

Edgar Filing: Eight Dragons Co. - Form 10-Q

Eight Dragons Co.
Form 10-Q
October 24, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark one)

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2008

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 000-28453

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

Nevada
(State of incorporation) 75-2610236
(IRS Employer ID Number)

211 West Wall Street, Midland, TX 79701-4556
(Address of principal executive offices)

(432) 682-1761
(Issuer's telephone number)

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

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State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: October 20, 2008: 362,200

Transitional Small Business Disclosure Format (check one): YES NO

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Eight Dragons Company

Form 10-Q for the Quarter ended September 30, 2008

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Part I

Item 1 - Financial Statements

Eight Dragons Company
Balance Sheets
September 30, 2008 and December 31, 2007

	(Unaudited) September 30, 2008	(Audited) December 31, 2007
Assets		
Current Assets		
Cash on hand and in bank	\$ 1,446	\$ 1,121
Total Assets	\$ 1,446	\$ 1,121
Liabilities and Shareholders' Deficit		
Liabilities		
Current Liabilities		
Accounts payable - trade	\$ —	\$ —
Accrued interest payable	19,850	58,266
Notes payable to shareholder	790,000	740,000
Shareholder advances	83,050	65,000
Total Liabilities	940,038	863,266
Commitments and Contingencies		
Shareholders' Deficit		
Common stock - \$0.00001 par value. 25,000,000 shares authorized. 362,200 shares issued and outstanding		
	36	36
Additional paid-in capital	31,690,302	31,690,302
Accumulated deficit	(32,628,930)	(32,552,483)
Total Shareholders' Deficit	(938,592)	(862,145)
Total Liabilities and Shareholders' Deficit	\$ 1,446	\$ 1,121

The financial information presented herein has been prepared by management
without audit by independent certified public accountants.

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

Eight Dragons Company
 Statements of Operations and Comprehensive Loss
 Nine and Three months ended September 30, 2008 and 2007

(Unaudited)

	Nine months ended September 30, 2008	Nine months ended September 30, 2007	Three months ended September 30, 2008	Three months ended September 30, 2007
Revenues	\$ —	\$ —	\$ —	\$ —
Expenses				
Professional fees	15,253	30,544	5,687	2,556
General and administrative expenses	2,489	5,227	1,260	690
Total expenses	17,742	35,711	6,947	3,246
Loss before other income and provision for income taxes	(17,742)	(35,711)	(6,947)	(3,246)
Other Income (Expense)				
Interest income	17	405	8	153
Interest expense	(58,722)	(57,831)	(19,850)	(19,422)
Total other income (expense)	(58,705)	(57,426)	(19,842)	(19,269)
Loss before provision for income taxes	(76,447)	(93,197)	(26,789)	(22,515)
Provision for income taxes	—	—	—	—
Net Loss	(76,447)	(93,197)	(26,789)	(22,515)
Other Comprehensive Income	—	—	—	—
Comprehensive Loss	\$ (76,447)	\$ (93,197)	\$ (26,789)	\$ (22,515)
Loss per share of common stock outstanding computed on net loss - basic and fully diluted				
	\$ (0.21)	\$ (0.49)	\$ (0.07)	\$ (0.06)
Weighted-average number of shares outstanding - basic and fully diluted				
	362,200	190,700	362,500	362,200

The financial information presented herein has been prepared by management
without audit by independent certified public accountants.
The accompanying notes are an integral part of these financial statements.

Eight Dragons Company
 Statements of Cash Flows
 Nine months ended September 30, 2008 and 2007

(Unaudited)

	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Cash Flows from Operating Activities		
Net income (loss) for the period	\$ (76,447)	\$ (93,197)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	—	—
Increase in		
Accounts payable - trade	—	—
Accrued interest payable	58,722	57,831
Net cash used in operating activities	(17,725)	(35,366)
Cash Flows from Investing Activities		
	—	—
Cash Flows from Financing Activities		
Proceeds from shareholder advances	18,050	15,000
Proceeds from sale of common stock	—	12,000
Net cash provided by financing activities	18,050	27,000
Increase (Decrease) in Cash	325	(8,366)
Cash at beginning of period	1,121	20,806
Cash at end of period	\$ 1,446	\$ 12,440
Supplemental Disclosure of Interest and Income Taxes Paid		
Interest paid for the year	\$ —	\$ —
Income taxes paid for the year	\$ —	\$ —
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Issuance of common stock in settlement of debt	\$ —	\$ 232,806

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The financial information presented herein has been prepared by management
without audit by independent certified public accountants.
The accompanying notes are an integral part of these financial statements.

