

PACIFICNET INC
Form 10-Q/A
November 03, 2006

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

FORM 10-Q/A #1

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006

[] 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: 000-24985

PACIFICNET INC.

(Exact name of registrant in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

91-2118007

(I.R.S. Employer Identification Number)

23/F, TOWER A, TIMECOURT, NO.6
SHUGUANG XILI,
CHAOYANG DISTRICT, BEIJING, CHINA
100028

(Address of principal executive offices)

n/a

(Zip Code)

Registrant's telephone number, including area code: 0086-10-59225000

Indicate by check mark whether the registrant (1) has filed all reports required 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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer Non-accelerated filer

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 August 10, 2006, there were 11,369,336 shares of the issuer's common stock, par value \$0.01 per share, outstanding.

EXPLANATORY NOTE:

This Quarterly Report on Form 10-Q/A-1 ("Form 10-QSB/A-1") is being filed as Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended June 30, 2006, which was originally filed with the Securities and Exchange Commission ("SEC") on August 15, 2006, (the "Original Filing"). We are amending and restating the following specific items in this Amendment No. 1:

1. Part I. Item 1. Financial Statements - to revise and update certain line items in the Consolidated Balance Sheet, Consolidated Income statement and Consolidated Statement of Cash Flows and to revise certain notes to the financial statements including business acquisitions, convertible debenture, and segment information.
 2. Part I. Item II. Management's Discussion And Analysis Or Plan Of Operation.
 3. Part I. Item 4 - to update our disclosures in Part II, Item 8A. Controls and Procedures.
 4. Part II. Item 6 - to update the officer certifications for this amended filing.

PACIFICNET INC.
Form 10-Q/A #1 for the Quarterly Period Ended June 30, 2006

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****PACIFICNET INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(In thousands of United States dollars, except par values and share numbers)

	June 30, 2006	December 31,
	(Unaudited)	2005
		(Audited)
ASSETS		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 5,935	\$ 9,579
Restricted cash - pledged bank deposit	230	1,652
Accounts receivables, net of allowance for doubtful accounts of \$33 and \$5	16,112	5,998
Inventories	2,368	1,836
Loan receivable from related parties	4,753	2,520
Loan receivable from third parties	1,010	1,572
Other current assets	8,444	7,973
Total Current Assets	38,852	31,130
Property and equipment, net	8,361	4,300
Investments in affiliated companies and subsidiaries	463	410
Marketable equity securities - available for sale	539	539
Goodwill	17,285	14,824
Other assets - debt issuance costs (net)	957	-
TOTAL ASSETS	\$ 66,457	\$ 51,203
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current Liabilities:</i>		
Bank line of Credit	889	1,060
Bank loans-current portion	401	188
Capital lease obligations - current portion	88	126
Accounts payable	4,101	3,186
Accrued expenses and other payables	2,558	4,620
Income tax payable	33	296
Subscription payable	390	775
Loan payable to related party	570	369
Total Current Liabilities	9,030	10,620
<i>Long-term liabilities:</i>		
Bank loans - non current portion	1,498	6
Capital lease obligations - non current portion	43	78
Convertible Debenture	8,000	
Warrant Liability	616	
Compound Embedded Derivatives Liability	1,019	
Interest discount	(1,689)	
Total long-term liabilities	9,487	84
Total liabilities	18,517	10,704
Minority interest in consolidated subsidiaries	11,898	8,714
Commitments and contingencies		

Stockholders' Equity:

Preferred stock, par value \$0.0001, Authorized - 5,000,000 shares		
Issued and outstanding - none	--	--
Common stock, par value \$0.0001, Authorized - 125,000,000 shares;		
Issued and outstanding:		
June 30, 2006 - 13,483,497 shares issued, 11,369,336 outstanding		
December 31, 2005 - 12,000,687 issued, 10,831,024 outstanding	1	1
Treasury stock, at cost (2006 Q2: 2,114,161 shares, 2005: 1,169,663 shares)	(243)	(119)
Additional paid-in capital	60,678	57,690
Cumulative other comprehensive income (loss)	399	247
Accumulated deficit	(24,271)	(25,990)
Less stock subscription receivable	(522)	(44)
Total Stockholders' Equity	36,042	31,785
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 66,457	\$ 51,203

PACIFICNET INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(Unaudited. In thousands of United States dollars, except loss per share and share amounts)

THREE MONTHS ENDED
JUNE 30

SIX MONTHS ENDED
JUNE 30