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ASAP SHOW, INC.
Form 10QSB
October 16, 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 quarterly period ended August 31, 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 001-51554

ASAP SHOW, INC.

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

Nevada

(State or other jurisdiction of
incorporation or organization)

20-2934409

(I.R.S. Employer
Identification No.)

4349 Baldwin Ave., Unit A, El Monte, CA

(Address of principal executive offices)

91731

(Zip Code)

Issuer's telephone number (626) 636-2530

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 X
--- ---

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

Number of shares outstanding of the issuer's classes of common equity, as of September 30, 2006: 8,701,480 Shares of Common Stock (One Class)

Transitional Small Business Disclosure Format: Yes No X
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASAP SHOW, INC.
CONDENSED BALANCE SHEET
(UNAUDITED)
August 31,
2006

ASSETS

Current assets:

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Cash		\$	61,548
Accounts receivable			49,376
Prepaid expenses			2,193

Total current assets			113,117
Other assets			9,800

Total assets		\$	122,917

LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable and accrued expenses		\$	547,902
Line-of-credit, stockholder			785,848

Total current liabilities			1,333,750

COMMITMENTS AND CONTINGENCIES			
Stockholders' deficit:			
Common stock, \$0.001 par value; 45,000,000 shares authorized; 8,701,480 shares issued and outstanding			8,701
Capital Contribution Receivable			(50,000)
Additional paid-in capital			14,174,550
Accumulated deficit			(15,344,084)

Total stockholders' deficit			(1,210,833)

Total liabilities and stockholders' deficit		\$	122,917
			=====

See accompanying notes to condensed financial statements

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CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended August 31,	
	2006	2005
	-----	-----
Revenues:		
Transaction sales	\$ 178,403	\$ 120,719
Tradeshow	750,549	720,115
Buying trip	--	171,832

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Revenues	928,952	1,012,666
Operating expenses:		
Cost of transaction sales	162,646	97,916
General and administrative	680,016	834,136
Payroll and related	95,361	176,590
Total operating expenses	938,023	1,108,642
Loss from operations	(9,071)	(95,976)
Interest expense	20,077	26,394
Loss before income taxes	(29,148)	(122,370)
Income taxes	800	800
Net loss	\$ (29,948)	\$ (123,170)
Net loss per share available to common stockholders		
Basic and diluted	\$ --	\$ (0.01)
Weighted-average number of common shares outstanding		
Basic and diluted	8,630,601	8,626,480

See accompanying notes to condensed financial statements.

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CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended August 31,	
	2006	2005
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	\$ (29,948)	\$ (123,170)
Adjustments to reconcile net loss to net		

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cash provided by (used in) operating activities:		
Estimate fair value of common stock issued for services rendered	8,250	--
Changes in operating assets and liabilities:		
Accounts receivable	(24,216)	4,205
Prepaid expenses	465	62,287
Other assets	--	1,568
Accounts payable and accrued expenses	193,292	216,924
Deferred revenues	(121,435)	(186,993)
	-----	-----
Net cash provided by (used in) operating activities	26,408	(25,179)
	-----	-----
Cash flows from financing activities:		
Repayment of loan payable	--	(100,000)
Proceeds from borrowings on line-of-credit from stockholder	281,048	250,000
Repayments of borrowings on line-of-credit from stockholder	(317,000)	(100,000)
	-----	-----
Net cash (used in) provided by financing activities	(35,952)	50,000
	-----	-----
Net (decrease) increase in cash	(9,544)	24,821
Cash, beginning of period	71,092	69,866
	-----	-----
Cash, end of period	\$ 61,548	\$ 94,687
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for		
Interest	\$ 24,030	\$ 29,839
Income taxes	800	800

See accompanying notes to condensed financial statements

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - BASIS OF REPORTING

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-B. Accordingly, they 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. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three-month period ended August 31, 2006 are not

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necessarily indicative of the results that may be expected for the year ending May 31, 2007.

At August 31, 2006, the Company has accumulated deficit of \$15,344,084, negative working capital of \$1,220,633 and a lack of profitable operational history. The Company hopes to continue to increase revenues from the continued growth of their trade show segment. In the absence of a significant increase in revenues, the Company intends to fund operations through additional debt and equity financing arrangements, including continued support from its majority shareholder (see Note 3). The successful outcome of future activities cannot be determined at this time and there are no assurances that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

Management believes that the Company will require approximately \$600,000 in cash to fund operations through August 31, 2007, based on approximately \$600,000 loss from operations for the fiscal year ended May 31, 2006. Management also believes that such a fund requirement can be reduced by its cost reduction plan and the estimated growth of revenues from tradeshow and buying trips of approximately \$300,000. Management intends to fund requirement with unused portion of the line of credit from shareholders. As of August 31, 2006, the Company had approximately \$291,000 available to borrow under the line of credit from shareholders.

The Company's success is dependent upon numerous items, certain of which are the successful growth of revenues from its products and services and its ability to obtain new customers/exhibitors in order to achieve levels of revenues adequate to support the Company's current and future cost structure, for which there is no assurance. Unanticipated problems, expenses, and delays are frequently encountered in establishing and maintaining profitable operations. These include, but are not limited to, competition, the need to develop customer support capabilities and market expertise, technical difficulties, market acceptance and sales and marketing. The failure of the Company to meet any of these conditions could have a materially adverse effect on the Company and may force the Company to reduce or curtail operations. No assurance can be given that the Company can achieve or maintain profitable operations.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the classification of liabilities that might result from the outcome of these uncertainties.