Eight Dragons Company
Notes to Financial Statements
September 30, 2008 and December 31, 2007

Note 1 - Preparation of Financial Statements

The Company follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and has a year-end of December 31.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented

During interim periods, the Company follows the accounting policies set forth in its annual audited financial statements filed with the U. S. Securities and Exchange Commission on its Annual Report on Form 10-KSB for the year ended December 31, 2007. The information presented within these interim financial statements may not include all disclosures required by generally accepted accounting principles and the users of financial information provided for interim periods should refer to the annual financial information and footnotes when reviewing the interim financial results presented herein.

In the opinion of management, the accompanying interim financial statements, prepared in accordance with the U. S. Securities and Exchange Commission's instructions for Form 10-Q, are unaudited and contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the respective interim periods presented. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending December 31, 2008.

Note 2 - Financial Condition and Going Concern

The Company has no significant assets or operating activity as of September 30, 2008.

It is the belief of management and significant stockholders that they will provide sufficient working capital necessary to support and preserve the integrity of the corporate entity will be present. However, there is no legal obligation for either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources.

Additionally, the Company intends to raise additional working capital either through private placements, public offerings and/or bank financing or will seek a merger or acquisition candidate.

There are no assurances that the Company will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support the Company's working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company. If adequate working capital is not available, the Company may not renew its operations.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the carrying amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Part I - Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Caution Regarding Forward-Looking Information

Certain statements contained in this quarterly filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-Q and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

(2) Results of Operations

The Company had no revenue for either of the nine or three month periods ended September 30, 2008 and 2007, respectively.

General and administrative expenses for the nine and three month periods ended September 30, 2008 and 2007 were nominal, consisting of principally of professional and other associated fees related to the Company's compliance with the periodic report filing requirements of the Securities Exchange Act of 1934, as amended, and accrued interest expense on notes payable to officer/shareholders.

Earnings per share for the respective nine month periods ended September 30, 2008 and 2007 was approximately \$(0.21) and \$(0.49) based on the weighted-average shares issued and outstanding at the end of each respective period as adjusted for all cumulative reverse and forward stock split actions.

The Company does not expect to generate any meaningful revenue or incur operating expenses for purposes other than fulfilling the obligations of a reporting company under the Securities Exchange Act of 1934 unless and until such time that the Company's operating subsidiary begins meaningful operations.

At September 30, 2008, December 31, 2007 and September 30, 2007, respectively, the Company had negative working capital of approximately \$(938,600), \$(911,800) and \$(831,400), respectively.

It is the belief of management and significant stockholders that they will provide sufficient working capital necessary to support and preserve the integrity of the corporate entity will be present. However, there is no legal obligation for

either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources. Consequently, there is substantial doubt about the Company's ability to continue as a going concern.

The Company's need for working capital may change dramatically as a result of any business acquisition or combination transaction. There can be no assurance that the Company will identify any such business, product, technology or company suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage the business, product, technology or company it acquires.

Plan of Business

General

The Company intends to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged. However, the Company does not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940.

A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

Pending negotiation and consummation of a combination, the Company anticipates that it will have, aside from carrying on its search for a combination partner, no business activities, and, thus, will have no source of revenue. Should the Company incur any significant liabilities prior to a combination with a private company, it may not be able to satisfy such liabilities as are incurred.

If the Company's management pursues one or more combination opportunities beyond the preliminary negotiations stage and those negotiations are subsequently terminated, it is foreseeable that such efforts will exhaust the Company's ability to continue to seek such combination opportunities before any successful combination can be consummated. In that event, the Company's common stock will become worthless and holders of the Company's common stock will receive a nominal distribution, if any, upon the Company's liquidation and dissolution.

