

PAY88  
Form 10QSB  
May 15, 2007

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

FORM 10-QSB

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

For the quarter ended March 31, 2007

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-51793

PAY88, INC.

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

Nevada  
(State of incorporation)

20-3136572  
(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

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

Number of shares of common stock outstanding as of May 14, 2007: 10,100,000 shares of common stock, \$0.001 par value; and 5,000,000 shares of Series A Convertible Preferred Stock, \$0.001 par value, such shares being convertible, on a per share basis, into 2.8 shares of common stock, and in the aggregate, to 14,000,000 shares of common stock.

Transitional Small Business Format Yes  No

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.**

PAY88, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEET  
MARCH 31, 2007  
(Unaudited)

ASSETS

## Current Assets:

Cash and Cash Equivalents	\$	27,920
Accounts Receivable, Net of Allowances of \$1,972		69,300
Inventories		108,940
Prepaid Expenses		63,829
<b>Total Current Assets</b>		<b>269,989</b>
Property and Equipment, Net		493,370
<b>Total Assets</b>	<b>\$</b>	<b>763,359</b>

LIABILITIES AND STOCKHOLDERS' EQUITY

## Current Liabilities:

Accounts Payable	\$	125,310
Deferred Income		2,150
Loans Payable - Related Party		419,196
<b>Total Current Liabilities</b>		<b>546,656</b>

## Long-Term Debt:

Note Payable - Related Party		80,385
<b>Total Liabilities</b>		<b>627,041</b>

## Stockholders' Equity:

Preferred Stock, \$.001 par value; 5,000,000 shares authorized, 5,000,000 shares issued and outstanding		5,000
Common Stock, \$.001 par value; 100,000,000 shares authorized, 10,100,000 shares issued and outstanding		10,100
Additional Paid-In Capital		535,596
Accumulated Deficit		(432,593)
Accumulated Other Comprehensive Income (Loss)		18,215
<b>Total Stockholders' Equity</b>		<b>136,318</b>

Total Liabilities and Stockholders' Equity	\$	763,359
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The accompanying notes are an integral part of these financial statements.

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PAY88, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2007  
(Unaudited)

Sales-Net	\$ 1,102,781
Cost of Sales	1,087,374
Gross Profit	15,407
Operating Expenses:	
Selling Expenses	3,812
Salaries and Related Costs	59,525
Website Development Costs	13,598
Professional Fees	28,358
Other General and Administrative Expense	40,527
Total Operating Expenses	145,820
Loss from Operations	(130,413)
Other Income (Expense):	
Interest Expense - Related Party	(3,594)
Interest Income	78
Total Other Income (Expense)	(3,516)
Loss before Provision for Income Tax	(133,929)
Provision for Income Tax	900
Net Loss	\$ (134,829)
Basic Loss Per Common Share	\$ (0.01)
Weighted Average Basic Common Shares Outstanding	10,100,000
Fully Diluted Loss Per Share	\$ (0.01)
Weighted Average Fully Diluted Shares Outstanding	24,100,000

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

PAY88, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2007  
(Unaudited)

Cash Flows from Operating Activities:	
Net Loss	\$ (134,829)
Adjustments to Reconcile Net Loss to Net Cash (Used) by Operating Activities	
Allowance for Bad Debts	758
Depreciation and Amortization:	10,815
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(17,584)
Decrease in Inventories	16,865
(Increase) in Prepaid Expense	(18,073)
Increase in Accounts Payable	31,994
Increase in Deferred Income	2,150
 Net Cash (Used) by Operating Activities	 (107,904)
Cash Flows from Investing Activities:	
Capital Expenditures	(11,684)
 Net Cash (Used) by Investing Activities	 (11,684)
Cash Flows from Financing Activities:	
Net Proceeds from Loans Payable - Related Party	131,375
 Net Cash Provided by Financing Activities	 131,375
 Effect of Exchange Rate Changes on Cash	 (951)
 Net Increase in Cash and Cash Equivalents	 10,836
 Cash and Cash Equivalents - Beginning of Period	 17,084
 Cash and Cash Equivalents - End of Period	 \$ 27,920
Supplemental Disclosures of Cash Flow Information:	
Interest Paid	\$ -
Income Taxes Paid	\$ 414

