia is currently closing the gaming business by the order of its Ministry of Economy and Finance.

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

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1. M2B World, Inc. - focuses on the US market and is based in Hollywood, California
2. M2B World Asia Pacific Pte. Ltd. - oversees the Asia Pacific business in the Asian markets through this office and has a representative office in Chengdu, China
3. M2B Australia Pty. Ltd. - oversees Oceania markets
4. M2B Entertainment, Inc. - oversees Canadian market
5. M2B Commerce Limited - focuses on digital games in Cambodia
6. M2B World Travel Singapore Pte Ltd. - offers e-travel services
7. Amaru Holdings Limited - focuses on content syndication and distribution in areas other than Asia Pacific region
8. M2B World Holdings Limited - focuses on content syndication and distribution in Asia Pacific region
9. M2B World Pte. Ltd. - provides management services to several subsidiaries of the Company
10. Tremax International Limited - operates as an investment holding company
11. M2B World Travel Limited - oversees online travel and related services

The Company offers consumers personalized entertainment through its wide range of broadband streaming channels available via [www.amaruinc.com](http://www.amaruinc.com) and [www.wowtv.com](http://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

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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 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.

- 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 rich 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.

- o 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.

- o 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 Amadeus (Global Travel GDS based in Spain), Baidu (China), PT Agis (Indonesia), Webvisions Pte Ltd (Singapore) and Zentek Technology (Japan). 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.

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### GROWTH STRATEGIES

The Company's growth strategies consist of:

- o 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.
- o 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.
- o 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.amarinc.com](http://www.amarinc.com) or directly go to the entertainment sites at [www.wowtv.com](http://www.wowtv.com), [www.m2btv.com](http://www.m2btv.com) and [www.m2bworldtravel.com](http://www.m2bworldtravel.com).

### NEW PRODUCT OFFERINGS

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 will serve as its new brand for its broadband entertainment services, in addition to its IPTV service, M2Btv. 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:

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

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

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

- o Free Tier - Web TV channels are provided free to viewers without the need to register and are advertising supported.

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- o 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 value add 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. The WOWtv global service is available on [www.wowtv.com](http://www.wowtv.com) and the Singapore service on [sg.wowtv.com](http://sg.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



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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.

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### 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
3. E-Travel Services - Online Travel Portal

### 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::

- o 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

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on:

- o Television screens (Set top Box Technology)
- o PCs (Digital Subscriber Line (DSL) Technology)
- o Personal Digital Assistants(PDA), 3G hand phones (Wireless Technology)
- o 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](http://www.amaruinc.com), [www.wowtv.com](http://www.wowtv.com), [www.m2btv.com](http://www.m2btv.com) and [www.m2bworldtravel.com](http://www.m2bworldtravel.com).

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

- o 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.
- o 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

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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

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](http://www.wowtv.com).

Beginning with Singapore, WOWtv is set to expand globally with its new global site and across the Asia Pacific. It intends to expand its growing presence to specific territories, namely India, China, Indonesia and Malaysia within the next 12 months. No assurance can be given that such plans will materialize as planned.

### LEVERAGING ON THE STRENGTHS OF WOWTV

WOWtv is a cutting-edge, innovative platform that 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.

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### 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).

### M2BTV - GLOBAL BROADBAND TV (IPTV) SERVICE

The Company offers multiple TV channels, delivered live over the Internet, to television sets that have a high-speed internet connection and IP set top boxes. The service is offered to potential clients and

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third parties who desire to launch IPTV services to commercial outlets like hotels and condominiums or even to homes. Details of the service can be viewed on [www.m2btv.com](http://www.m2btv.com).

The service offers multiple content channels to customers. Anyone subscribing for a broadband access with local Internet service provider is able to tune in to the service on a subscription basis. Subscribers are provided with a set-top box that connects to their broadband modems instead of the cable TV point at home. They are able to watch the programs on their television sets. The Company has integrated the WOWtv content into this IPTV service.

In 2007, the company through its subsidiary, M2B World Asia Pacific Pte. Ltd, had signed an agreement with a Malaysian company to launch the IPTV service in Malaysia. In 2008, M2B Asia Pacific Pte. Ltd commenced trial launch of the service at a major hotel in Kuala Lumpur, the capital city of Malaysia. The Company expects to extend this IPTV service to more hotels and resorts in Malaysia in 2009. No assurance can be given that such plans will materialize as planned.

### BROADBAND SERVICES

The Company has an automated Content Management System ("CMS") to enhance its advertising service offered to clients and to provide a new revenue source for the Company. The system allows for the programming of video, animation, streaming and flash content to multiple destinations.

Linked by broadband networks and wireless set-top boxes to push content and scheduled advertising at physical premises, the CMS allows businesses the option of presenting targeted content on selected video displays in multiple locations, such as on different levels of a shopping mall, in various spots within a restaurant or club or on separate elevators in the same building.

In store video panels can also carry individualized messages together with customized content to reach consumers and target audiences within the premises. This is another method by which the Company is continuing to meet the consumer shift toward on-demand and personalized media experiences whether at home or work and now additionally on video screens in stores, restaurants, clubs and other business or leisure outlets.

### 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. It cannot be determined at this time whether the suspension of the digit games is temporary or permanent, though the Government of Cambodia is currently closing the gaming business by the order of its Ministry of Economy and Finance.

### E-TRAVEL SERVICES

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The Company's subsidiary, M2B World Travel Limited signed a global agreement with Amadeus Global Travel Distribution, SA, a Spanish corporation. Through the agreement, M2B will offer direct access to the extensive range of travel options available through the Amadeus network to their viewers around the world. The agreement extends M2B's reach through its broadband streaming entertainment into the worldwide travel arena.

The M2B World Travel Website aims to provide competitive rates through its direct connection to the Amadeus System using the Elleipsis TravelTalk(TM) integration platform, which allows M2B to access not only the major travel providers, but an expanded roster of additional suppliers such as low-cost carriers, cruise lines, and widened hotel distribution channels all through one single, easy-to-use platform.

The video e-travel portal brings an extensive range of travel options to our viewers and gives the Company an entry into the travel and tourism market; it directly aggregates travel solutions from airlines, hotel properties, some car rental companies as well as air, ferry, rail, cruise, and tour operators, allowing customers to the site to view their travel destination through video content, thus influencing their purchasing decision.

Due to fund constraints, the Company has been unable to launch the M2B travel site. The service is subject to the Company completing the set up of its server farm in the US to host the travel platform. No assurance can be made that such plans will materialize as planned.

### MAJOR EVENTS IN FISCAL YEAR 2008 FOR ENTERTAINMENT SERVICES

In August 2008, following the launch of its latest broadband entertainment service called WOWtv in Singapore in August 2007, the Company launched an enhanced version of the site called WOWtv NEW which included many expanded features. These features included High Definition (HD) streaming, New Community and User Generated Content, Live TV broadcast and Social Networking. The initiatives were taken to retain and expand viewership, and potentially lead to new revenue sources and increase advertising revenue in the years ahead.

On December 15, 2008, M2B World Holdings Limited, a subsidiary of M2B World Asia Pacific Pte Ltd, entered into an agreement with PT Agis TBK, a company in Indonesia, to set up a Joint Venture Company to launch the full WOWtv service and content in Indonesia. The agreement would give M2B World Holdings Limited a 49 percent equity stake in the Joint Venture Company, which is called PT WOW Television. The extended relationship and joint venture with PT Agis TBK in Indonesia is expected to expand the WOWtv branding and viewership, and provide potentially new revenue sources in Indonesia.

The agreement in 2008 with PT Agis TBK followed a previous agreement on April 23, 2007, where M2B World Holdings Limited entered into an agreement with PT Agis TBK to transfer and licence an IPTV platform. The IPTV platform concerned included the hardware, software and middleware, and the supply of content. The WOWtv content was incorporated into this IPTV platform. The agreement with PT Agis TBK resulted in generating entertainment revenue of \$14.5 million in 2007.

On January 26, 2007, M2B World Asia Pacific Pte. Ltd signed an agreement with a Malaysia company to launch IPTV service in Malaysia using the Company's current set-top boxes. In October 2008, the IPTV service was launched on a trial basis in a major hotel in Malaysia. The Company plans to roll out the IPTV service to more hotels and resorts

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in Malaysia in 2009, pending to the success of this trial service.

On July 10, 2007, the Company together with one of its subsidiaries, Tremax International Limited entered into an agreement with Domaine Group Limited for the acquisition of 80% of Cosmactive Broadband Networks Co Ltd, which is a broadband service provider incorporated in Taiwan. On January 22, 2009, the Company approved the termination and rescission of the Agreement when the seller failed to comply with the terms of the Agreement and did not deliver to the Company the shares in Cosmactive Broadband Networks Co Ltd.

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### ONGOING DEVELOPMENTS OF 2008 INITIATIVES

Following the launch of the enhanced WOWtv NEW in August 2008, the Company launched a new global WOWtv service in February 2009. The Company intends to further enhance this global service in 2009, by marketing its viewership globally, and extending the site features with more value added services like Social Networking, User Generated Content and High Definition streaming. The Company plans to launch more country sites in 2009 designed to fit specific country viewerships. The Company hopes to launch in 2009 WOWtv sites specially targeted at two major markets in Asia, namely China and India.

The current trial of the Company's IPTV services and set-top boxes under M2Btv in a major hotel in Malaysia is currently underway. The Company is working towards a major roll-out of the set top boxes in Malaysia in 2009, covering hotels, resorts and condominiums.

There can be no assurance that the above plans will materialise as stated.

### MARKETS

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

#### o 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.

#### o 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

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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.

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### o THE GROWTH OF ONLINE TRAVEL

The travel business has already been impacted by the Internet. Travel companies have already used the Internet as a distribution channel and for ticketing and transaction processes. With the introduction of online booking and online travel agencies, the travel industry has only begun to realize the cost reduction potentials of e-business. The growth in online travel has caused a radical change in the travel retail market since the late 1990s, and is one area that continues to record growth after the slump in tourism that began in 2001. Travel as a commodity has proved ideally suited to e-commerce, as average spending is high, and the cost of delivering the goods is minimal.

The online global travel retail opportunity represented an \$85 billion market worth in 2004, according to Euromonitor in 2005.

### 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

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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.

In the e-travel services business, the Company competes with the established traditional offline travel agencies and airlines as well as online travel players like Travelocity, Zuji, Expedia, Priceline.com. With the trend in the travel industry moving towards a constellation of cooperative alliances, the Company believes that there will be many opportunities for vertical as well as horizontal growth and integration of the various travel companies.

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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.



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### 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 21 employees as of December 31, 2008, of which 21 are full time and 1 part-time employee. Of the 21 employees, 19 are based in Singapore, one is based in China and another one is based in the U.S.

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### 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 IS AVAILABLE-FOR-SALE OR HELD FOR TRADING.

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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.

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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.

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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.

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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

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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 into 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.

COUNTRY RISK IN DIGIT GAME OPERATIONS

The Company operates a nation wide digit games (lottery) service in Cambodia. There are inherent country risks in Cambodia, where its legal, financial and corporate governance systems have yet to be fully established or matured. The digit games operations could also be affected by governmental regulations and approvals that could result in stoppages or suspension of operations.

THE COMPANY COULD BE AFFECTED BY THE GLOBAL ECONOMIC DOWNTURN.

The global economy is undergoing a massive downturn in 2009, which commenced in the second half of 2008. Many countries are faced with negative growth rates.. Where the media industry is concerned, major corporations have begun to reduce 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 and expects to be significantly affected in 2008 and 2009 by the downsizing in advertising spent, especially in countries where the WOWtv service is expected to roll out.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

The headquarters for operations and management is located in Singapore in an office space of about 3,927 square feet. We entered into a three year operating lease paying a monthly rent of \$4,545 (S\$7,000). The lease was not renewed in March, 2008. The headquarters is currently located at 112 Middle Road, Midland House, #01-00.

