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PAY88
Form 10QSB
August 11, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-125581

PAY88, INC.

(Exact name of small business issuer as specified in its charter)

Nevada

20-3136572

(State of incorporation)

(IRS Employer ID Number)

1053 North Barnstead Road, Barnstead, NH 03225

(Address of principal executive offices)

(603) 776-6044

(Issuer's telephone number)

(Former name, former address and former fiscal year,
if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Number of shares of common stock outstanding as of August 10, 2006: 10,000,000 shares of common stock.

Transitional Small Business Format Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PAY88, INC.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED BALANCE SHEET

JUNE 30, 2006

(Unaudited)

ASSETS

Current Assets:	
Cash	\$ 4,709

Total Current Assets	4,709

Total Assets	\$ 4,709
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities:	
Accrued Liabilities	\$ 23,791
Loans Payable - Related Party	66,522

Total Current Liabilities	90,313

Long-Term Debt:	
Note Payable - Related Party	80,385

Total Liabilities	170,698

Commitments and Contingencies

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Stockholders' Deficiency:	
Preferred Stock, \$.001 par value; 5,000,000 shares authorized, none issued and outstanding	--
Common Stock, \$.001 par value; 100,000,000 shares authorized, 10,000,000 shares issued and outstanding	10,000
Additional Paid-In Capital	38,001
Deficit Accumulated During the Development Stage	(213,990)

Total Stockholders' Deficiency	(165,989)

Total Liabilities and Stockholders' Deficiency	\$ 4,709
	=====

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

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PAY88, INC.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED STATEMENT OF OPERATIONS

(Unaudited)

	For the Three		For the Six
	Months Ended		Months Ended
	June 30, 2006	June 30, 2005	June 30, 2006
	-----	-----	-----
Net Revenues	\$ --	\$ --	\$ --
	-----	-----	-----
Costs and Expenses:			
Consulting Fees	--	121,000	--
Professional Fees	22,872	45	34,658
Other General and Administrative Expenses	1,708	154	5,975
	-----	-----	-----
Total Costs and Expenses	24,580	121,199	40,633
	-----	-----	-----
Loss from Operations before Other Income (Expense)	(24,580)	(121,199)	(40,633)
	-----	-----	-----
Other Income (Expense)			
Interest Expense - Related Party	(1,788)	--	(3,296)
	-----	-----	-----

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Total Other Income (Expense)	(1,788)	--	(3,296)
	-----	-----	-----
Net Loss	\$ (26,368)	\$ (121,199)	\$ (43,929)
	=====	=====	=====
Basic and Diluted Loss Per Share	\$ 0.00	\$ (0.02)	\$ 0.00
	=====	=====	=====
Weighted Average Basic and Diluted Shares Outstanding	10,000,000	8,000,000	10,000,000
	=====	=====	=====

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

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PAY88, INC.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED STATEMENT OF CASH FLOWS

(Unaudited)

	For the Six Months Ended June 30, 2006	For the Period March 23, 2005 (Inception) To June 30, 2005
	-----	-----
Cash Flows from Operating Activities:		
Net Loss	\$ (43,929)	\$ (121,219)
Adjustments to Reconcile Net Loss to Net Cash (Used) by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accrued Liabilities	11,068	61,000
	-----	-----
Net Cash (Used) by Operating Activities	(32,861)	(60,219)
	-----	-----
Cash Flows from Investing Activities:	--	--
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from Shareholder Advances	30,522	59,830
Proceeds from Loans - Related Party	--	--
Proceeds from Sale of Common Stock	--	8,001
	-----	-----
Net Cash Provided by Financing Activities	30,522	67,831
	-----	-----

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Increase (Decrease) in Cash	(2,339)	7,612
Cash - Beginning of Period	7,048	--
	-----	-----
Cash - End of Period	\$ 4,709	\$ 7,612
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	\$ --	\$ --
	=====	=====
Income Taxes Paid	\$ --	\$ --
	=====	=====
Supplemental Disclosure of Non-Cash Financing Activities:		
Reclassification of Shareholder Advances to Note Payable - Related Party	\$ --	\$ --
	=====	=====

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

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PAY88, INC.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - Basis of Presentation

In the opinion of the Company's management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These financial statements are condensed and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

The Company incurred a net loss of \$43,929 for the six months ended June 30, 2006. In addition, the Company had a working capital deficiency of \$85,604 and a stockholders' deficit of \$165,989 at June 30, 2006. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds will be generated during the next year or thereafter from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital could force the Company to curtail or cease operations and would, therefore, have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

The Company is attempting to address its lack of liquidity by raising

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additional funds, either in the form of debt or equity or some combination thereof. The Company currently plans to raise approximately \$250,000 through a private placement of its securities. There can be no assurances that the Company will be able to raise the additional funds it requires.