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

PAY88, INC. AND SUBSIDIARY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Description of Business and Basis of Presentation

Organization

The Company was originally incorporated on March 22, 2005 under the laws of the State of New Hampshire as Pay88, Ltd. On July 7, 2005, Pay88, Inc., a Nevada corporation, was formed. Subsequently, the New Hampshire corporation was merged with and into the Nevada corporation. On September 5, 2006, Pay88, Inc. ("Pay88") entered into a Share Purchase Agreement (the "Share Purchase Agreement") with Chongqing Qianbao Technology Ltd., a limited Liability company organized under the laws of the People's Republic of China ("Qianbao"), Ying Bao ("Bao"), and Chongqing Yahu Information Development Co., Ltd., a limited liability company organized under the laws of the People's Republic of China ("Yahu"; and together with Bao, the "Qianbao Shareholders"). Pursuant to the Share Purchase Agreement, Pay88 agreed to acquire Qianbao at a closing held simultaneously therewith by purchasing from the Qianbao Shareholders all of their respective shares of Qianbao's registered capital stock, which represent 100% of the issued and outstanding registered capital stock of Qianbao. In consideration therefore, Pay88 agreed to issue to the Qianbao Shareholders an aggregate of 5,000,000 shares of Pay88 Series A Convertible Preferred Stock, to be allocated between the Qianbao Shareholders as follows: 4,950,000 shares to Yahu and 50,000 shares to Bao. Mr. Tao Fan, a brother of Mr. Guo Fan, a director and officer of Pay88, is the Chief Executive Officer of Yahu and owns 5% of its issued shares of capital stock.

The 5,000,000 shares of Pay88 Series A Preferred Stock is convertible into 14,000,000 shares of Pay88 common stock. The holders of shares of Series A Preferred Stock are entitled to the number of votes equal to the number of shares of common stock into which such shares of Series A Preferred Stock could be converted. With the issuance of the 5,000,000 shares of Pay88 Series A Preferred Stock, Qianbao's stockholders have voting control of Pay88 (approximately 58%) and therefore the acquisition was accounted for as a reverse acquisition. The combination of the two companies is recorded as a recapitalization of Qianbao pursuant to which Qianbao is treated as the continuing entity although Pay88 is the legal acquirer.

Qianbao was incorporated on April 24, 2006 in Chongqing, China. Qianbao is currently primarily engaged in the sale of prepaid online video game cards and prepaid telephone cards that allow the user to play online video games for designated allotted times. Qianbao also intends to build a web distribution platform to provide effective services for connecting diversified service providers and consumer product suppliers to retailers and consumers in the Chinese market.

Pay88, Inc. and Chongqing Qianbao Technology Ltd. are hereafter collectively referred to as "the Company".

Condensed Financial Statements

In the opinion of the Company's management, the accompanying unaudited condensed consolidated 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.





PAY88, INC. AND SUBSIDIARY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Basis of Presentation (Continued)

Consolidation

The accompanying unaudited condensed consolidated financial statements included the accounts of Pay88 (Parent) and its wholly owned subsidiary (“Qianbao”). All significant intercompany transactions have been eliminated in consolidation.

Going Concern

The Company incurred a net loss of \$134,829 for the quarter ended March 31, 2007. In addition, the Company had a working capital deficiency of \$276,667 at March 31, 2007. 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.

During the quarter ended March 31, 2007, the Company received net loans totaling \$131,375 from its officers.

The Company is attempting to address its lack of liquidity by raising additional funds, either in the form of debt or equity or some combination thereof. The Company is attempting to expand its game card and phone card sales and provide additional internet services. There can be no assurances that the Company will be able to raise the additional funds it requires and/or achieve its business goals.

The accompanying condensed consolidated 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 - Advertising Costs

Advertising costs are expensed as incurred. Advertising costs amounted to \$2,576 for the period ended March 31, 2007.

NOTE 3 - Net Loss Per Common Share

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. The common stock issued and outstanding with respect to the pre-merger Pay88 stockholders has been included since April 24, 2006.

Diluted loss per share is computed similarly to basic loss per share except that it includes the potential dilution that could occur if dilutive securities were converted. Accordingly, dilutive loss per share includes the conversion of 5,000,000 shares of Pay88 Series A Convertible Preferred Stock into 14,000,000 shares of Pay88 common stock.