In addition to the office which housed the management staff of the Company, there are two other offices: located in the US and China. The office in the US is situated on Sunset Boulevard, West Hollywood and it consists of 2,965 square feet. The office in Singapore consists of about 6,727 square feet and is situated in 112 Middle Road, Singapore.

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The office in China consists of about 1,399 square feet and is situated in No.5, JingLi Dong Road, #2-17-4, Chengdu, Sichuan. These two offices are on monthly lease and the rental is \$10,530 for the US office, \$10,790 (S\$16,620) for the Singapore office and \$779 (S\$1,200) for the Chengdu office.

The office in the US was subleased on November 1, 2007 as part of the Company's cost reduction measures. The Company's office lease in China was terminated on December 31, 2008 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.

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### 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 \$793,189 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 \$793,189 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.

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 dismiss the lawsuit 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,

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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: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the year ended December 31, 2008.

## 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 National Association of Securities Dealers' over-the counter Bulletin Board market ("OTCBB") under the symbol "AMRU". As of March 20, 2009, there were 386 holders of our common stock.

The price of the Company's stock as of March 20, 2009 was \$0.10.

On January 19, 2007, the Company announced that its common stock is trading on the OTCBB, effective January 19, 2007 under the symbol "AMRU". The Company's common stock was previously trading on the Pink Sheets Electronic Quotation System.

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The Company's high and low closing bid and close information for the fiscal year ended December 31, 2008 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, 2008		
First Quarter	\$ 0.2500	\$ 0.3000
Second Quarter	\$ 0.2400	\$ 0.2400
Third Quarter	\$ 0.1650	\$ 0.1650
Fourth Quarter	\$ 0.1500	\$ 0.1500

Year Ended December 31, 2007

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First Quarter	\$ 0.6700	\$ 0.7000
Second Quarter	\$ 0.6500	\$ 0.6500
Third Quarter	\$ 0.5800	\$ 0.6500
Fourth Quarter	\$ 0.3850	\$ 0.5100

Year Ended December 31, 2006

First Quarter	\$ 0.5250	\$ 1.3130
Second Quarter	\$ 1.1250	\$ 1.3750
Third Quarter	\$ 0.7200	\$ 0.8200
Fourth Quarter	\$ 0.6500	\$ 0.9200

\* 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

On July 11, 2007, the Company issued 5,333,333 million shares of common stock at a market value of \$0.70 per share for a total amount of \$3,733,333. The shares were issued to Domaine Group Limited, a company incorporated in the British Virgin Islands and is the legal and beneficial owner of the 100% of the entire issued and paid up capital of CBBN Holdings Limited, which the Company intends to acquire.

On March 19, 2007, the Company issued 40,000 shares of common stock through its private placement of shares of common stock at a purchase price of \$1.50 per share for a total amount of \$60,000 to "accredited investors", as that term is defined in Regulation D of the Securities Act of 1933.

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.

In January and February 2006, the Company issued a total of 5,520,000 shares of common stock through private placement at a price of \$0.75 per share for a value of \$4,140,000. These shares were subscribed and paid for before December 31, 2005 pursuant to the Company's private placement.



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From January 23, 2006 to April 23, 2006, the Company issued 14,411,400 shares of common stock through a private placement at a price of \$0.75 per share for a total amount of \$10,808,550.

From April 24, 2006 to April 26, 2006, the Company issued 808,000 shares of common stock through its new private placement at a price of \$1.25 per share for a total amount of \$1,010,000.

From July 3, 2006 to July 24, 2006, the Company issued 120,168 shares of common stock through private placement at a price of \$1.50 per share for a total amount of \$180,249.

The total amount of funds raised through the private placement of shares of common stock for the year ended December 31, 2006 was \$11,998,799.

The shares issued in the private placements set forth above were issued in reliance upon the exemption from registration set forth in Section 4(2) of the Securities Act and Regulation D (Rules 505 and/or 506) and/or Regulation S promulgated under the Securities Act. The shares were offered and sold to investors who were "accredited investors" as defined in the Securities Act. Appropriate investment representations were obtained and the securities were issued with restrictive legends.

On April 27, 2006, the Company issued 6,992,000 shares of common stock through a private placement at a price of \$1.25 per share for a total amount of \$8,740,000 for the acquisition of film library.

On August 15, 2006, the Company issued 40,000 shares of common stock in a private placement at a price of \$1.50 per share for a total amount of \$60,000 for services to be rendered to the Company. Such services have been rendered as of September 30, 2006.

On June 8, 2005, the Company issued 580,000 shares of common stock through a private placement at a price of \$0.75 a share for a total amount of \$435,000 for repayment of accounts payable.

On December 30, 2005, the Company approved the issue of 20,000 "restricted" shares of common stock at a price of \$0.75 per share to a consultant for services to be rendered to the Company. The shares were issued in January 2006. The services of the consultant pertaining to these shares issued were not rendered as of December 31, 2005.

In the fiscal year ended December 31, 2005, the Company issued a total of 16,132,000 shares of common stock through private placement at a price of \$0.75 per share for a total amount of \$12,099,000.

A further 5,520,000 shares were subscribed before December 31, 2005 through private placement at a price of \$0.75 per share for a total purchase price of \$4,140,000. The shares were issued in January 2006.

The shares issued in the private placements set forth above were issued in reliance upon the exemption from registration set forth in Section 4(2) of the Securities Act and Regulation D (Rules 505 and/or 506) and/or Regulation S promulgated under the Securities Act. The shares were offered and sold to investors who were "accredited investors" as defined in the Securities Act. Appropriate investment representations were obtained and the securities were issued with restrictive legends.

On February 10, 2004, M2B World issued 1,363,636 shares of \$0.31 par value Series D common stock for a total cash capital contribution of

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\$287,745 prior to the acquisition by the Company.

On October 1, 2004, Amaru Inc. issued 400,000 "restricted" shares of common stock for services valued at \$5,000. The shares were issued without registration in reliance upon the exemption provided by Section 4(2) of the Securities Act.

On October 25, 2004, a total of 143,000 shares of Series A Preferred Stock was converted to 5,500,000 shares of common stock of Amaru Inc.

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On October 28, 2004, Amaru Inc. issued 1,200,000 shares of common stock through private placement at a price of \$0.70 per share.

On November 20, 2004, Amaru Inc. issued 400,000 shares of common stock through private placement at a price of \$0.70 per share.

On December 10, 2004, Amaru Inc. issued 800,000 shares of common stock through private placement at a price of \$0.75 per share.

On December 11, 2004, Amaru Inc. issued 400,000 shares of common stock through private placement at a price of \$0.75 per share.

### EQUITY COMPENSATION PLAN

The Company's 2004 Equity Compensation Plan has 9,745,000 million shares remaining as of December 31, 2008. 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 Equity Compensation Plan. There are no outstanding options under the 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,			
	2008	2007	2006	2005
<b>STATEMENT OF OPERATIONS DATA:</b>				
Revenues (1)	\$203,066	\$37,053,269	\$32,573,275	\$18,095,92
Cost of Services (2)	869,781	23,349,404	24,302,425	16,352,04
Gross Profit (Loss)	(666,715)	13,703,865	8,270,850	1,743,87
Operating income (loss)	(14,439,679)	5,659,871	1,544,082	(1,357,26

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Net gain on discontinued operations (3)	--	--	--	1,643,016
Net Income (loss)	(17,229,866)	5,088,792	1,250,259	166,740
Basic and diluted income (loss) per share	(0.11)	0.03	0.01	(0.01)
Shares used in computing basic and diluted income/loss per common share	159,431,861	156,548,902	153,605,863	29,418,820
 BALANCE SHEET DATA:				
Working Capital	13,186,061	19,957,833	4,470,426	4,994,120
Total Assets	37,098,032	60,641,778	48,891,847	20,744,950
Long-term obligations	2,354,627	1,730,107	1,684,158	-
Stock holders' Equity	33,353,132	55,571,566	45,047,246	19,872,320

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### NOTES ON SELECTED FINANCIAL DATA

- (1) Revenues significantly increased in 2005 due to the operations and management of digit games (lottery) in Cambodia which was a new source of revenue for the Company that was not available in 2004. Total digit games revenues generated in 2005 was \$14.8 million and it continuously increased to \$24.5million and \$ 22.4 million in 2006 and 2007, respectively, as a result of the full year effect of the digit gaming operation in Cambodia, which only commenced in May 2005. The digit games was 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. On the other hand, entertainment services posted an increase of \$ 6.5 million and \$ 4.7 million in 2007 and 2006, respectively, which further boosted up revenue growth. The reasons for the increase in entertainment revenues were the completion and delivery of IPTV platform in Indonesia for 2007, and increased licensing revenue in 2006.
- (2) Cost of services in 2007, 2006 and 2005 includes direct operational cost and gaming royalties paid for the digit games operations in Cambodia which represents 96% of the digit games revenue.
- (3) On December 20, 2005, the Company sold 81% equity interests in one of its subsidiaries,, M2B Game World Pte. Ltd., a public listed company in Singapore for 71,428,571 shares of common stock of Auston and the investment was valued at \$2,147,580. The gain from this sale was \$1,643,016 which is under gain from discontinued operations.

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

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### 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.

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#### 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 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 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 Cambodia Government as part of the suspension of all lotteries in Cambodia. It cannot be determined at this time whether the suspension of the digit games is temporary or permanent, though the Government of Cambodia is currently closing 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.

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### 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 focuses on 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.

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, 2007, the Company's equity interest in Auston was at 10.40%. In 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.

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#### 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

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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 is currently into negotiations 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. As of the date of this report, the Company had received the list of content titles from Indie Vision Films, Inc for evaluation and selection in order to convert its investment into content rights.

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.

### 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 games activities in Cambodia, as an extension of the Company's entertainment operations. On March 20, 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. It cannot be determined at this time whether the suspension of the digit games is temporary or permanent, though the Government of Cambodia is currently closing the

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gaming business by the order of its Ministry of Economy and Finance.

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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 subsequent to the balance sheet date.

M2B ENTERTAINMENT, INC.

M2B Entertainment, Inc. was incorporated on October 27, 2005. This subsidiary will oversee the Company's Canadian market. As of June 30, 2008, this subsidiary is dormant.

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 June 30, 2008 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.

The company has entered into an agreement with Elleipsis, Inc to host the travel site and the travel software platform in the US with effect from June 30, 2008, The Company plans to have the travel service and the site operational before the end of the year. The launch and operations of the travel service is subject to funding considerations, and there can be no guarantee that the service can be operational as planned.

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.

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### 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 Amaru Shares. The Company further approved the cancellation of the Amaru Shares.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

### INTANGIBLE ASSETS

Intangible assets consist of film library, gaming and software license 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 two 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, 2007, that are applicable to the Company.

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### RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 on January 1, 2007. The adoption of FIN 48 did not have an impact on the Company's opening retained earnings.

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. In February 2008, the FASB issued two Staff Positions that amend SFAS No. 157. The first FASB Staff Position (FSP), No. FAS 157-1, excludes from the scope of SFAS No. 157 accounting pronouncements that address fair value measurements for purposes of lease classification and measurement. The second FSP, No. FAS 157-2, delays the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 is effective for the Company on January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis for which its effective date is January 1, 2009. The adoption of this statement did not have a material impact on its Consolidated Financial Statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations ("SFAS 141R"). SFAS 141R established principles and requirements for how an acquiring company recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest if the acquired company and the goodwill acquired. SFAS 141R also established disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective for fiscal periods beginning after December 15, 2008. The Company is currently evaluating the impact that SFAS 141R will have on its financial position and results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51 ("SFAS .160"). SFAS 160 establishes accounting and reporting standards of ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also

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establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal periods beginning after December 15, 2008. The Company is currently evaluating the impact that SFAS 160 will have on its financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities -- an amendment of FASB Statement No. 133". This statement amends SFAS No. 133 by requiring enhanced disclosures about an entity's derivative instruments and hedging activities, but does not change SFAS No. 133's scope or accounting. SFAS No. 161 requires increased qualitative, quantitative and credit-risk disclosures about the entity's derivative instruments and hedging activities. SFAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008, with earlier adoption permitted. The Company is currently evaluating the impact that SFAS 161 will have on its financial position and results of operations.

