

Edgar Filing: COMET TECHNOLOGIES INC - Form 10QSB

COMET TECHNOLOGIES INC  
Form 10QSB  
May 17, 2004

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

FORM 10-QSB

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(Mark one)

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

For the quarterly period ended March 31, 2004

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

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

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Commission File Number: 0-26059

COMET TECHNOLOGIES, INC.

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

Nevada

87-0430322

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(State of Incorporation)

(IRS Employer ID Number)

10 West 100 South, Suite 610, Salt Lake City, Utah 84101

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(Address of principal executive offices)

(801) 532-7851

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(Issuer's telephone number)

Not Applicable.

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(Former name, address and 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 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

APPLICABLE ONLY TO CORPORATE ISSUERS: State the number of shares outstanding of each of the issuer's classes of common equity: As of the date of this report, there were 3,598,000 shares of common stock outstanding.

Transitional Small Business Format: Yes  No

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COMET TECHNOLOGIES, INC.

Form 10-QSB for the Three Months ended March 31, 2004

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## PART I - FINANCIAL INFORMATION

### Item 1 - Financial Statements

COMET TECHNOLOGIES, INC.  
(A Development Stage Company)

## FINANCIAL STATEMENTS

March 31, 2004 and December 31, 2003

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COMET TECHNOLOGIES, INC.

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(A Development Stage Company)

## Balance Sheets

### ASSETS

	March 31, 2004	December 31, 2003
-----		
(Unaudited)		
CURRENT ASSETS		
Cash	\$ 132,858	\$ 151,597
-----		
Total Current Assets	132,858	151,597
-----		
TOTAL ASSETS	\$ 132,858	\$ 151,597
=====		

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### CURRENT LIABILITIES

Accounts payable - related parties	\$ 44,295	\$ 30,000
-----		
Total Current Liabilities	44,295	30,000
-----		
TOTAL LIABILITIES	44,295	30,000
-----		

#### STOCKHOLDERS' EQUITY

Common stock: 20,000,000 shares authorized of \$0.001 par value, 3,598,000 shares issued and outstanding	3,598	3,598
Additional paid-in capital	238,561	238,561
Deficit accumulated during the development stage	(153,596)	(120,562)
-----		
Total Stockholders' Equity	88,563	121,597
-----		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 132,858	\$ 151,597
=====		

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

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COMET TECHNOLOGIES, INC.  
(A Development Stage Company)  
Statements of Operations  
(Unaudited)

	For the Three Months Ended March 31,		From Inception on February 7, 1986 through March 31, 2004
	2004	2003	
REVENUES	\$ -	\$ -	\$ -
EXPENSES			
General and administrative	33,169	8,304	300,035
Total Expenses	33,169	8,304	300,035
LOSS FROM OPERATIONS	(33,169)	(8,304)	(300,035)
OTHER INCOME (EXPENSE)			
Dividend income	-	-	5,493
Interest income	135	421	147,596
Unrealized loss from marketable securities	-	-	(6,650)
Total Other Income (Expense)	135	421	146,439
NET LOSS	\$ (33,034)	\$ (7,883)	\$ (153,596)
BASIC LOSS PER SHARE	\$ (0.01)	\$ (0.00)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	3,598,000	3,598,000	

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

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From Inception on February 7, 1986 through March 31, 2004

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During Development Stage
	Shares	Amount		
Balance at Inception on February 7, 1986	-	\$ -	\$ -	\$ -
Issuance of 1,098,000 shares of common stock to officers, directors and other individuals for \$0.023 per share on February 7, 1986	1,098,000	1,098	23,902	-
Public offering of the Company's common stock	2,500,000	2,500	247,500	-
Deferred offering costs offset against capital in excess of par value	-	-	(32,841)	-
Net loss from inception on February 7, 1986 through December 31, 1997	-	-	-	(41,568)
	-----	-----	-----	-----
Balance, December 31, 1997	3,598,000	3,598	238,561	(41,568)
Net loss for the year ended December 31, 1998	-	-	-	(1,761)
	-----	-----	-----	-----
Balance, December 31, 1998	3,598,000	3,598	238,561	(43,329)
Net income for the year ended December 31, 1999	-	-	-	145
	-----	-----	-----	-----
Balance, December 31, 1999	3,598,000	3,598	238,561	(43,184)
Net loss for the year ended December 31, 2000	-	-	-	(1,803)
	-----	-----	-----	-----
Balance, December 31, 2000	3,598,000	3,598	238,561	(44,987)
Net loss for the year ended December 31, 2001	-	-	-	(7,412)
	-----	-----	-----	-----
Balance, December 31, 2001	3,598,000	3,598	238,561	(52,399)
	-----	-----	-----	-----