PAY88, INC. AND SUBSIDIARY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - Property and Equipment

Property and equipment is summarized as follows:

		Estimated Useful Lives
Office Units and Improvements	\$ 397,530	31 Years
Furniture and Fixtures	7,829	5 Years
Office Equipment	85,707	3 Years
Software	22,876	3 Years
Automobile	6,408	5 Years
520,350		
Less: Accumulated Depreciation	26,980	
	\$ 493,370	

Depreciation expense was \$10,815 for the period ended March 31, 2007.

The Company purchased three units of office space in July 2006 in Chongqing China. In the People's Republic of China, land is owned by the State. The right for the Company to use the land expires in 2037 and may be extended at that time.

NOTE 5 - Loans Payable - Related Parties

Loans payable to Company's Chief Executive Officer, bearing interest at 5% per annum and payable on demand		\$ 125,626
Loans payable to the Company's Chief Operating Officer, bearing interest at 2% per annum and payable on demand		293,570
		\$ 419,196

NOTE 6 - Note Payable - Related Party

Note payable to the Company's Chief Executive Officer in the amount of \$80,385 bears interest at 5% per annum and is payable on August 31, 2008.

Maturities of this long-term debt are as follows:

During the Year Ending  
December 31,

2007		\$ -
2008		80,385
		\$ 80,385



PAY88, INC. AND SUBSIDIARY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - Commitments and Contingencies

Yahu Agreement

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. As a result of the Share Purchase Agreement (see Note 1) Yahu owns 4,950,000 shares of Pay88 Series A Preferred Stock, representing approximately 53% voting control. 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. Although this agreement is in force, it has been dormant and we presently have no intention to engage in the money transfer business.

Lack of Insurance

The Company currently has no insurance in force for its office facilities and operations and it cannot be certain that it can cover the risks associated with such lack of insurance or that it will be able to obtain and/or maintain insurance to cover these risks at economically feasible premiums.

Employment Agreements

Effective February 1, 2007, the Company entered into an Employment Agreement with Mr. Guo Fan (“Guo’s Agreement”), which memorialized the employment of Mr. Guo Fan on a full time basis as its Chairman, President and Chief Executive Officer. Pursuant to Guo’s Agreement, Mr. Guo Fan will receive an annual salary of \$100,000 during the five-year term commencing on February 1, 2007. Guo’s Agreement also provides that if Mr. Guo Fan’s employment is terminated without cause at any time within the five year term, the Company shall pay Mr. Guo Fan his salary through January 31, 2012.

Effective February 1, 2007, the Company entered into an Employment Agreement with Mr. Tao Fan (“Tao’s Agreement”), pursuant to which Mr. Tao Fan was employed as the Chief Operating Officer of the Company. Pursuant to Tao’s Agreement, Mr. Tao Fan will receive an annual salary of \$50,000 during the five-year term commencing on February 1, 2007. Tao’s Agreement also provides that if Mr. Tao Fan’s employment is terminated without cause at any time within the five year term, the Company shall pay Mr. Tao Fan his salary through January 31, 2012.

Both agreements provide for reimbursement of business expenses, directors’ and officers’ insurance coverage and other additional benefits including but not limited to pension or profit sharing plans and insurance. The Company also agrees to defend the Executives from and against any and all lawsuits initiated against the Company and/or the Executives.

PAY88, INC. AND SUBSIDIARY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - Stockholders' Equity

At inception, Qianbao was formed with two stockholders, Yahu (99%) and an individual (1%). The initial capitalization was \$362,790 of which Yahu contributed \$350,280 and the individual contributed \$12,510. Subsequently, there was an additional capital contribution of \$358,705 of which Yahu contributed \$358,420 and the individual contributed \$285.

Pursuant to the Share Purchase Agreement (see Note 1), on September 5, 2006 5,000,000 shares of Pay88 Series A Convertible Preferred Stock was issued to the stockholders of Qianbao in exchange for 100% of the registered capital shares of Qianbao. The 5,000,000 shares of Pay88 Series A Preferred Stock is convertible into 14,000,000 shares of Pay88 common stock. The holders of shares of Series A Preferred Stock are entitled to the number of votes equal to the number of shares of common stock into which such shares of Series A Preferred Stock could be converted.