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### RESULTS OF OPERATIONS

For the fiscal year ended December 31, 2008 compared with the fiscal year ended December 31, 2007 and December 2006.

### FINANCIAL STATEMENT

- Revenue for the year ended December 31, 2008 was \$203,066 compared with \$37,053,269 in 2007 and \$32,573,275 in 2006 for the same period.
- Loss from operations was \$14,439,679 in 2008 compared with income of \$5,659,871 in 2007 and income of \$1,544,082 in 2006.
- Net loss was \$17,229,866 in 2008 compared with income of \$5,088,792 in 2007 and income of \$1,250,259 in 2006.
- The Company's cash balance was \$1,484,945 at December 31, 2008 compared with \$2,322,541 at December 31 2007 and \$2,294,984 at December 31, 2006.

### 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 2008 VS. 2007	
	2008	2007	2006	\$	%
	-----	-----	-----	-	-
ENTERTAINMENT	\$ 203,066	\$14,568,379	8,053,146	\$(14,365,313)	(99%)
DIGIT GAMES	\$ --	\$22,451,970	24,505,465	\$(22,451,970)	(100%)
OTHER	--	\$32,920	14,664	\$(32,920)	(100%)
TOTAL REVENUES	\$ 203,066	\$37,053,269	32,573,275	\$(36,850,203)	(99%)

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Digit gaming revenue for the year ended December 31, 2008 at NIL was lower than \$22,451,970 at December 31, 2007 by \$22,451,970 (100%). This was mainly due to the suspension of the lottery operations by the Cambodian Government which resulted in all revenues in the year 2008 to be reversed since such revenues did not meet the criteria for recognizing the revenues.

Entertainment revenue for the year ended December 31, 2008 at \$203,066 was lower than entertainment revenue of \$14,568,379 for year ended December 31, 2007 by \$14,365,313 (99%).

For the year ended December 31, 2007, the entertainment revenue was attributed to the completion and delivery of the IPTV platform in Indonesia. The completion and delivery of the IPTV platform comprised of the hardware, software and middleware, and supply and programming of content. Since the IPTV platform was sold, the Company did not derive nor earn any further revenues from that source. The Management has entered into a Joint Venture agreement as of December 15, 2008 with the buyer for the IPTV business in Indonesia.

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For the year ended December 31, 2008, the Company was involved in the redevelopment of WOWtv, the Company's broadband entertainment web TV service. The redevelopment was done to incorporate a new social networking service, and a user generated content service. These new services, combined with the video streaming services on WOWtv, were needed to upgrade the site to attract and sustain higher viewership. This in turn would provide the Company with a bigger potential for attracting advertising and syndication revenues to WOWtv. The new WOWtv was initially launched in July, 2008, with full operation expected by year end.

The Company's current site was designed with a heavy bias to subscription and pay per view services. The current design was not optimised for free content supported by advertising revenues. The viewership also needed to be expanded in terms of unique visitors, page views and hits to attract advertising. The Company focused its efforts on redeveloping WOWtv to overcome these setbacks, and to provide it with a better potential in the future to attract advertisers.

The Company felt that it would be a sound business strategy to launch the newly designed WOWtv first, and then to focus on obtaining advertising revenues in the next six months of the year. The Company was not able to secure any new advertising or content syndication contracts for its broadband entertainment service for the year ended December 31, 2008.

Revenue for the year ended December 31, 2007 increased by \$4,479,994 (13.75%), from \$32,573,275 for the year ended December 31, 2006 to \$37,053,269 for the year ended December 31, 2007.

This increase in revenue for the year ended December 31, 2007 was mainly contributed by the entertainment segment which included the completion and delivery of the IPTV platform in Indonesia. This resulted in a revenue of \$14.5 million in the twelve months ended December 31, 2007. The completion and delivery of the IPTV platform in Indonesia comprised of the hardware, software and middleware, and supply and programming of content.

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The digit games in Cambodia incurred a decrease in revenue of \$2,053,495 (a drop of 8.38%) for the year ended December 31, 2007 from \$24,505,465 in December 31, 2006 to \$22,451,970 in December 31, 2007, mainly due to more holidays and increased competition from new digit games players in the market in the year 2007 as compared in the year 2006.

### 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	
	2008	2007	2006	2008 VS. 2007	2007
	-----	-----	-----	\$	%
COST OF SERVICES	\$869,781	\$23,349,404	\$24,302,425	\$ (22,479,623)	(96%)

Cost of services for the year ended December 31, 2008 was \$869,781 which decreased by \$22,479,623 (96%) from \$23,349,404 for the year ended December 31, 2007.

The decrease in the cost of services of \$22,479,623 (96%) for year ended December 31, 2008 was attributed to the reversal of the cost in managing and operating the digit games, resulting from the reversal of the digit games revenue.

As a proportion of revenue, the cost of services for the year ended 2008 was 428% (cost of services at \$869,781 and revenue of \$203,066 as compared to 63% (cost of services at \$23,349,404 and revenue of \$37,053,269) for the year ended December 31, 2007. This was due to a write off of \$457,500 attributed to the inventory of set top boxes held by the company.

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Cost of services for the year ended December 31, 2007 was \$23,349,404 which decreased by \$953,021 (3.92%) from \$24,302,425 for the year ended December 31, 2006.

Decrease in cost of services of \$953,021 for the year ended December 31, 2007 was mainly attributed to the delivery of the IPTV platform in Indonesia, which included the hardware, software and middleware, and supply and programming of content, and the launch of the new web TV service (called WOWtv) in Singapore.

As a proportion of revenue, the cost of services for the year ended December 31, 2007 was 63.01% as compared to 74.61% for the year ended December 31, 2006. This was due to an increase in the entertainment segment revenue resulting from the delivery of the IPTV platform in Indonesia.

### DISTRIBUTION EXPENSES

The following table sets forth a year-over-year comparison of the

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Company's distribution expenses :

	YEAR ENDED DECEMBER 31			VARIANCE 2008 VS. 2007	
	2008 ----	2007 ----	2006 ----	\$ -	% -
TOTAL DISTRIBUTION EXPENSES	\$1,205,418	\$891,484	\$1,446,990	\$313,934	35%

Distribution expenses for the year ended December 31, 2008 at \$1,205,418 were higher by \$313,934 (35%) as compared to the amount of \$891,484 incurred for the year ended December 31, 2007.

The higher distribution expenses were attributed to the write off of digit games working capital amounting to \$861,186 for 2008, offset by decreased spending of marketing and promotions which decreased by \$463,592 (85%), from \$543,752 for the year ended December 31, 2007 to \$80,160 for the year ended December 31, 2008.

Distribution expenses for the year ended December 31, 2007 at \$891,484 were lower by \$555,506 (38.39%) as compared to the amount of \$1,446,990 incurred for the year ended December 31, 2006.

The lower distribution expenses were attributed to decreased spending for marketing and promotions which decreased by \$528,258 (49.28%), from \$1,072,010 for the year ended December 31, 2006 to \$543,752 for the year ended December 31, 2007.

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### 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 2008 VS. 2007	
	2008 ----	2007 ----	2006 ----	\$ -	% -
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$3,876,263	\$7,152,510	\$5,279,778	\$(3,276,247)	(46%)

Administration expenses for the year ended December 31, 2008 at \$3,876,263 were lower by \$3,276,247 (46%) as compared to the amount of \$7,152,510 incurred for the year ended December 31, 2007.

The decrease in administrative expenses for the year ended December 31, 2008 was attributed mainly to the decrease in:

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- o Amortization. License amortization had decreased by \$2,172,190 (66%), from \$3,305,000 for the year ended December 31, 2007 to \$1,132,810 for the year ended December 31, 2008. The decrease was mainly due to most of the intangible assets being fully depreciated by end of December 31, 2007.
- o Staff costs. Staff costs had decreased by \$662,845 (45%), from \$1,475,778 for the year ended December 31, 2007 to \$812,933 for the year ended December 31, 2008. The decrease was mainly due as a result of cost reduction measures to reduce operating costs.

Administration expenses for the year ended December 31, 2007 at \$7,152,510 were higher by \$1,872,732 (35.47%) as compared to the amount of \$5,279,778 incurred for the year ended December 31, 2006.

The increase in administrative expenses for the year ended December 31, 2007 was attributed mainly to increase in license amortization.

License amortization had increased by \$2,171,816 (191.66%), from \$1,133,184 for the year ended December 31, 2006 to \$3,305,000 for the year ended December 31, 2007. The increase was mainly attributed to the increase in license amortization of the movies content which have a definite life and which were acquired for the newly launched M2Btv and WOWtv services.

### IMPAIRMENT LOSS ON INTANGIBLE ASSET

For the year ended December 31, 2008, there was an impairment loss on intangible asset of \$3,762,777. No impairment losses on intangible asset was recorded for the year ended December 31, 2007 and the year ended December 31, 2006.

The impairment loss of \$3,762,777 for the year ended December 31, 2008 was due to the impairment on the digit games lottery license, resulting from the suspension of the lottery operations by the Cambodia Government. This also resulted in all digit games revenues in the year 2008 being reversed since such revenues did not meet the criteria for recording the revenues.

### IMPAIRMENT LOSS ON ASSOCIATE

For the year ended December 31, 2008, there was an impairment loss on associate of \$4,928,506. No impairment losses on associate was recorded for the year ended December 31, 2007 and the year ended December 31, 2006.

The impairment loss of \$4,928,506 for the year ended December 31, 2008 was due to the Company's Equity Method Investment of 30.1% ownership interest in 121 View Corporation (SEA) Ltd being impaired as a result of the associate's inability to generate any reasonable revenues or profit to sustain its operations for the year ended December 31, 2008.

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### (LOSS) INCOME FROM OPERATIONS

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

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	2008	Year Ended December 31	2007	2006
	----		----	----
(LOSS) INCOME FROM OPERATIONS	\$(14,439,679)		\$5,659,871	\$1,544,082

The Company incurred a loss from operations of \$14,439,679 for the year ended December 31, 2008 as compared to the income from operations of \$5,659,871 for the year ended December 31, 2007. This was due to the significant decrease in the entertainment and digit games revenues, impairment loss in the fair value of an associate of \$4,928,506 and impairment loss on the digit game license of \$3,762,777 for the year ended December 31, 2008.

The Company reported an income from operations of \$5,659,871 for the year ended December 31, 2007 as compared to the income from operations of \$1,544,082 for the year ended December 31, 2006. The significant increase in the income from operations for the year ended December 31, 2007 was due to the significant increase in the entertainment segment revenue for the year.

### NET INCOME ( LOSS )

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

	2008	Year Ended December 31	2007	2006
	----		----	----
Net income ( Loss )	\$(17,229,866)		\$5,088,792	\$1,250,000

Net loss for the year ended December 31, 2008, was \$17,229,866 which decreased by \$22,318,658 (439%) from net income of \$5,088,792 for the year ended December 31, 2007.

The significant decrease in net income for the year ended December 31, 2008 was mainly attributed to the following :

- o a loss from operations of \$14,439,679 due to decrease in the entertainment and digit games revenues, impairment loss in the fair value of an associate of \$4,928,506 and impairment loss on the digit game license of \$3,762,777 for the year ended December 31, 2008.
- o Non operational losses totaling \$3,748,240 in the year ended December 31, 2008 comprising mainly of loss on sale of investment securities of \$750,421, and impairment loss in the fair value of investments (equity securities) held for trading amounting to \$2,744,380, offset by the net loss of \$486,893 as of December 31, 2007 in the same investment.
- o The tax benefit of \$958,050 for income taxes to offset loss from operations and non operational losses.