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

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COMET TECHNOLOGIES, INC.  
 (A Development Stage Company)  
 Statements of Stockholders' Equity (Deficit) (Continued)  
 From Inception on February 7, 1986 through March 31, 2004

	Common Stock		Additional	Deficit
	Shares	Amount	Paid-In	Accumulated
	-----	-----	-----	-----
	-----	-----	-----	-----
Balance, December 31, 2001	3,598,000	\$ 3,598	\$ 238,561	\$ (52,399)
Net loss for the year ended December 31, 2002	-	-	-	(28,074)
	-----	-----	-----	-----
Balance, December 31, 2002	3,598,000	3,598	238,561	(80,473)
Net loss for the year ended December 31, 2003	-	-	-	(40,089)
	-----	-----	-----	-----
Balance, December 31, 2003	3,598,000	3,598	238,561	(120,562)
Net loss for the three months ended March 31, 2004 (unaudited)	-	-	-	(33,034)
	-----	-----	-----	-----
Balance, March 31, 2004 (unaudited)	3,598,000	\$ 3,598	\$ 238,561	\$ (153,596)
	=====	=====	=====	=====

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

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COMET TECHNOLOGIES, INC.  
(A Development Stage Company)  
Statements of Cash Flows  
(Unaudited)

	For the Three Months Ended March 31,		From Inception on February 7, 1986 through March 31,
	2004	2003	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Loss from operations	\$ (33,034)	\$ (7,883)	\$ (153,596)
Adjustments to reconcile net loss to net cash used by operating activities:			
Amortization	-	-	301
Change in operating assets and liabilities:			
Increase in taxes payable	-	-	300
Increase (decrease) in accounts payable	14,295	(9,600)	43,994
Net Cash used by Operating Activities	(18,739)	(17,483)	(109,001)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Organizational costs	-	-	(300)
Net stock offering proceeds	-	-	242,159
Net Cash Provided by Financing Activities	-	-	241,859
INCREASE (DECREASE) IN CASH	(18,739)	(11,292)	132,858
CASH AT BEGINNING OF PERIOD	151,597	176,686	-
CASH AT END OF PERIOD	\$ 132,858	\$ 159,203	\$ 132,858
<b>CASH PAID FOR:</b>			
Taxes	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -

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

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COMET TECHNOLOGIES, INC.  
(A Development Stage Company)  
Notes to the Financial Statements  
March 31, 2004 and December 31, 2003

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2004 and 2003 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2003 audited financial statements. The results of operations for the periods ended March 31, 2004 and 2003 are not necessarily indicative of the operating results for the full years.

NOTE 2 - RELATED PARTY TRANSACTION

As of March 31, 2004, the Company owed \$44,295 to related parties for unpaid services rendered to the Company.

NOTE 3 - MATERIAL EVENTS

On January 19, 2004 the Company entered into a Stock Exchange Agreement with Town House Land Limited, (Town House) an entity organized in China. If consummated, the Company would authorize a 1 for 3 reverse split of its outstanding stock and then issue 18,390,000 post-split shares to acquire Town House. Also, a majority of the current officers and directors of the Company will resign and be replaced by officers and directors of Town House.

Item 2 - Management's Discussion and Analysis or Plan of Operation

(1) Caution Regarding Forward-Looking Information

When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. These risks and uncertainties, many of which are beyond our control, include (i) the sufficiency of existing capital resources and the Company's ability to raise additional capital to fund cash requirements for future operations; (ii) volatility of the stock market; and (iii) general economic conditions. Although the Company believes the expectations reflected in these forward-looking statements are reasonable, such expectations may prove to be incorrect.

(2) Plan of Operation

The Company has not been engaged in business operations, and has had no revenue from operations during the quarter ended March 31, 2004.

The Company has entered into an Exchange Agreement with Town House Land Limited ("Town House"), a company organized in the Hong Kong Special Administrative Region in The People's Republic of China ("PRC") and the shareholders of Town House. The Company expects this transaction to close in June, 2004. This proposed transaction, and the business of Town House are described in detail in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003. If the Exchange Agreement is consummated, the business of the Registrant will be conducted through its then subsidiary, Town House, which will, in turn, conduct its business through Wuhan Pacific Real Estate Industry Development Company Limited ("Wuhan Pacific"), a foreign enterprise organized in Hubei Province in The People's Republic of China ("PRC"). According to documentation provided by Town House, Wuhan Pacific is one of the first privately owned property developers in Wuhan City and is one of the largest property developers in Wuhan City, based on a list of top 100 property development enterprises in Wuhan City in terms of Gross Floor Area ("GFA") sold in 2002 published by the Wuhan Statistics Bureau. It engages principally in the development and sale of high quality private residential properties catering to the mass residential property

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market in Wuhan City. Wuhan Pacific also engages in other ancillary property related services such as property sales planning and underwriting, construction supervisory and real estate agency services.