In addition, the Company has signed a letter of intent to acquire certain assets of a Chinese Company (see Note 3).

The accompanying condensed financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

NOTE 2 - Note and Loans Payable - Related Party

Loans payable to the Company's CEO represents advances bearing interest at 5% per annum that are payable on demand. Interest expense for the six months ended June 30, 2006 was \$1,286.

Note payable to the Company's CEO bears interest at 5% per annum and is payable on August 31, 2008. Interest expense for the six months ended June 30, 2006 was \$2,010.

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PAY88, INC.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 3 - Commitments and Contingencies

On August 3, 2005, the Company entered into a five year agreement with Chongqing Yahu Information Limited ("Yahu"). Yahu is a Chinese corporation formed by Mr. Tao Fan, a brother of Mr. Guo Fan, a significant stockholder, director and officer of the Company. The Agreement provides for two services to be provided to the Company by Yahu. The first service is the provision of all proprietary software needed to effectuate fund transfers between the U.S. and China. The second service to be provided is technical assistance in the areas of installation and future product support. This support includes assistance with all technical aspects of the software as well as problem resolution and general inquiries. Both of these services are to be provided to the Company by Yahu for a licensing fee that is based upon 20% of the gross fund transfer revenues. The fee is payable on a quarterly basis. The use of the software will enable the Company to provide wire transfers from the U.S. to China.

On June 8, 2006, the Company and Chong Qing QianBao Technology Limited Liability Co. ("QianBao") entered into a binding Letter of Intent. Pursuant to the Letter of Intent, the Company and QianBao agreed to use their best efforts to negotiate and agree to a mutually acceptable definitive agreement on or before October 31, 2006, pursuant to which the Company will purchase from QianBao certain assets, including its intellectual property, cash, certain real estate holding, online payment system, software domain name, and customer base. In consideration for the purchase of such assets, the Company will issue to QianBao shares of the Company's preferred stock, whose preferences and conversion rights will be negotiated between the parties. The assets will be delivered free and clear of any liens and encumbrances. The closing of the sale and purchase of the assets will be subject to the satisfaction of certain

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conditions, including the mutual agreement of a definitive agreement, the completion of the due diligence investigation of both parties, the filing of the certificate of designation creating the preferred stock to be issued to QianBao, the delivery of any required consents from third parties, and the delivery of audited financial statements of QianBao.

QianBao further agreed that it will not directly or indirectly solicit, negotiate, or accept any offer from a third party to acquire any of QianBao's assets or securities until the execution and delivery of the definitive agreement described above. QianBao also agreed to permit the Company and its representatives to begin its due diligence investigation and to have access to and inspect QianBao's records, properties, personnel, and other such matters.

NOTE 4 - Related Party Transactions

Rent

The Company rents office space owned by an officer of the Company for \$200 per month on a month to month basis. Rent expense amounted to \$1,200 for the six months ended June 30, 2006 and \$600 for the period April 1, 2005 to June 30, 2005.

Accrued Liabilities

Included in accrued liabilities at June 30, 2006 is accrued interest to the Company's CEO in the amount of \$5,236 and accrued rent to the Company's Secretary in the amount of \$3,000.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS.

As used in this Form 10-QSB, references to the "Company," the "Registrant," "we," "our" or "us" refer to Pay88, Inc. unless the context otherwise indicates.

Forward-Looking Statements

The following discussion should be read in conjunction with our financial statements, which are included elsewhere in this Form 10-QSB. We and our representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in our filings with the United States Securities and Exchange Commission and in our reports to shareholders. Generally, the inclusion of the words "believe", "expect", "intend", "estimate", "anticipate", "will", and similar expressions or the converse thereof, identify statements that constitute "forward-looking statements".

These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements as a result of a number of risks and uncertainties including: (a) those risks and uncertainties related to general economic conditions, (b) whether we are able to manage our planned growth efficiently and operate profitable operations, (c) whether we are able to generate sufficient revenues or obtain financing to sustain and grow our operations, (d) whether we are able to successfully fulfill our primary requirements for cash.

Overview

We were incorporated on March 22, 2005 under the name "Pay88, Ltd." in the State of New Hampshire. We subsequently decided to reincorporate in the State of Nevada by merging with and into Pay88, Inc., a Nevada corporation formed for such purpose on July 7, 2005. Such merger was effectuated on August 9, 2005.