The decrease was also partly attributed to the net gain of \$2,483,871 as of March 31, 2007 on dilution of the Company's interest in a subsidiary, M2B World Asia Pacific Pte. Ltd by issuing shares to the

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private investors at a premium. On January 3, 2007, M2B World Asia Pacific Pte. Ltd., issued 7,778,014 shares of common stock through 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 81.7%.

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For the year ended December 31, 2007, net income was \$5,088,792 which increased by \$3,838,263 (307%) from \$1,250,529 for the year ended December 31, 2006.

The significant increase in net income for the year ended December 31, 2007 was mainly attributed to the increase in the entertainment segment revenue. The increase was partly attributed to the gain on dilution of the Company's interest in a subsidiary, M2B World Asia Pacific Pte. Ltd. by issuing shares to the private investors at a premium. The increase in net income was partly offset by the write off of an intangible asset, and by the loss of the fair value of an investment (equity securities) held for trading, due to a drop in the market value of the shares.

### LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$1,484,945 at December 31, 2008 as compared to cash of \$2,322,541 at December 31, 2007.

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, 2008, 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.

Cash generated from operations will not be able to cover the Company's intended growth and expansion. The Company has plans in 2007 to expand its broadband coverage by launching new broadband sites in Asia Pacific region and Australia. No assurances can be made that such plans will be carried out in a timely manner.

The Company intends to raise additional funds, to fund its business expansion; however no assurances can be made that the Company will raise sufficient funds as planned.

### NEW CONTRACTS

- o 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.
- o On October 3, 2008, M2B World Asia Pacific Pte Ltd signed an agreement with a Malaysia Company to launch an IPTV service using the Company's set top box and system, on a trial basis



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in a major hotel in Kuala Lumpur, the capital city of Malaysia.

- o On December 15, 2008, M2B World Holdings Limited, a subsidiary of M2B World Asia Pacific Pte Ltd, entered into an agreement with PT Agis TBK, a company in Indonesia, to set up a Joint Venture Company to launch the full WOWtv service and content in Indonesia. The agreement would give M2B World Holdings Limited a 49 percent equity stake in the Joint Venture Company, which is called PT WOW Television. The extended relationship and joint venture with PT Agis TBK in Indonesia is expected to expand the WOWtv branding and viewership, and provide potentially new revenue sources in Indonesia.

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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 \$3,198,369 and \$10,237,958 in marketable securities as of December 31, 2008 and December 31, 2007 respectively.

The Company does not believe that it faces material market risk with respect to its cash and cash equivalents which totaled \$1,484,945 and \$2,322,541 at December 31, 2008 and 2007, respectively.

The Company has no 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:

- o our efforts to establish independent broadband sites in countries where conditions are suitable.
- o our ability to expand our offerings of content in entertainment to include more niche channels and offerings.
- o our ability to provide content beyond just personal computers but to encompass television, wireless application devices and 3G hand phones.

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### 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.

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### 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.

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### 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.

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### 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

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Stockholders' Equity and Comprehensive Income

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Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

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

On July 21, 2008, the Board of Directors of the Company determined that it was in the best interest of the Registrant to change its auditors, Nexia Court & Co., to Mendoza Berger & Company, LLP. Nexia Court & Co. elected not to stand for reappointment as the Registrant'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 March 31, 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.

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### ITEM 9A : CONTROLS AND PROCEDURES

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

A system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(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,

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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 part 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.

Notwithstanding the issues described below, the current management has concluded that the consolidated financial statements for the periods covered by and included in the Annual Report on Form 10-K for the period ended December 31, 2008 are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States for each of the periods presented herein.

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### 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 have assessed the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2008. Due to the inherent issue of segregation of duties in a small company, we have relied heavily on entity or management review controls to lessen the issue of segregation of duties.

Based on this assessment and those criteria, our Management has concluded as a result that its disclosure controls and procedures may not be effective at the reasonable assurance level as of December 31, 2008. Specifically, its control environment possibly may not

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sufficiently promote effective internal control over financial reporting through the management structure to prevent a material misstatement.

Subsequent to December 31, 2008, the Company plans to hire a Chief Financial Officer and is utilizing several full time accounting contractors serving in senior and staff level accounting positions. The Company is actively recruiting high-level competent accounting personnel.

Due to the current size of the Company it does not intend to add more independent board members or audit committee members at this time. This deficiency will be addressed if the Company shows substantial growth moving forward.

The Company needs to complete implementing in 2009 the internal controls based on the criteria established in INTERNAL CONTROL - INTEGRATED FRAMEWORK issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), pursuant to the timetable set up by the SEC for non-accelerated filers and smaller reporting company filers. The management is fully committed to implement the internal controls based on these criteria in 2009 and the management believes that it is taking the steps that will properly address any issue.

While we are taking immediate steps and dedicating substantial resources to implement the internal controls, they will not be considered fully implemented until the new and improved internal controls operate for a period of time, are tested and are found to be operating effectively.

The Company's predecessor registered public accountant had not conducted an audit of the Company's controls and procedures regarding internal control over financial reporting during the reporting period when the Company was an accelerated filer. Consequently, the registered public accounting firm expressed no opinion with regards to the effectiveness or implementation of the Company's controls and procedures with regards to internal control over financial reporting during that period of time. The Company's current registered public accountant has not conducted an audit of the Company's controls and procedures regarding internal control over financial reporting at this time.

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Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) has concluded, based on their evaluation as of December, 2008, that the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) are effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated, recorded, processed, summarized and reported to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding whether or not disclosure is required.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2008, there have been no changes in

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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 February 27, 2009 were as follows:

Name	Age	Position
-----	-----	-----
Sakae Torisawa	63	Chairman of the Board of Directors
Zee Moey Ngiam	53	Director
Colin St.Gerard Binny	54	Chief Executive Officer, President, Interim Acting Chief Financial Officer and 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.

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#### 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

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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.

COLIN BINNY

Mr. Binny has served as the Chairman of the Board, Chief Executive Officer and Director since 2000. He held various senior management positions with local and global companies over the last 25 years. He is also the Chairman of B Media Pte Ltd (formerly known as M2B Media Pte Ltd). From 1996 through 1999, Mr. Binny was the President and CEO of UTV International (Singapore). Mr. Binny obtained his marine engineering diploma from the Singapore Polytechnic in 1975.

As of February 27, 2009, the following directors and executive officers have resigned from the Company:

Name	Age	Position
Francis Keong Kwong Foong	48	Director and former Chief Financial Officer

### 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 below the NASDAQ definition of "Independent Director."

Ngiam Zee Moey has been determined as 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

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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



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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:

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

The members of the Audit Committee are Ngiam Zee Moey, Colin Binny and Francis Foong (resigned on February 10, 2008)

- o Nominating and Governance Committee

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The Nominating and Corporate Governance Committee's responsibilities include:

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

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

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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, 2008 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 2008, all Section 16(a) filing requirements applicable to our reporting persons were met.

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### 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 2008 shown below.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Options Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	C Non Co
Colin Binny, CEO	2008	--	--	--	-	-	
	2007	44,949	--	--	-	-	
	2006	110,065	83,725	--	-	-	
	2005	92,537	31,847	21,900	-	-	
Francis Foong, former CFO (Resigned on August 31, 2006)	2007	--	--	--	-	-	
	2006	50,799	52,054	54,000	-	-	
	2005	52,878	18,628	70,500	-	-	
Bee Leng Ho, former CFO (Resigned on April 2, 2007)	2007	26,093	--	--	-	-	
	2006	45,908	24,411	40,500	-	-	

- (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, 2006, December 31, 2007 and December 2008.

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(3) Subsequent to December 31, 2006, Francis Foong had voluntarily returned to the Company an amount of \$161,999 paid to him as director's fees in relation to FY2005 and FY2006.

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, a 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.

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As of December 31 2008, 9,745,040 million shares of common stock remain unused in the Company's 2004 Equity Compensation Plan.

Outstanding Equity Awards at Fiscal Year-End Table

-----							
Option Awards Stock Awards							
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised 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 (\$)
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

EQUITY COMPENSATION PLAN INFORMATION

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The following table sets forth equity compensation plan information as of December 31, 2008:

PLAN CATEGORY	NUMBER OF SHARES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS
2004 Equity compensation plans approved by stockholders	NIL	NIL

### 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 2008.

#### TRAVEL EXPENSES

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

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### DIRECTOR COMPENSATION

The following table shows the overall compensation earned for the 2008 fiscal year with respect to each non-employee and non-executive director as of December 31, 2008.

NAME AND PRINCIPAL POSITION	DIRECTOR COMPENSATION					
	FEES EARNED OR PAID IN CASH (\$)	STOCK AWARDS (\$)	OPTION AWARDS (1)	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$) (2)	NONQUALIFIED DEFERRED COMPENSATION EARNINGS (\$)	AL CO (3)
Sakae Torisawa, Director	--	--	--	--	--	--

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Zee Moey Ngiam, Director	--	--	--	--	--
Colin Binny, 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

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believe were unlawful.

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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 20, 2009, a total of 159,431,861 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:

- o Each of our directors
- o Each of our named executive officers
- o All of our directors and executive officers as a group; and
- o 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 112 Middle Road #08-01 Midland House Singapore 188970	22,111,888 (1) (Indirect)	13.
Sakae Torisawa 112 Middle Road #08-01 Midland House Singapore 188970	1,712,808 (Direct)	1.0
Zee Moey Ngiam 112 Middle Road #08-01 Midland House Singapore 188970	0 (Direct)	0.0
Francis Foong Former officer and director 112 Middle Road #08-01 Midland House Singapore 188970	0 (Direct)	0.0
All Directors and Officers As A Group (4 persons)	23,824,696	15

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- 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) Information on former officers and directors who have resigned are available in Item 10.

### ITEM 13: CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

- o On January 15, 2007, Amaru Holdings Limited ("Amaru Holdings"), a British Virgin Islands corporation and a wholly-owned subsidiary of Amaru, Inc., a Nevada corporation (the "Company") entered into a sale and purchase agreement together with other sellers (the "Agreement") with Auston International Group, Ltd., a Singapore company ("Auston") to sell to Auston its majority owned subsidiary, M2B World Asia Pacific Pte Ltd., together with its subsidiary, M2B World Holdings Limited (collectively, "M2B Asia"). Auston is a company trading on the

Singapore Stock Exchange. The Agreement provides for the sale of 42,459,978 shares of M2B Word Asia Pacific Pte Ltd, its total issued and outstanding capital. As the consideration for M2B World Asia Pacific Pte Ltd shares, Auston agreed to issue a total of 660 million new ordinary shares of Auston to M2B World Asia Pacific Pte Ltd shareholders. The Auston shares are valued at S\$0.25 per share.

The Agreement is subject to certain conditions precedent, including, but not limited to the shareholder approval of the transaction by Auston shareholders, the approval of the Singapore Stock Exchange and other related regulatory approvals of both parties.

Amaru Holdings is required to deliver a valuation report by an independent auditor to Auston confirming that the value of the assets of M2B Asia is no less than that of the amount of consideration to be paid by Auston. Following the completion of the transaction, the Company would hold more than 50% of the shares of Auston. The Company believes that prior to entering into the Agreement, there were no material relationships between or among M2B Asia, the Company or any of its affiliates, officers or directors, or associates of any such officers or directors, on the one hand, and the shareholders or their respective affiliates, on the other. The Company, through one of its subsidiaries owns 11.1% of Auston, and Auston has no ownership in the Company. One of the Company's directors is also a director of Auston, however, said director did not vote on the approval of the transaction.

The Agreement expired by its terms as of December 31, 2007. On February



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19, 2008, the Company decided that it is in the best interest of the Company not to extend the Agreement and intends to list the securities of M2B World Asia Pacific Pte Ltd on the Singapore Stock Exchange.

- o On September 1, 2006, M2B World Asia Pacific Pte. Ltd entered into a licensing agreement with its investee, 121 View Corporation (Sea) Ltd (121 View). The company licensed \$3 million worth of film library to 121 View. On December 20, 2006, the company licensed additional \$1.7 million worth of film library to 121 View.