Combination Suitability Standards

In its pursuit for a combination partner, the Company's management intends to consider only combination candidates which are profitable or, in management's view, have growth potential. The Company's management does not intend to pursue any combination proposal beyond the preliminary negotiation stage with any combination candidate which does not furnish the Company with audited financial statements for at least its most recent fiscal year and unaudited financial statements for interim periods subsequent to the date of such audited financial statements, or is in a position to provide such financial statements in a timely manner. The Company will, if necessary funds are available, engage attorneys and/or accountants in its efforts to investigate a combination candidate and to consummate a business combination. The Company may require payment of fees by such combination candidate to fund the investigation of such candidate. In the event such a combination candidate is engaged in a high technology business, the Company may also obtain reports from independent organizations of recognized standing covering the technology being developed and/or used by the candidate. The Company's limited financial resources may make the acquisition of such reports difficult or even impossible to obtain and, thus, there can be no assurance that the Company will have sufficient funds to obtain such reports when considering combination proposals or candidates. To the extent the Company is unable to obtain the advice or reports from experts, the risks of any combined enterprise's being unsuccessful will be enhanced. Furthermore, to the knowledge of the Company's officers and directors, neither the candidate nor any of its directors, executive officers, principal shareholders or general partners:

- (1) will not have been convicted of securities fraud, mail fraud, tax fraud, embezzlement, bribery, or a similar criminal offense involving misappropriation or theft of funds, or be the subject of a pending investigation or indictment involving any of those offenses;
- (2) will not have been subject to a temporary or permanent injunction or restraining order arising from unlawful transactions in securities, whether as issuer, underwriter, broker, dealer, or investment advisor, may be the subject of any pending investigation or a defendant in a pending lawsuit arising from or based upon allegations of unlawful transactions in securities; or
- (3) will not have been a defendant in a civil action which resulted in a final judgement against it or him awarding damages or rescission based upon unlawful practices or sales of securities.

The Company's officers and directors will make these determinations by asking pertinent questions of the management of prospective combination candidates. Such persons will also ask pertinent questions of others who may be involved in the combination proceedings. However, the officers and directors of the Company will not generally take other steps to verify independently information obtained in this manner which is favorable. Unless

something comes to their attention which puts them on notice of a possible disqualification which is being concealed from them, such persons will rely on information received from the management of the prospective combination candidate and from others who may be involved in the combination proceedings.

(3) Liquidity and Capital Resources

It is the belief of management and significant stockholders that they will provide sufficient working capital necessary to support and preserve the integrity of the corporate entity will be present. However, there is no legal obligation for either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources. Consequently, there is substantial doubt about the Company's ability to continue as a going concern.

The Company has no current plans, proposals, arrangements or understandings with respect to the sale or issuance of additional securities prior to the location of a merger or acquisition candidate. Accordingly, there can be no assurance that sufficient funds will be available to the Company to allow it to cover the expenses related to such activities.

The Company does not currently contemplate making a Regulation S offering.

Regardless of whether the Company's cash assets prove to be inadequate to meet the Company's operational needs, the Company might seek to compensate providers of services by issuances of stock in lieu of cash.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

In future periods, the Company may become subject to certain market risks, including changes in interest rates and currency exchange rates. At the present time, the Company has no identified exposure and does not undertake any specific actions to limit exposures, if any.

Item 4 - Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of September 30, 2008. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our Company required to be included in our reports filed or submitted under the Exchange Act.

(b) Changes in Internal Controls

There were no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1 - Legal Proceedings

None

Item 2 - Recent Sales of Unregistered Securities and Use of Proceeds

None

Item 3 - Defaults on Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

The Company has held no regularly scheduled, called or special meetings of shareholders during the reporting period.

Item 5 - Other Information

None

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Item 6 - Exhibits

31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002

SIGNATURES

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

Eight Dragons Company

Dated: October 24, 2008

/s/ Glenn A. Little
Glenn A. Little
Chief Executive Officer,
Chief Financial Officer,
and Director