The Company's Board of Directors may, without further action by the Company's stockholders, from time to time, direct the issuance of any authorized but unissued or unreserved shares of preferred stock in series and at the time of issuance, determine the rights, preferences and limitations of each series. The holders of preferred stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of the Company before any payment is made to the holders of the common stock. Furthermore, the board of directors could issue preferred stock with voting and other rights that could adversely affect the voting power of the holders of the common stock.

NOTE 9 - Related Party Transactions

Rent

The Company rents office space in New Hampshire owned by an officer of the Company for \$200 per month on a month to month basis. Rent expense amounted to \$600 for the quarter ended March 31, 2007.

Accounts Payable

Included in accounts payable at March 31, 2007 is accrued interest payable amounting to \$13,898 on a note and loans payable (see Notes 4 and 5) to two officers and significant stockholders and rent payable to an officer amounting to \$4,600.

Relationships

On February 1, 2007, the board of directors of the Company appointed Mr. Tao Fan as the Chief Operating Officer of the Company. Mr. Tao Fan is the Chief Executive Officer and Chairman of the Board of Directors of Qianbao, our wholly-owned subsidiary. Mr. Tao Fan is also the Chief Executive Officer of Yahu, a principal shareholder of the Company. Mr. Tao Fan is the brother of Mr. Guo Fan, the Chief Executive Officer of the Company.

PAY88, INC. AND SUBSIDIARY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - Concentration of Credit Risk

The Company maintains cash balances in various banks in China. Currently, no deposit insurance system has been set up in China. Therefore, the Company will bear a risk if any of these banks become insolvent. As of March 31, 2007, the Company's uninsured cash balance was \$27,920.

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## **Item 2. Management's Discussion and Analysis or Plan of Operations.**

As used in this Form 10-QSB, references to "Pay88", the "Company," "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**

Pay88 was incorporated on March 22, 2005 under the name "Pay88, Ltd." in the State of New Hampshire. We subsequently reincorporated in the State of Nevada by merging with and into our wholly-owned subsidiary, Pay88, Inc., a Nevada corporation formed for such purpose on July 7, 2005. Such merger was effectuated on August 9, 2005. From the date of our incorporation until September 6, 2006, we were focused on becoming involved in the business of facilitating money transfers from the United States to China. We never commenced our proposed business operations or generated revenues in connection with such proposed operations.

On September 5, 2006, we acquired our wholly-owned subsidiary, Chongqing Qianbao Technology Ltd. ("Qianbao"), a limited liability company organized on April 24, 2006 under the laws of the People's Republic of China. Such acquisition was consummated pursuant to a Share Purchase Agreement, dated as September 5, 2006, among Pay88, Qianbao, and Qianbao's two shareholders, Ying Bao and Chongqing Yahu Information Development Co., Ltd. Pursuant to such Share Purchase Agreement, Pay88 acquired Qianbao by purchasing from Qianbao's shareholders all of their respective shares of Qianbao's registered capital stock, which represented 100% of the issued and outstanding registered capital stock of Qianbao. In consideration therefor, Pay88 agreed to issue to the Qianbao shareholders an aggregate of 5,000,000 shares of the Company's Series A Convertible Preferred Stock, to be allocated between the Qianbao shareholders as follows: 4,950,000 shares to Chongqing Yahu Information Development Co., Ltd. and 50,000 shares to Ying Bao. Mr. Tao Fan, a brother of Mr. Guo Fan, a director and officer of Pay88, is the Chief Executive Officer of Chongqing Yahu Information Development Co., Ltd. and owns 5% of its issued shares of capital stock.



Through Qianbao, we are currently engaged in the sale of prepaid telephone and game cards through its internet website, <http://www.iamseller.com>. Prepaid game cards allow the holder thereof to play online video games for the designated allotted time. Prepaid telephone cards allow the holder thereof to make telephone calls for the designated allotted time. Such products are sold to consumers or retailers visiting such website. We also hope to add for sale on such website prepaid study cards, which allow the holder thereof to use online software that assists in the learning of various subjects including Chinese, English and cooking.