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We are a development stage company focused on becoming involved in the business of facilitating money transfers from the United States to China. We have not commenced operations other than in connection with the execution of the license agreement with Chongqing Yahu described below.

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Money transfers are transfers of funds between consumers from one location to another. Our goal is to offer persons in the United States near instantaneous, efficient and secure online money transfer services to China. In a typical money transfer, we anticipate that a customer located in the United States will conduct money transfer transactions on the internet via our website, which we intend to develop. Utilizing our website, which has yet to be developed, a customer will transfer money using a credit card or a debit from a bank account. The customer will be able to go to our web site and use his or her credit card to credit his or her account for the amount of money that the customer desires to transfer to a designated recipient in China. Immediately after such transaction over the internet, the recipient's account in China will be credited with the funds. Then the recipient can go to its bank in China and withdraw the money. When the customer initiates the transfer, the software will inform him as to the amount of fees we are to be paid as a result of the transaction. The fee paid to us from the sending customer will be based on the amount to be transferred and the location at which the funds are to be received. We expect our money transfer revenues to be derived primarily from consumer transaction fees and revenues from currency exchange on international money transfers.

Any on-line financial service provider requires quality software to be financially and commercially successful. Optimally, the software should be easy to use for the consumer, have the ability to interact with relative ease with other businesses and financial institutions, and must be secure enough to accommodate the strict internet security regulations of both the United States and China. In our initial stages we had to make the decision to develop an internal software system or attempt to partner with an entity that had already developed the software technology. Due to the time frame that would be required to develop the software and the corresponding costs that would be associated with such an undertaking, we made the decision to seek out and utilize a third party that would accommodate our needs. Specifically, we wanted the system to address the following requirements:

- o Experience in the China marketplace
- o Real time transactions
- o Ease of use
- o Reliable and detailed account information
- o System expandability
- o Internet based
- o Where no bank/credit card is available, payment can be made when client deposits money with a financial institution which holds the money for the client (known as an electronic purse)
- o Transactions and transaction data be encrypted with the state-of-the-art network security technology
- o Free registration
- o Low cost of transaction
- o On-going technical assistance and support

On August 3, 2005, we entered into a five year agreement with Chongqing Yahu Information Limited, a Chinese corporation ("Chongqing Yahu") which satisfies all the above parameters. Pursuant to such agreement, Chongqing Yahu will provide the system software to us. We hope that this agreement will assist us towards establishing us as a quality internet money transfer service provider.

Chongqing Yahu was formed in 1997 by Mr. Tao Fan. Mr. Fan is a brother of Mr. Guo Fan, a director and officer of Pay88. Chongqing Yahu is a member of CECA (China Electronic Commerce Association) a nationwide organization in the electronic commerce field in China. Chongqing Yahu has over 650 commercial users and over 250,000 individual users. The agreement provides for two services to be provided to us by Chongqing Yahu. The first service is the provision of all proprietary software needed to effectuate fund transfers between the United States and China. The second service to be provided is technical assistance in the areas of installation and future product support. This support includes assistance with all technical aspects of the software as well as problem resolution and general inquiries. Both of these services are to be provided to us by Chongqing Yahu for a licensing fee that is based upon 20% of the gross fund transfer revenues. The fee is payable on a quarterly basis. The use of the software will enable us to provide wire transfers from the United States to China.

On June 8, 2006, we entered into a binding Letter of Intent with Chong Qing QianBao Technology Limited Liability Co. ("QianBao"). Pursuant to the Letter of Intent, the Company and QianBao agreed to use their best efforts to negotiate and agree to a mutually acceptable definitive agreement on or before October 31, 2006, pursuant to which we will purchase from QianBao certain assets, including its intellectual property, cash, certain real estate holdings, online payment system, software domain name, and customer base. In consideration for the purchase of such assets, we will issue to QianBao shares of our preferred stock, whose preferences and conversion rights will be negotiated between us and QianBao. The assets will be delivered free and clear of any liens and encumbrances. The closing of the sale and purchase of the assets will be subject to the satisfaction of certain conditions, including the mutual agreement of a definitive agreement, the completion of the due diligence investigation of both parties, the filing of the certificate of designation creating the preferred stock to be issued to QianBao, the delivery of any required consents from third parties, and the delivery of audited financial statements of QianBao.

QianBao further agreed that it will not directly or indirectly solicit, negotiate, or accept any offer from a third party to acquire any of QianBao's assets or securities until the execution and delivery of the definitive agreement described above. QianBao also agreed to permit us and our representatives to begin its due diligence investigation and to have access to and inspect QianBao's records, properties, personnel, and other such matters.