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### 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, 2008 and December 31, 2007.

	2008	2007
Audit fees (1)	\$ 139,491	\$ 281,431
	--	--
Total	\$ 139,491	\$ 281,431

- (1) Audit Fees: These are fees paid and payable for professional services performed for the financial year ended December 31, 2008 by Nexia Court & Co., Nexia Tan & Sitoh, Horwath First Trust and Mendoza, Berger & Co. LLP.

In 2007, these fees were paid and payable for professional services performed by Nexia Court & Co., Nexia Tan & Sitoh and Horwath First Trust. These are fees paid or payable For the audit of the annual financial statements and review of financial statements included in our 10-QSB filings, and services that are normally provided in connection with statutory and regulatory filings.

#### FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

For the fiscal years ended December 31, 2008 and 2007, there were \$-0- in 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, 2008 and 2007, 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.

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### 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*
21.1	Company's Subsidiaries
23.1	Consent of Nexia Court & Co.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification of Chief Executive Officer Pursuant to Section 903 of the Sarbanes-Oxley Act
32.2	Certification of Chief Financial Officer Pursuant to Section 903 of the 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.

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### 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/ Colin Binny

-----  
Colin Binny, President and CEO

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Date: March 31, 2009

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/ Colin Binny                      President, CEO, Interim CFO and Director                      Date: March 31, 2009  
-----  
Colin Binny                      (Principal Executive Officer and  
Principal Financial officer)

/s/ Sakae Torisawa                      Director and Chairman of the                      Date: March 31, 2009  
-----  
Sakae Torisawa                      Board of Directors

/s/ Zee Moey Ngiam                      Director                      Date: March 31, 2009  
-----  
Zee Moey Ngiam

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AMARU, INC.

## FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2008 AND 2007

AMARU, INC.

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Consolidated Statements of Cash Flows

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Notes to Consolidated Financial Statements

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of Amaru, Inc. (a Nevada corporation) (the "Company") as of December 31, 2008, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These consolidated 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. The consolidated financial statements of Amaru, Inc. as of December 31, 2007 were audited by other auditors whose report dated March 31, 2008, included an explanatory paragraph that described that management had not completed their assessment of internal controls over financial reporting and were unable to apply other procedures to satisfy themselves as to the effectiveness of the Company's internal control over financial reporting, the scope of their work was not sufficient to enable them to express an opinion on the effectiveness of the Company's internal control over financial reporting.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 audit 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 disclosures 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 audit provides 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, 2008, 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.

/s/ MENDOZA BERGER & COMPANY, LLP

MENDOZA BERGER & COMPANY, LLP

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Irvine, California  
March 31, 2009

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We were engaged to audit the effectiveness of Amaru Inc's internal control over financial reporting as at 31 December 2007 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Amaru Inc's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying of Annual Report of Amaru Inc for the year ended 31 December 2007.

A company's internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting process and the preparation of financial statements for external purposes in accordance with 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Since management has not completed their assessment of internal controls over financial reporting and we were unable to apply other procedures to satisfy ourselves as to the effectiveness of the company's internal control over financial reporting, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the effectiveness of the company's internal control over financial reporting.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) the accompanying consolidated balance sheet of Amaru Inc. as at 31 December 2007, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended in our audit report dated 31 March 2008. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes

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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, the 2007 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amaru Inc. at 31 December 2007, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/S/NEXIA COURT & CO.  
Nexia Court & Co.  
Chartered Accountants

Sydney, Australia  
31 March 2008

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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007

	DECEMBER 31, 2008 -----	DECEMBER 31, 2007 -----
ASSETS		
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,484,945	\$ 2,322,541
ACCOUNTS RECEIVABLE, NET OF ALLOWANCE OF \$1,055,855 AND \$54,154 AT DECEMBER 31, 2008 AND 2007 RESPECTIVELY	134,710	744,589
PREPAYMENT ON PURCHASE	--	3,733,333
ACCOUNTS RECEIVABLE FROM SALE OF IPTV PLATFORM	9,500,000	9,500,000
EQUITY SECURITIES HELD FOR TRADING	179,620	2,924,000
OTHER CURRENT ASSETS	230,293	513,614
INVENTORIES	644,153	1,157,248
INVESTMENTS AVAILABLE FOR SALE	2,402,613	2,402,613
	-----	-----
TOTAL CURRENT ASSETS	14,576,334	23,297,938
NON-CURRENT ASSETS		
PROPERTY AND EQUIPMENT, NET	1,033,506	1,797,146
INTANGIBLE ASSETS, NET	20,872,056	25,693,066
EQUITY METHOD INVESTMENT	--	4,942,283
INVESTMENTS AVAILABLE FOR SALE	616,136	4,911,345
	-----	-----
TOTAL NON-CURRENT ASSETS	22,521,698	37,343,840
	-----	-----
TOTAL ASSETS	\$ 37,098,032 =====	\$ 60,641,778 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 1,319,897	\$ 3,068,613
OTHER PAYABLES	5,458	100,005

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ADVANCES FROM RELATED PARTIES	48,681	155,313
CAPITAL LEASE PAYABLE - SHORT TERM	10,809	10,746
INCOME TAXES PAYABLE	5,428	5,428
	-----	-----
TOTAL CURRENT LIABILITIES	1,390,273	3,340,105
NON-CURRENT LIABILITIES		
DEFERRED TAX LIABILITIES	--	1,672,801
CONVERTIBLE TERM LOAN	2,307,796	--
HIRE PURCHASE CREDITOR	46,831	57,306
	-----	-----
TOTAL NON-CURRENT LIABILITIES	2,354,627	1,730,107
	-----	-----
Total liabilities	3,744,900	5,070,212
Commitments	--	--
Stockholders' equity		
Preferred stock (par value \$0.001) 5,000,000 shares authorized; 0 shares issued and outstanding at December 31, 2008 and 2007, respectively	--	--
Common stock (par value \$0.001) 200,000,000 shares authorized; 159,431,861 and 159,431,861 shares issued and outstanding at December 31, 2008 and 2007, respectively	154,098	159,431
Additional paid-in capital	39,190,666	42,918,666
Retained earnings	(9,726,413)	5,650,447
Accumulated other comprehensive income	968,406	2,223,641
Minority interest	2,766,375	4,619,381
	-----	-----
Total stockholders' equity	33,353,132	55,571,566
	-----	-----
Total liabilities and stockholders' equity	\$ 37,098,032	\$ 60,641,778
	=====	=====

See accompanying notes to consolidated financial statements

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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2008, 2007 AND 2006

	DECEMBER 31, 2008	FOR THE YEAR ENDED DECEMBER 31, 2007
	-----	-----
Revenue:		
Entertainment	\$ 203,066	\$ 14,568,379
Digit gaming	--	22,451,970
Other	--	32,920
	-----	-----
Total revenue	203,066	37,053,269
Cost of services	(869,781)	(23,349,404)
	-----	-----
Gross profit (loss)	(666,715)	13,703,865
Distribution costs	(1,205,418)	(891,484)

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Administrative expenses	(3,876,263)	(7,152,510)
Impairment loss on intangible asset	(3,762,777)	--
Impairment loss on associate	(4,928,506)	--
	-----	-----
Total expenses	(13,772,964)	(8,043,994)
	-----	-----
Income (loss) from operations	(14,439,679)	5,659,871
Other income (expense):		
Interest expenses	(60,027)	(1,378)
Interest income	14,183	45,819
Gain (Loss) on disposal of equipment	(193,814)	(10,230)
Gain (Loss) on sale of investment securities	(750,421)	--
Management fee income	--	--
Intangible asset written off	--	(2,420,227)
Gain on dilution of interest in subsidiary	--	2,483,872
Net change in fair value of financial assets at fair value securities for trading	(2,744,380)	(466,000)
Share of loss of associate	(13,778)	(23,832)
	-----	-----
Income (loss) before income taxes	(18,187,916)	5,267,895
(Provision) benefit for income taxes	958,050	(179,103)
	-----	-----
Net Income (loss)	\$ (17,229,866)	\$ 5,088,792
	=====	=====
Attributable to:		
Equity holders of the Company	\$ (15,376,860)	\$ 3,565,539
Minority interests	(1,853,006)	1,523,253
	-----	-----
Net income	\$ (17,229,866)	\$ 5,088,792
	=====	=====
Net income per share	\$ (0.11)	\$ 0.03
- - basic and diluted	=====	=====
Weighted average number of common shares outstanding		
- - basic and diluted	159,431,861	156,548,902
	=====	=====

See accompanying notes to consolidated financial statements

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2008, 2007 AND 2006

PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID- IN CAPITAL
NUMBER OF SHARES	PAR VALUE (\$0.001)	NUMBER OF SHARES	PAR VALUE (\$0.001)	
-----	-----	-----	-----	-----



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Balance at December 31, 2005	--	--	125,591,120	\$ 125,591	\$ 14,642,550	\$
Common stock issued for cash	--	--	15,339,568	15,339	11,255,404	
Common stock issued for services	--	--	40,000	40	59,960	
Subscribed common stock issued	--	--	5,675,840	5,676	4,251,204	
Common stock issued In exchange for Acquisition of film library	--	--	6,992,000	6,992	8,733,008	
Common stock subscribed for services (420,000 shares)	--	--	--	--	--	
Net income	--	--	--	--	--	
Change in fair value of available for-sale-equity securities, net of tax	--	--	--	--	--	
Comprehensive income	--	--	--	--	--	
Balance at December 31, 2006	--	--	153,638,528	\$ 153,638	\$ 38,942,126	\$

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	ACCUMULATED OTHER COMPREHENSIVE INCOME				TOTAL SHAREHOLDER EQUITY
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	MINORITY INTEREST		
Balance at December 31, 2005	\$ 12,927	\$ --	\$ --		\$19,872,32
Common stock issued for cash	--	--	--		11,270,74
Common stock issued For services	--	--	--		60,00
Subscribed common stock issued	--	--	--		--

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Common stock issued In exchange for Acquisition of film libabry	--	--	--	8,740,00
Common stock subscribed for services (420,000 shares)	--	--	--	189,00
Net income	--	--	--	1,250,52
Comprehensive in fair value of available for-sale-equity securities, net of tax	--	3,664,647	--	3,664,64
Comprehensive income	--	--	--	4,915,17
Balance at December 31, 2006	\$ 12,927	\$ 3,664,647	\$ --	\$45,047,24

See accompanying notes to consolidated financial statements

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INC  
FOR THE YEAR ENDED DECEMBER 31, 2008, 2007 AND 2006

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID- IN CAPITAL	S
	NUMBER OF SHARES	PAR VALUE (\$0.001)	NUMBER OF SHARES	PAR VALUE (\$0.001)		
Balance at December 31, 2006	--	--	153,638,528	\$ 153,638	\$ 38,942,126	\$
Subscribed common stock issued	--	--	420,000	420	188,580	
Common stock issued for services	--	--	40,000	40	59,960	
Common stock issued in exchange for repayment of investment	--	--	5,333,333	5,333	3,728,000	
Contribution from Minority interest	--	--	--	--	--	--

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Gain on dilution of Interest in subsidiary	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Change in fair value of available for-sale-equity securities, net of tax	--	--	--	--	--	--
Comprehensive income	--	--	--	--	--	--
Balance at December 31, 2007	--	--	159,431,861	\$ 159,431	\$ 42,918,666	\$

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	ACCUMULATED OTHER COMPREHENSIVE INCOME				TOTAL SHAREHOLDER EQUITY
	CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	MINORITY INTEREST		
Balance at December 31, 2006	\$ 12,927	\$ 3,664,647	\$ --	\$ 45,047,2	
Subscribed common Stock issued	--	--	--		
Common stock issued for services	--	--	--	60,0	
Common stock issued in exchange for prepayment of investment	--	--	--	3,733,3	
Contribution from minority Interest	--	--	5,580,000	5,580,0	
Gain on dilution Interest in subsidiary	--	--	(2,483,872)	(2,483,8	
Net income	--	--	1,523,253	5,088,7	
Change in fair value of available for-sale-equity securities, net of tax	--	(1,453,933)	--	(1,453,9	
Comprehensive					