Qianbao does not manufacture any of the products offered for sale on its website. Qianbao purchases such products from third-party suppliers and thereafter resells them on Qianbao's website. A small portion of Qianbao's revenues is derived from commissions earned by Qianbao in connection with the sales of certain products of third-party suppliers sold on Qianbao's website. Such commission is a percentage of the revenues generated from such sales. The specific amount of such percentage is negotiated between Qianbao and each such supplier, but generally ranges from 1% to 5%.

Although Qianbao is a subsidiary of Pay88, the acquisition of Qianbao by Pay88 that was consummated on September 5, 2006 has been treated for financial reporting purposes as a reverse merger. This means that Qianbao is the continuing entity for financial reporting purposes.

### **Plan of Operation**

Through our subsidiary, Qianbao, we will focus on developing its website, [www.iamseller.com](http://www.iamseller.com), increase sales on such website, and build other internet websites on which Qianbao will operate a distribution platform through which we will be able to offer products for sale to consumers or retailers visiting such websites. Qianbao will continue its efforts to arrange for suppliers to offer for sale on such website the following products: prepaid game cards, which allow the holder thereof to play online internet games for the designated allotted time; prepaid calling cards; and study cards, which allow the holder thereof to use online software that assists in the learning of various subjects including Chinese, English and cooking. Qianbao is in the process of arranging for the following companies to supply products to be sold on Qianbao's website: Shandong Tianfu Online Platform (supplier of game cards); Sifang Online Distribution Platform (supplier of game cards); Chongqing Digital World (supplier of phone cards); Chongqing E Net Chongqing Sifang (supplier of phone cards); Chongqing Taoxing (supplier of study cards); and Chongqing Dezheng Technology Development. We have not entered into any agreements with any of such suppliers. However, there is no assurance that we will be successful at marketing and selling these products, developing the distribution platform and any other of our objectives.

## **Results of Operations**

During the quarter ended March 31, 2007 gross revenue was \$1,102,781, the cost of sales was \$1,087,374, and the gross profit was \$15,407. If we continue to realize gross margins similar to our historical amounts, we will continue to have cash flow problems. The revenues were derived from online product sales of prepaid game and telephone cards. We did not have any revenues during the quarter ended March 31, 2006.

Total operating expenses were \$145,820. We had a loss from operations in the amount of \$130,413. The net loss during such period was \$134,829.

## **Liquidity and Capital Resources**

The Company has funded its cash needs since inception with revenues generated from operations, related-party loans, and funds available from the initial and subsequent capitalizations of Qianbao. During the quarter ended March 31, 2007, the Company borrowed approximately \$131,000 from its officers. As of March 31, 2007, our Company had \$27,920 in cash on a consolidated basis. We believe that such funds will not be sufficient to effectuate our plans with respect to the business of Qianbao over the next twelve months. There can be no assurance that we will generate sufficient cash flows to fund operations. We have no lines of credit or other financing arrangements as of March 31, 2007. Accordingly, we may have to continue to rely on borrowings from our officers as we have done historically. Since any earnings, if realized, are anticipated to be reinvested in operations, cash dividends are not expected to be paid in the foreseeable future.

If Qianbao's internet distribution platform is developed, we will need to seek additional capital for the purpose of financing our marketing efforts. We may also seek additional capital for the purpose of financing our plans with respect to our anticipated money transfer business. When and if we decide to resume our plans with respect to our money transfer business, we expect to incur a minimum of \$250,000 in expenses in order to effectuate such plans. 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.

There can be no assurance that additional capital will be available to us. Although we generally intend 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.

We have no current plans for the purchase or sale of any significant amounts of plant or equipment.

We have no current plans to make any significant changes in the number of employees.

### **Lack of Insurance**

The Company currently has no insurance in force for its office facilities and operations and it cannot be certain that it can cover the risks associated with such lack of insurance or that it will be able to obtain and/or maintain insurance to cover these risks at economically feasible premiums.

### **Going Concern**

The Company incurred a net loss of \$134,829 for the quarter ended March 31, 2007. In addition, the Company had a working capital deficiency of \$276,667 at March 31, 2007. These factors raise substantial doubt about the Company's ability to continue as a going concern.

### **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.

## **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.

### **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 March 31, 2007.

### **Item 5. Other Information.**

None.

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**Item 6. Exhibits**

Exhibit No. Description

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: May 14, 2007

PAY88, INC.

By: /s/ Guo Fan

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