Plan of Operation

We do not expect to generate any revenues over the next twelve months. We are focused on becoming involved in the business of facilitating money transfers between the United States and China. Our goal is to offer persons in the United States near instantaneous, efficient and secure online money transfer services to China. As an internet money transfer company, our objective is to develop and market a cost efficient and fast method for the transfer of funds from one country to another. As discussed above, we have entered into a working agreement with ChongQing Yahu Information, Limited and a Letter of Intent to acquire the assets of Chong Qing QianBao Technology Limited Liability Co. These transactions could give us a competitive edge in this developing sector.

We would like to initially focus our services to people within the United States seeking to wire transfer money to China. Therefore, we hope to build and execute a marketing campaign that targets areas within the United States that has a

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large population of Chinese expatriates. Once we have sufficient funds, we intend to employ various methods of marketing which may include internet advertising, telemarketing and commercial advertisements.

We recognize that our current management and Board of Directors do not have sufficient marketing experience to create and execute an effective marketing plan. Accordingly, it is our intention to seek out a consulting firm(s) that specializes in this arena. Currently, we are focusing our efforts on developing a request for proposal for prospective marketing firms. Generally we are seeking firms with experience in the Chinese American population.

We do not have sufficient resources to effectuate our business. We continue to expect to incur a minimum of \$250,000 in expenses during the next twelve months of operations. We estimate that this will be comprised mostly of professional fees including; \$50,000 towards the procurement of the required regulatory licenses, \$75,000 towards the planning of a comprehensive marketing campaign and \$25,000 towards addressing technological infrastructure concerns. Additionally, \$100,000 will be needed for general overhead expenses such as for salaries, corporate legal and accounting fees, office overhead and general working capital. Accordingly, we will have to raise the funds to pay for these expenses. We hope to do so through a private offering after our registration statement is declared effective and our shares are quoted on the Over the Counter Bulletin Board.

There can be no assurance that additional capital will be available to us. Although the Company generally intends, once its shares are quoted on the Over the Counter Bulletin Board, to raise additional funds, we have no specific plans, understandings or agreements with respect to such an offering, and we have given no contemplation with respect to the securities to be offered or any other issue with respect to any offering. We may seek to raise the required capital by other means. We will have to issue debt or equity or enter into a strategic arrangement with a third party. We currently have no agreements, arrangements or understandings with any person to obtain funds through bank loans, lines of credit or any other sources. Since we have no such arrangements or plans currently in effect, our inability to raise funds for a marketing program will have a severe negative impact on our ability to remain a viable company because even though we have the technical platform to provide wire transfer services, no one will know we can provide these services.

Results of Operation

For the three and six months ended June 30, 2006, the Company had no revenues. The Company's operating expenses for the three and six months ended June 30, 2006 were respectively, \$24,580 and \$40,633. Such operating expenses consisted primarily of professional fees and general and administrative fees.

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Liquidity and Capital

Our balance sheet as of June 30, 2006 reflects assets of \$4,709 consisting solely of cash.

Going Concern Consideration

The condensed financial statements contained in this Report have been prepared on a 'going concern' basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the reasons discussed in this Report, there is a significant risk that we will be unable to continue as a going concern, in which case, you would suffer a total loss on your investment in our company.

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Off-Balance Sheet Arrangements

None.

ITEM 3. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the United States Securities and Exchange Commission. Our Chief Executive Officer and Chief Financial Officer have reviewed the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) within the end of the period covered by this Quarterly Report on Form 10-QSB and have concluded that the disclosure controls and procedures are effective to ensure that material information relating to the Company is recorded, processed, summarized, and reported in a timely manner. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the last day they were evaluated by our Chief Executive Officer and Chief Financial Officer.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

Purchases of equity securities by the issuer and affiliated purchasers.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There was no matter submitted to a vote of security holders during the fiscal quarter ended June 30, 2006.

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ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

Exhibit No.	Description	Where Found
10.1	Letter of Intent, dated June 8, 2006, between Pay88, Inc. and Chong Qing QianBao Technology Limited Liability Co.	Filed as Exhibit 10.1 to the Form 8-K dated June 8, 2006 and incorporated herein by reference
31.1	Rule 13a-14(a)/15d14(a) Certifications	Attached Hereto
32.1	Section 1350 Certifications	Attached Hereto

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SIGNATURES

In accordance with to requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 10, 2006

PAY88, INC.

By: /s/ Guo Fan

Name: Guo Fan
Title: President, Chief Executive Officer, and Director (Principal Executive, Financial, and Accounting Officer)

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