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income	--	--	--	3,634,8
Balance at December 31, 2007	\$ 12,927	\$ 2,210,714	\$ 4,619,381	\$55,571,5

See accompanying notes to consolidated financial statements

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2008, 2007 AND 2006

	PREFERRED STOCK		COMMON STOCK		COMMON STOCK HELD FOR CANCELLATION
	NUMBER OF SHARES	PAR VALUE (\$0.001)	NUMBER OF SHARES	PAR VALUE (\$0.001)	
Balance at December 31, 2007	--	--	159,431,861	\$ 159,431	--
Net loss	--	--	--	--	--
Change in fair value of available for-sale-equity securities, net of tax	--	--	--	--	--
Common stock received in cancellation of exchange for repayment of investment	--	--	(5,333,333)	(5,333)	5,333,333
Comprehensive income	--	--	--	--	--
Balance at December 31, 2008	--	--	154,098,528	\$ 154,098	5,333,333

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ACCUMULATED OTHER COMPREHENSIVE INCOME			
CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY

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	-----	-----	-----	-----
Balance at December 31, 2007	\$ 12,927	\$ 2,210,714	\$ 4,619,381	\$ 55,571,566
Net loss	--	--	(1,853,006)	(17,229,866)
Change in fair value of available for-sale-equity securities, net of tax	--	(1,255,235)	--	(1,255,235)
Common stock received received in cancellation of exchange for repayment of investment	--	--	--	(3,733,333)
Comprehensive loss	--	--	--	(22,218,434)
	-----	-----	-----	-----
Balance at December 31, 2008	\$ 12,927	\$ 955,479	\$ 2,766,375	\$ 33,353,132
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008, 2007 AND 2006

	DECEMBER 31, 2008	FOR THE YEAR ENDED DECEMBER 31, 2007
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CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$(17,229,866)	\$ 5,000
Adjustments for:		
Amortization	1,132,810	3,300
Depreciation	635,119	500
Allowance for doubtful debts	--	
(Gain) loss on disposal of equipment	193,814	
Intangible asset written off	--	2,400
Impairment loss on associate	4,928,506	
Impairment loss on intangible asset	3,762,777	
(Gain) loss on sale of investment available for sale	750,421	
Gain on dilution of interest in subsidiary	--	(2,400)
Net change in fair value of financial assets at fair value through Profit or Loss-held for trading	2,744,380	400

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Acquisition of investment in exchange for account receivable	--	(5,0
Common stock issued and subscribed for services	--	
Common stock issued in exchange for prepayment of investment	--	3,7
Deferred tax	(947,099)	1
Share of loss of associate	13,778	
Changes in operation assets and liabilities		
Accounts receivable	609,879	(8,1
Inventories	513,095	5
Other current assets	283,321	(3,7
Accounts payable and accrued expenses	(1,748,716)	9
Other payables	(94,547)	1
Income tax payable	--	(
Net cash used in operating activities	(4,452,328)	(2,0
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of equipment	87,068	
Proceeds from sale of investment available for sale	1,563,852	
Acquisition of equipment	(152,364)	(1,1
Acquisition of intangible assets	(74,576)	(2,5
Acquisition of associate	--	(
Acquisition of investments available for sale	--	
Net cash generated (used) in by investing activities	1,423,980	(3,7
CASH FLOWS FROM FINANCING ACTIVITIES		
Payable to related parties	(106,632)	
Advance from related party	--	1
Proceeds from hire purchase creditor	--	
Repayment of obligation under capital lease	(10,412)	
Receipts from convertible term loan	2,307,796	
Issuance of common stock for cash	--	
Capital contributed by minority shareholders	--	5,5
Net cash provided by financing activities	2,190,752	5,8
Effect of exchange rate changes on cash and cash equivalents	--	
CASH FLOWS FROM ALL ACTIVITIES	(837,596)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,322,541	2,2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,484,945	\$ 2,3

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SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:

Acquisition of investments (1)	\$ --	\$ 5,090,000
Common stock in exchange for acquisition of film library	\$ --	\$ --
Common stock in exchange for prepayment of investment (2)	\$ --	\$ 3,733,333
Cancellation of stock issued for prepayment of investment	(3,733,333)	\$ --

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Subscribed common stock issued \$ -- \$ --  
=====

- (1) On February 15, 2007, the Company through its subsidiary, M2B World Asia Pacific Pte. Ltd. subscribed for additional 4% interest in an investment for \$1.7 million in exchange for the settlement of accounts receivables from the investee company.

On June 27, 2007, M2B World Holdings Limited, a wholly owned subsidiary of M2B World Asia Pacific Pte. Ltd., received \$2.7 million in quoted equity securities in exchange for accounts receivable from a company, as part of the sales and purchase agreement with the company. Subsequent to June 27, 2007, the remaining shares were received.

- (2) On July 11, 2007, Tremax International Limited, a wholly owned subsidiary of Amaru Inc., issued 5,333,333 shares of common stock in exchange for an investment in a company, as part of the sales and purchase agreement with the company.

See accompanying notes to consolidated financial statements

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007 AND 2006

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 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. THE LICENSE HAS BEEN SUSPENDED, SEE NOTE 15.

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

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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 June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 on January 1, 2007. The adoption of FIN 48 did not have an impact on the Company's opening retained earnings.

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

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#### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008, 2007 AND 2006

Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. In February 2008, the FASB issued two Staff Positions that amend SFAS No. 157. The first FASB Staff Position (FSP), No. FAS 157-1, excludes from the scope of SFAS No. 157 accounting pronouncements that address fair value measurements for purposes of lease classification and measurement. The second FSP, No. FAS 157-2, delays the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 is effective for the Company on January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are not recognized or



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disclosed at fair value on a recurring basis for which its effective date is January 1, 2009. The adoption of this statement did not have a material impact on its Consolidated Financial Statements.

IN DECEMBER 2007, THE FASB ISSUED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 141 (REVISED 2007), BUSINESS COMBINATIONS ("SFAS 141R"). SFAS 141R ESTABLISHED PRINCIPLES AND REQUIREMENTS FOR HOW AN ACQUIRING COMPANY RECOGNIZES AND MEASURES IN ITS FINANCIAL STATEMENTS THE IDENTIFIABLE ASSETS ACQUIRED, THE LIABILITIES ASSUMED, ANY NONCONTROLLING INTEREST IF THE ACQUIRED COMPANY AND THE GOODWILL ACQUIRED. SFAS 141R ALSO ESTABLISHED DISCLOSURE REQUIREMENTS TO ENABLE THE EVALUATION OF THE NATURE AND FINANCIAL EFFECTS OF THE BUSINESS COMBINATION. SFAS 141R IS EFFECTIVE FOR FISCAL PERIODS BEGINNING AFTER DECEMBER 15, 2008. THE COMPANY IS CURRENTLY EVALUATING THE IMPACT THAT SFAS 141R WILL HAVE ON ITS FINANCIAL POSITION AND RESULTS OF OPERATIONS.

IN DECEMBER 2007, THE FASB ISSUED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 160, NONCONTROLLING INTERESTS IN CONSOLIDATED FINANCIAL STATEMENTS--AN AMENDMENT OF ACCOUNTING RESEARCH BULLETIN NO. 51 ("SFAS 160"). SFAS 160 ESTABLISHES ACCOUNTING AND REPORTING STANDARDS OF OWNERSHIP INTERESTS IN SUBSIDIARIES HELD BY PARTIES OTHER THAN THE PARENT, THE AMOUNT OF CONSOLIDATED NET INCOME ATTRIBUTABLE TO THE PARENT AND TO THE NONCONTROLLING INTEREST, CHANGES IN A PARENT'S OWNERSHIP INTEREST AND THE VALUATION OF RETAINED NONCONTROLLING EQUITY INVESTMENTS WHEN A SUBSIDIARY IS DECONSOLIDATED. SFAS 160 ALSO ESTABLISHES DISCLOSURE REQUIREMENTS THAT CLEARLY IDENTIFY AND DISTINGUISH BETWEEN THE INTERESTS OF THE PARENT AND THE INTERESTS OF THE NONCONTROLLING OWNERS. SFAS 160 IS EFFECTIVE FOR FISCAL PERIODS BEGINNING AFTER DECEMBER 15, 2008. THE COMPANY IS CURRENTLY EVALUATING THE IMPACT THAT SFAS 160 WILL HAVE ON ITS FINANCIAL POSITION AND RESULTS OF OPERATIONS.

IN MARCH 2008, THE FASB ISSUED SFAS NO. 161, "DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES -- AN AMENDMENT OF FASB STATEMENT NO. 133". THIS STATEMENT AMENDS SFAS NO. 133 BY REQUIRING ENHANCED DISCLOSURES ABOUT AN ENTITY'S DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, BUT DOES NOT CHANGE SFAS NO. 133'S SCOPE OR ACCOUNTING. SFAS NO. 161 REQUIRES INCREASED QUALITATIVE, QUANTITATIVE AND CREDIT-RISK DISCLOSURES ABOUT THE ENTITY'S DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS 161 IS EFFECTIVE FOR FISCAL YEARS, AND INTERIM PERIODS WITHIN THOSE FISCAL YEARS, BEGINNING AFTER NOVEMBER 15, 2008, WITH EARLIER ADOPTION PERMITTED. THE COMPANY IS CURRENTLY EVALUATING THE IMPACT THAT SFAS 161 WILL HAVE ON ITS FINANCIAL POSITION AND RESULTS OF OPERATIONS.

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007 AND 2006

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 PRINCIPLES OF CONSOLIDATION

THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THE FINANCIAL STATEMENTS

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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 FASB INTERPRETATION NO. 46 (R) CONSOLIDATION OF VARIABLE INTEREST ENTITIES ("FIN 46R") 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 FIN 46 (R).

### 2.2 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, 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.

### 2.3 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.

### 2.4 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.

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007 AND 2006

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, 2008	DECEMBER 31, 2007	DECEMBER 31 2006
SALES OUTSIDE OF THE U.S.	\$203,066	\$37,052,863	\$32,573,155
SERVICES PURCHASED OUTSIDE OF THE U.S.	\$771,660	\$23,231,423	\$24,153,201

## 2.5 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.

## 2.6 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.

## 2.7 Intangible Assets

Intangible assets consist of film library, gaming and software licence and product development costs. Intangible assets which were purchased and have indefinite lives are stated at cost less impairment losses and are tested for impairment at least annually in accordance with the provisions of FASB Statement No. 142, Goodwill and Other Intangible Assets.

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 FASB Statement No. 144, Accounting for Impairment or Disposal of Long-Lived Assets. Such intangible assets are amortized over the period of the

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contract, which is 2 to 18 years.

The film library, which are classified as indefinite lives, relate to film library rights that are acquired for perpetuity by the Company. The film library, which are classified as having definite lives, relate to film library rights that are generally acquired for one to ten years by the Company.

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 license was suspended, see Note 15.

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.

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
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### 2.8 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

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interest in the relevant associate.

### 2.9 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" ("SFAS No. 115"). Equity securities held for trading as of December 31, 2008 totaled \$179,620 and December 31, 2007 totaled \$2,924,000. The changes relate to fair value adjustments of \$2,744,380 for the year ended December 31, 2008 and \$466,000 for the year ended December 31, 2007.

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.

Available-for-sale securities 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.

### 2.10 Valuation of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used, other than intangible assets with indefinite lives, when events or circumstances warrant such a review. No impairment losses were recorded for the years ended december 31, 2008 and 2007.