Wuhan Pacific's portfolio of properties under development are currently all located in Wuhan City and target different segments within the mass residential property market, including young white collar employees, middle to senior managers in enterprises, entrepreneurs and families with young children. These upwardly mobile people represent the emerging middle class in Wuhan City and are a growing source of demand in the mass residential property market.

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Wuhan Pacific aims to further solidify its position in Wuhan City, and plans to also expand its focus on property business in Shanghai. Wuhan Pacific also indicates that it will pursue quality business opportunities in other fast growing cities in China such as Yi Chang, if market conditions are appropriate. There is no assurance that the operations of the Company will be successful.

### (3) Results of Operations

The Company had essentially no operations during the quarter ended March 31, 2004. As of March 31, 2004, the Company had cash of \$132,858, liabilities of \$44,295, and no other liquid assets or resources. It is expected that all of the Company's cash assets will be expended in connection with the Town House Acquisition described above.

The Company has not experienced any material changes in results of operation, except for additional expenses incurred in connection with the transaction with Town House, described above. The Company had no revenue from continuing operations and incurred expenses during the quarter ended March 31, 2004, of \$33,169, in accounting, legal, consulting and other general and administrative expenses, as compared to \$8,304 in expenses for the quarter ended March 31, 2003. These expenses were incurred in connection with the Company's continuing efforts to file necessary periodic reports and to continue its efforts in consummating the Town House transaction.

The Company has realized a net loss for the three months ended March 31, 2004 and 2003, of \$33,034 and \$7,883 respectively, and a net loss since inception of \$153,596.

### (4) Liquidity and Capital Resources

The Company has not experienced a material change in financial condition over the past year. At March 31, 2004, the Company had working capital of approximately \$88,563, as compared to \$121,597, at December 31, 2003. This reduction in working capital is due to costs of maintaining the Company as a public company, and payments to officers and professionals for efforts in reviewing business opportunities and in connection with the proposed transaction with Town House, described above. Working capital as of both dates consists of short-term investments, and cash and cash equivalents, less current liabilities. Management believes that the Company has sufficient cash and short-term investments to meet the anticipated needs of the Company's

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operations through at least the next 12 months. However, there can be no assurances to that effect, as the Company has no significant revenues and the Company's need for capital may change dramatically if it acquires an interest in a business opportunity during that period. The Company is dependent upon management and/or significant shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase. It is the intent of management and significant shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity.

Although the Company's assets consist of cash and cash equivalents, the Company has no intent to become, or hold itself out to be, engaged primarily in the business of investing, reinvesting, or trading in securities. Accordingly, the Company does not anticipate being required to register pursuant to the Investment Company Act of 1940, and expects to be limited in its ability to invest in securities, other than cash equivalents and government securities, in the aggregate amount of over 40% of its assets. There can be no assurance that any investment made by the Company will not result in losses.

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### Item 3 - Controls and Procedures

As of the end of the period covered by this report, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934) each of the chief executive officer and the chief financial officer of the Company has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms.

There were no significant changes in the Company's internal controls or in any other factors which could significantly affect those controls subsequent to the date of the most recent evaluation of the Company's internal controls by the Company, including any corrective actions with regard to any significant deficiencies or material weaknesses.

## PART II - OTHER INFORMATION

### Item 1 - Legal Proceedings

None.

### Item 2 - Changes in Securities

None.

### Item 3 - Defaults on Senior Securities

None.

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

During the quarter ended March 31, 2004, the Company held no regularly scheduled, called or special meetings of shareholders during the reporting period, nor were any matters submitted to a vote of this Company's security

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holders.

Item 5 - Other Information

None.

Item 6 - Exhibits and Reports on Form 8-K

Exhibit Description

31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

\* Included herein pursuant to Item 601(b) 31 of Regulation SB.

\*\* Included herein pursuant to Item 601(b) 32 of Regulation SB.

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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.

COMET TECHNOLOGIES, INC.

Date: May 13, 2004

By: /s/ Richard B. Stuart

Richard B. Stuart, President and CEO

Date: May 13, 200

By: /s/ Jack M. Gertino

Jack M. Gertino, Secretary and CFO

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