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
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### 2.11 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

AN INSTRUMENT IS CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT OR LOSS IF IT IS HELD FOR TRADING OR IS DESIGNATED AS SUCH UPON INITIAL RECOGNITION. FINANCIAL INSTRUMENTS ARE DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS IF THE COMPANY MANAGES SUCH INVESTMENTS AND MAKES PURCHASE AND SALES DECISIONS BASED ON THEIR FAIR VALUE. UPON INITIAL RECOGNITION, ATTRIBUTABLE TRANSACTION COSTS ARE RECOGNISED IN THE INCOME STATEMENT WHEN INCURRED. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS ARE MEASURED AT FAIR VALUE, AND CHANGES THEREIN ARE RECOGNIZED IN THE INCOME STATEMENT.

FINANCIAL ASSETS RECORDED AT FAIR VALUE ON THE CONSOLIDATED BALANCE SHEETS ARE CATEGORIZED AS FOLLOWS:

LEVEL 1: QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES, AS APPLICABLE, THAT THE

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REPORTING ENTITY HAS THE ABILITY TO ACCESS AT THE MEASUREMENT DATE.

LEVEL 2: QUOTED PRICES IN MARKETS, OTHER THAN QUOTED PRICES INCLUDED IN LEVEL 1, THAT ARE NOT ACTIVE OR INPUTS THAT ARE OBSERVABLE EITHER DIRECTLY OR INDIRECTLY FOR SUBSTANTIALLY THE FULL TERM OF THE ASSET OR LIABILITY, AS APPLICABLE, LEVEL 2 INPUTS INCLUDE THE FOLLOWING:

a) QUOTED PRICES FOR SIMILAR ASSETS OR LIABILITIES IN ACTIVE MARKETS;

b) QUOTED PRICES FOR IDENTICAL OR SIMILAR ASSETS OR LIABILITIES IN NON-ACTIVE MARKETS;

c) INPUTS OTHER THAN QUOTED MARKET PRICES WHICH ARE OBSERVABLE FOR THE ASSET OR LIABILITY; AND

d) INPUTS THAT ARE DERIVED PRINCIPALLY FROM OR CORROBORATED BY OBSERVABLE MARKET DATA BY CORRELATION OR OTHER MEANS.

LEVEL 3: PRICES OR VALUATION TECHNIQUES THAT REQUIRE INPUTS WHICH ARE BOTH UNOBSERVABLE AND SIGNIFICANT TO THE OVERALL FAIR VALUE MEASUREMENT OF THE ASSET OR LIABILITY, AS APPLICABLE. THEY MAY REFLECT MANAGEMENT'S OWN ASSUMPTIONS ABOUT THE ASSUMPTIONS A MARKET PARTICIPANT WOULD USE IN PRICING THE ASSET OR LIABILITY.

THE FOLLOWING TABLE SHOWS HOW OUR INVESTMENTS ARE CATEGORIZED.

FAIR VALUE MEASUREMENT AT DECEMBER 31, 2008 USING:

-----

DESCRIPTION	PRICES OR FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2008 (\$)	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) (\$)	V T (
EQUITY SECURITIES HELD FOR TRADING	179,620	179,620	
INVESTMENTS AVAILABLE FOR SALE - CURRENT	2,402,613	--	
INVESTMENTS AVAILABLE FOR SALE - NON CURRENT	--	--	

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AMARU, INC. AND SUBSIDIARIES  
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The table below sets forth a summary of changes in the fair value of

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the Company's Level 3 financial assets (Investments Available for Sale) for the year ended December 31, 2008.

	For year ended December 31, 2008
	-----
Balance at the beginning of the period	\$ 7,313,958
Change in fair value of Investments	
Available for Sale - unrealized	(1,980,936)
Loss on disposal of Investments	
Available for Sale - realized	(750,421)
Proceeds from sale of Investments	
Available for Sale	(1,563,852)
	-----
Balance at the end of the period	\$ 3,018,749
	=====

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, 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 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 option for existing financial assets and liabilities and therefore adoption of SFAS No. 159 did not have any impact on its Consolidated Financial Statements.

### 2.12 Advances from Related Party

Advances from director and related party of \$48,681 are unsecured, non-interest bearing and payable on demand.

### 2.13 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, 2008 and 2007.

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.

### 2.14 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

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are reflected in operations.

### 2.15 Revenues

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.

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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008, 2007 AND 2006

### 2.16 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.

### 2.17 Income Taxes

Deferred income taxes are determined using the liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, 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.

During the year ended December 31, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109, "Accounting for Income Taxes," by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The Interpretation requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic



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benefits of a tax position, If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits. No benefits of the tax position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. With the adoption of FIN 48, companies are required to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. Any necessary adjustment would be recorded directly to retained earnings and reported as a change in accounting principle.

Upon adoption of FIN 48 as of January 1, 2007, the Company had no gross unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. At December 31, 2007 the amount of gross unrecognized tax benefits before valuation allowances and the amount that would favorably affect the effective income tax rate in future periods after valuation allowances were \$0. These amounts consider the guidance in FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48".The Company has not accrued any additional interest or penalties as a result of the adoption of FIN 48.

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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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008, 2007 AND 2006

#### 2.18 Earnings (Loss) Per Share

In February 1997, the Financial Accounting Standards Board (FASB) issued FAS No. 128 "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.

#### 2.19 Financial Instruments

The carrying amounts for the Company's cash, other current assets, accounts payable, accrued expenses and other liabilities approximate their fair value.

#### 2.20 Advertising

The cost of advertising is expensed as incurred. For the year ended December 31, 2008 and 2007, the Company incurred advertising expenses of \$80,160 and \$543,752 respectively.

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### 2.21 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, 2008	DECEMBER 31, 2007
	-----	-----
Quoted equity security, at fair value	\$179,620	\$2,924,000
	=====	=====

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 an impairment loss of approximately US\$2.74 million for the year ended December 31, 2008 and US\$3.24 million for the year ended December 31, 2007.

The investments in quoted equity securities comprised of 34,000,000 common shares of PT Agis at the market value of approximately US\$0.005 per share.

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

### 4. OTHER CURRENT ASSETS

Other current assets consist of the following:

	DECEMBER 31, 2008	DECEMBER 31, 2007
	-----	-----
Prepayments	\$ 70,108	\$ 169,641
Deposits	69,995	171,095
Other receivables	90,190	172,878
	-----	-----
	\$ 230,293	\$ 513,614
	=====	=====

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007 AND 2006

### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31, 2008	DECEMBER 31, 2007
	-----	-----

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Office equipment	\$ 1,004,504	\$ 1,148,013
Motor vehicle	91,190	112,563
Furniture, fixture and fittings	313,208	596,790
Pony set-top boxes	843,946	842,494
	-----	-----
	2,252,848	2,699,860
Accumulated depreciation	(1,219,342)	(902,714)
	-----	-----
	\$ 1,033,506	\$ 1,797,146
	=====	=====

Depreciation expense was \$635,119 for the year ended December 31, 2008 and \$575,015 for the year ended December 31, 2007.

### 6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	DECEMBER 31, 2008	DECEMBER 31, 2007
	-----	-----
INDEFINITE LIVES		
Film library	\$ 17,763,716	\$ 17,759,080
	-----	-----
	17,763,716	17,759,080
DEFINITE USEFUL LIVES		
Film library	5,400,410	5,331,930
Gaming license	7,090,000	7,090,000
Product development expenditures	719,220	719,220
Software license	12,649	12,649
	-----	-----
	13,222,279	13,153,799
Accumulated amortization	(6,351,162)	(5,219,813)
	-----	-----
	6,871,117	7,933,986
	-----	-----
	\$ 24,634,833	\$ 25,693,066
Impairment loss	(3,762,777)	--
	-----	-----
	\$ 20,872,056	\$ 25,693,066
	=====	=====

Amortization expense was \$1,132,810 for the year ended December 31, 2008 and \$3,305,000 for the year ended December 31, 2007

Intangible assets purchased and have indefinite lives are stated at cost less impairment losses are tested for impairment at least annually in accordance with the provisions of FASB Statement No. 142, Goodwill and Other Intangible Assets.

#### FILM LIBRARY WITH INDEFINITE LIVES

Intangible assets of the Company which have been classified as having indefinite useful lives relate to film library rights acquired for perpetuity by the Company.

Film costs are stated at the lower of estimated net realizable value determined on an individual film basis, or cost. Film costs represent the acquisition of film rights for cash.

The Company maintains distribution rights to these films for which it

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has no financial obligations to third parties.

The Company is currently directing all its time and efforts towards building its broadband business.

The Company evaluates the recoverability of its long lived assets in accordance with the provisions of Statement of Financial Accounting Standards No. 142 "Goodwill and the Intangible Assets," in which intangible assets purchased and which have indefinite lives are stated at cost less impairment losses and are tested for impairment at least annually.

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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008, 2007 AND 2006

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The use of a discounted cash flow model often involves the use of significant estimates and assumptions. Estimates are based upon assumptions about future demand and market conditions and can vary significantly. When necessary, the Company uses internal cash flow estimates, quoted market prices or appraisals, as appropriate, to determine fair value. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The estimation of fair value is in accordance with AICPA Statement of Position 00-2, Accounting by Producers and Distributors of Film. Actual results may differ from estimates and as a result the estimation of fair values may be adjusted in the future.

Valuations were performed on January 4, 2007 for the assessments of impairment of the Company's 100% ownership of the film library, which reflected a higher value from its cost. The methods of valuation used by the Company consisted of a discounted cash flow model, as well as sales transactions comparison method and market earnings/multiples method. Based on careful analysis of information available, the estimation for the investment value of the film library currently ranges from \$400 million to \$663 million. Management does not feel that there have been any material changes to affect this valuation during the year ended December 31, 2008.

#### ASSETS WITH DEFINITE USEFUL LIVES

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 FASB Statement No. 144, Accounting for Impairment or Disposal of Long-Lived Assets. Such intangible assets are amortized over the period of the contract, which is 2 to 18 years.

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The film library, which are classified as having definite lives, relate to film library rights that are generally acquired for one to ten years by the Company.

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 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 developments costs will be useful for up to five years before additional significant development needs to be done.

### 7. EQUITY METHOD INVESTMENT

	DECEMBER 31, 2008	DECEMBER 31, 2007
	-----	-----
Fair value of investment in associate	\$ 3,693,650	\$ 3,693,650
Goodwill	1,272,465	1,272,465
Share of post-acquisition loss	(37,609)	(23,832)
	-----	-----
	\$ 4,928,506	\$ 4,942,283
Impairment loss	(4,928,506)	--
	-----	-----
	--	\$ 4,942,283
	=====	=====

Details of the Company's Equity Method Investment as at December 31, 2008 are as follows:

Name of Business: 121 View Corporation (SEA) Ltd

Place of Incorporation: British Virgin Islands

Principle of Activity: Digital signage solutions

		DECEMBER 31, 2008	DECEMBER 31, 2007
	:	-----	-----
Proportion of Ownership Interest		30.1%	30.1%

One of the directors of the Company has an interest in the Equity Method Investment Company. One of the directors of the Company is also a director in the Equity Method Investment.

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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008, 2007 AND 2006

Summarized financial information in respect of the Company's Equity Method Investment is set out below:

	DECEMBER 31, 2008	DECEMBER 31, 2007
	-----	-----
Total assets	\$ 9,337,368	\$ 9,353,100
Total liabilities	(42,978)	(23,562)

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Net assets	9,294,390	9,329,538
Company's share of Equity Method investment's net assets	\$ 2,797,611	\$ 2,808,191
Revenue	\$ 21,678	\$ 163,574
Loss for the period	\$ 14,601	\$ (77,735)
Company's share of Equity Method Investment's loss for the period	\$ 4,395	\$ (23,832)

### 8. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale consist of the following:

	DECEMBER 31, 2008	DECEMBER 31, 2007
Non Current :		
Quoted equity securities	\$ -	\$ 4,031,681
Unquoted equity securities	616,136	879,664
	616,136	4,911,345
Current :		
Unquoted equity securities	2,402,613	2,402,613
	\$ 3,018,749	\$ 7,313,958

The unquoted equity securities classified as available-for-sale, with a carrying value of \$616,136 as of December 31, 2008 and 2007, are measured at cost less impairment losses as there is no quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate.

The Company explores other alternatives and considers using other valuation techniques to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties. However, as the key investments held by the Company operate in Singapore, there are no established markets in Singapore for similar investments for the Company to obtain comparables and observable data to carry out a reliable fair valuation.

### 9. COMMITMENTS

As of the balance sheet date, the Group has the following capital commitments:

	December 31, 2008	DECEMBER 31, 2007
CAPITAL COMMITMENTS:		
Contracted but not provided for		
Film library	\$ 111,687	\$ 118,073
Set-top boxes	\$2,074,825	\$2,074,825

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Contents	110,171	--
	-----	-----
	\$2,303,069	\$2,192,898
	=====	=====

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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008, 2007 AND 2006

#### Capital Leases

The following summarizes the Company's capital lease obligations at September 30, 2008:

	2008	2007
	-----	-----
Future minimum lease payments	\$ 69,140	\$ 81,628
Less: amounts representing interest	(11,500)	(13,576)
	-----	-----
Present value of net minimum lease payments	57,640	68,052
Less: current portion	(10,809)	(10,746)
	-----	-----
	\$ 46,831	\$ 57,306
	=====	=====

The Company is the lessee of equipment under capital leases expiring in various years through 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. Depreciation of assets under capital leases is included in depreciation expense for 2008 and 2007. Interest rates on capitalized leases is fixed at 2.85%.

#### 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, 2008 and 2007 was \$373,893 and \$341,212, respectively. As of December 31, 2008, the future minimum lease payments are as follows:

For the Year Ended December 31,	Operating	Capital
	-----	-----
2009	222,879	10,809
2010	19,205	10,809
2011	--	10,809
2012	--	25,215
	-----	-----
	\$242,084	\$ 57,642
	=====	=====

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### 10. INCOME TAXES

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

The Company had available approximately \$6,813,612 of unused U.S. net operating loss carry-forwards at December 31, 2008, 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.

SFAS No. 109 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, 2008 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 \$5,081,450 of unused Singapore tax losses and capital allowance carry-forwards at December 31, 2008, 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.

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007 AND 2006

### 11. SEGMENT REPORTING

The Company classifies its business into reportable segments. The segments consists principally of entertainment and digit gaming. Information as to the operations of the Company in each of its business segments is set forth below based on the nature of the products and services offered.

The Company has provided a summary of operating income by segment. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies in Note 2.

Year 2008	ENTERTAINMENT -----	DIGIT GAMING -----	OTHER -----	TOTAL -----
Revenues from external customers	\$ 203,066	\$ --	\$ --	\$ 203,066
Interest revenue	\$ 14,183	\$ --	\$ --	\$ 14,183
Interest expense	\$ 60,027	\$ --	\$ --	\$ 60,027
Depreciation and amortization	\$ 1,472,540	\$ 295,389	\$ --	\$ 1,767,929
Segment profit (loss)	\$ (4,429,453)	\$ (1,226,649)	\$ --	\$ (5,656,102)
Segment assets	\$ 34,686,359	\$ 2,409,456	\$ 2,217	\$ 37,098,032
Expenditures for segment assets	\$ 152,364	\$ --	\$ --	\$ 152,364



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Reconcilliation: -

REVENUES	
Total revenues for reportable segments	\$ 203,066
Other revenue	\$ --
	-----
Total consolidated revenues	\$ 203,066
INTEREST REVENUE	
Total interest revenue for reportable segments	\$ 14,183
Corporate interest revenue	\$ --
	-----
Total consolidated interest revenue	\$ 14,183
	=====
INTEREST EXPENSES	
Total interest revenue for reportable segments	\$ 60,027
Corporate interest revenue	\$ --
	-----
Total consolidated interest expenses	\$ 60,027
	=====
PROFIT OR LOSS	
Total (loss) for reportable segments	\$ (5,656,102)
Corporate loss	\$ (331,952)
Impairment loss on associate	\$ (4,928,506)
Impairment loss on intangible asset	\$ (3,762,777)
Loss on disposal of investment available for sale	\$ (750,421)
Loss on valuation of held for trading investment	\$ (2,744,380)
Share of loss of associate	\$ (13,778)
	-----
Loss before income tax	\$ (18,187,916)
	=====
ASSETS	
Total assets for reportable segments	\$ 37,095,815
Other assets	\$ 2,217
	-----
Total consolidated assets	\$ 37,098,032
	=====
EXPENDITURES FOR SEGMENT ASSETS	
Total expenditures for assets for reportable segments	\$ 152,364
	=====

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007 AND 2006

Year 2007	ENTERTAINMENT	DIGIT GAMING	OTHER	TOTA
	-----	-----	-----	-----

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Revenues from external customers	\$ 14,601,299	\$ 22,451,970	\$	--	\$ 37,053
Interest revenue	\$ 45,819	\$ --	\$	--	\$ 45
Interest expenses	\$ 1,378	\$ --	\$	--	\$ 1
Depreciation and amortization	\$ 3,581,459	\$ 298,556	\$	--	\$ 3,880
Segment profit (loss)	\$ 5,570,096	\$ 471,763	\$	--	\$ 6,041
Segment assets	\$ 53,215,524	\$ 7,349,053	\$	77,201	\$ 60,641
Expenditures for segment assets	\$ 3,698,942	\$ --	\$	--	\$ 3,698

Reconciliation:-

REVENUES

Total revenues for reportable segments	\$ 37,053,269
Other revenue	--
	-----
Total consolidated revenues	\$ 37,053,269
	=====

INTEREST REVENUE

Total interest revenues for reportable segments	\$ 45,784
Corporate interest revenue	35
	-----
Total consolidated interest revenue	\$ 45,819
	=====

INTEREST EXPENSES

Total interest expenses for reportable segments	\$ 1,378
Corporate interest expenses	--
	-----
Total consolidated interest expenses	\$ 1,378
	=====

PROFIT OR LOSS

Total profit for reportable segments	\$ 6,041,859
Corporate loss	\$ (347,777)
Intangible asset written off	\$ (2,420,227)
Gain on dilution of interest in subsidiary	\$ 2,483,872
Loss on valuation for held for trade investment	\$ (466,000)
Share of loss of associate	\$ (23,832)
	-----
Income before income tax	\$ 5,267,895
	-----

ASSETS

Total assets for reportable segments	\$ 60,564,577
Other assets	\$ 77,201
	-----
Total consolidated assets	\$ 60,641,778
	=====

EXPENDITURES FOR SEGMENT ASSETS

Total expenditures for assets for reportable segments	\$ 3,698,942
	=====

Year 2006	ENTERTAINMENT	DIGIT GAMING	OTHER	TOTAL
	-----	-----	-----	-----
Revenues from external customers	\$ 8,053,146	\$24,505,465	\$ 14,664	\$32,573,275
Interest revenue	\$ 55,038	\$ --	\$ 74,189	\$ 129,227
Depreciation and amortization	\$ 1,070,621	\$ 298,556	\$ --	\$ 1,369,177
Segment profit	\$ 2,325,859	\$ 317,476	\$ 14,664	\$ 2,657,999

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Segment assets	\$ 38,984,965	\$ 7,390,339	\$ 2,516,543	\$48,891,847
Expenditures for segment assets	\$ 19,182,387	\$ --	\$ --	\$19,182,387

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### AMARU, INC. AND SUBSIDIARIES CONSOLIDATED NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008, 2007 AND 2006

Reconciliation:-

REVENUES	
Total revenues for reportable segments	\$ 32,558,611
Other revenue	\$ 14,664
	-----
Total consolidated revenues	\$ 32,573,275
	=====
INTEREST REVENUE	
Total interest revenues for reportable segments	\$ 55,038
Corporate interest revenue	\$ 74,189
	-----
Total consolidated interest revenue	\$ 129,227
	=====
PROFIT OR LOSS	
Total profit for reportable segments	\$ 2,657,999
Corporate loss	\$ (738,757)
	-----
Income before income tax and discontinued operations	\$ 1,919,242
	-----
ASSETS	
Total assets for reportable segments	\$ 46,375,304
Other assets	\$ 2,516,543
	-----
Total consolidated assets	\$ 48,891,847
	=====
EXPENDITURES FOR SEGMENT ASSETS	
Total expenditures for assets for reportable segments	\$ 19,182,387
	=====

#### 12. 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:

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	FOR THE YEAR ENDED		
	DECEMBER 31, 2008	DECEMBER 31, 2007	DECEMBER 31, 2006
Associate :			
Marketing	\$ 2,467	\$ 110,537	\$ --
Other Related Party :			
Consultancy fee	\$ 2,467	\$ 80,339	\$ --

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AMARU, INC. AND SUBSIDIARIES  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008, 2007 AND 2006

13. 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 \$15,000,000. 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 \$5,000,000 in cash and publicly-traded securities. The balance outstanding receivable of \$9,500,000 is included as "Receivable from sale of IPTV platform" at June 30, 2008 and December 31, 2007, respectively, which comprises of two portions: the first portion of \$2 million to be settled fully in publicly-traded shares of the buyer and the other portion of \$7,500,000 million will be reinvested in the form of joint venture with the buyer as stated in the terms of the sale agreement.

On December 15, 2008, M2B World Holdings entered into a further agreement with PT Agis to set up a Joint Venture Company to launch WOWtv in Indonesia. The agreement with PT Agis TBK would give M2B World Holdings a 49 percent equity stake in the Joint Venture Company called PT WOW Television Management is in the process of completing this transaction and has determined that the entire amount of \$9,500,000 is recoverable and no allowances are necessary. In accordance with the agreement, the JV Company is expected to be capitalized and go into operations by July 2009.

14. 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 which is included as "Prepayment on purchase" at June 30, 2008 and December 31, 2007, respectively, 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.

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On January 22, 2009, the Company approved the termination and rescission 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 cancellation of the Amaru Shares.

### 15. 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. The suspension of the digit game operations is disclosed in footnote 17.

### 16. LOAN AND BORROWINGS

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
	-----	-----
Non-current		
Convertible loan	\$2,500,000	--
Less: Future interest charges	\$ (192,204)	--
	-----	-----
	\$2,307,796	--

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

- (a) \$2,500,000 represents a two years 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 will mature in June 2010.

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### 17. SUBSEQUENT EVENTS

The Management of the Company had decided not to proceed with sale and purchase agreement of July 10, 2007 entered between Tremax International Limited, its wholly owned subsidiary and Domaine Group Limited for the acquisition of CBBN Holdings Limited, ("CBBN Holdings"). CBB Holdings is a 80% beneficial owner of Cosmactive Broadband Networks Co Ltd ("CBN") which is a broadband service provider in Taiwan. The transaction has not been consummated and the agreement had expired on July 10, 2007.

On January 22, 2009, the Company approved the termination and rescission 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

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approved the cancellation of the Amaru Shares.

The Management of the Company intends to convert its investment in the Indie Vision Films, Inc, a California Corporation, into content rights from the library of content owned by Indie Vision Films, Inc. The Company has received the list of content titles from Indie Vision Films, Inc, and is currently evaluating and selecting the content titles.

On March 25, 2009, the Company was officially notified that the digit games were suspended by the Cambodia Government as part of the suspension of all lotteries in Cambodia. It cannot be determined at this time whether the suspension of the digit games is temporary or permanent, though the Government of Cambodia is currently closing the gaming business by the order of its Ministry of Economy and Finance. Due to the lack of access to the digit game operations, the digit games lottery operations resulting from the holding of the digit games lottery license were impaired as of December 31, 2008, and all revenues for the year ended 2008 will have to be reversed since the Company's recognition criteria related to the associated revenues were not met .

On March 31, 2009, the Company signed an agreement with Beijing Baidu Network Science and Technology Co Ltd ("Baidu") to launch the WOWtv platform in China. The agreement was a strategic partnership with Baidu to provide content services to Baidu.com users.