REVENUE RECOGNITION

The Securities and Exchange Commission issued Staff Accounting Bulletin 104 ("SAB 104"), "Revenue Recognition" which outlines the basic criteria that must be met to recognize revenue and provide guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with Securities and Exchange Commission. Management believes the Company's revenue recognition policies conform to SAB 104.

Revenues include amounts earned under transaction sales, trade shows, and buying trips.

Transaction Sales

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Transaction revenues are recorded in accordance with Emerging Issues Task Force Issue No. ("EITF") 99-19 "Reporting Revenue Gross as a Principal versus net as an Agent." The Company recognizes net revenues from product transaction sales when title to the product passes to the customer. Beginning in fiscal 2005 for all product transactions with its customers, the Company acts as a principal, takes title to all products sold upon shipment, and bears inventory risk for return products that the Company is not able to return to the supplier, although these risks are mitigated through arrangements with factories, shippers and suppliers.

The Company recognizes revenue on transaction sales upon shipment when there is evidence that an arrangement exists, delivery has occurred under the Company's standard FOB shipping point terms, the sales price is fixed or determinable and the ability to collect sales proceeds is reasonably assured.

ASAP Trade Show

The ASAP trade show generates revenue through exhibitor booths sales, corporate sponsorship, and advertising. Such revenue is typically collected in advance, deferred and then recognized at the time of the related trade show. The Company conducts two trade shows per year, currently in February and August in Las Vegas.

Buying Trips

Buying trips generate revenue through the participating buyers ("Buyers") paying for the Company's assistance during the travel through various foreign countries in Asia to meet local apparel manufacturers. The Company receives a portion of exhibition net revenues collected by the oversea government's trade promotion agencies located in the various cities which were visited by the Buyers (i.e. the Company does not share any losses, if any). The Buying Trip's revenue is recognized ratably during the period in which the event is conducted. Management is planning to conduct annual buying trips to China in May and Southeast Asia Countries in November.

Fashion International Trade Show ("FITS")

FITS is a brand new licensing trade show to be held in China. FITS intends to bring International Fashion Brands into the fastest growing consumer market, China, by matching them with a local Chinese Master Licensee partner. In this way, International Fashion Brands can provide their know how - such as Brand name, designs, marketing and promotions - and receive royalty income without any capital investment. The first FITS was held in Hangzhou from June 29 to July 1, 2006. The Company's management negotiated with Hangzhou municipal government, whereby it covered all venue rental, booth decoration, and International Fashion Brands' hotel accommodation expenses. The revenue of FITS was recognized at the completion of the FITS show, totaling \$75,696 and is classified as tradeshow revenue in the accompanying statements of operations.

INDEMNITIES AND GUARANTEES

During the normal course of business, the Company has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include certain agreements with the Company's officers, under which the Company may be required to indemnify such person for liabilities arising out of their employment relationship. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. The majority of these indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded

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for these indemnities and guarantees in the accompanying condensed balance sheets.

BASIC AND DILUTED LOSS PER COMMON SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per common share computations:

	3 Months Ended	
	08/31/06	08/31/05
	-----	-----
Numerator for basic and diluted loss per share:		
Net loss	\$ (29,948)	\$ (123,170)
Denominator for basic and diluted loss per share:		
Weighted average shares (basic and diluted)	8,630,601	8,626,480
	-----	-----
Loss charged to common stockholders per common share:		
Basic and diluted	\$ --	\$ (0.01)
	=====	=====

Stock-Based Compensation

At August 31, 2006, the Company had no stock-based compensation plans and has not issued any share-based payments to its employees.

Effective June 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123(R), Share Based Payment, using the modified-prospective transition method. Under this transition method, compensation cost required to be recognized in the periods ended subsequent to June 1, 2006 will include: (a) compensation cost for all share-based payments granted subsequent to May 31, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R).

The Company will calculate stock-based compensation by estimating the fair value of each option using the Black-Scholes option pricing model. The Company's determination of fair value of share-based payment awards will be made as of their respective dates of grant using that option pricing model and is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behavior. The Black-Scholes option pricing model was developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options will have certain characteristics that are significantly different from traded options, the existing valuation models may not provide an accurate measure of the fair value of the Company's employee stock options. Although the fair value of employee stock options will be

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determined in accordance with SFAS No. 123(R) using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction. The calculated compensation cost will be recognized on a straight-line basis over the vesting period of the option.

Issuance of Stock for Non-cash Consideration

All issuances of the Company's common stock for non-cash consideration have been assigned a dollar amount equaling either the market value of the shares issued or the value of consideration received whichever is more readily determinable. The majority of the non-cash consideration received pertains to services rendered by consultants and others and has been valued at the market value of the shares issued. In certain issuances, the Company may discount the value assigned to the stock issued for illiquidity and restrictions on resale.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of EITF Issue No. 96-18, Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services and EITF Issue No. 00-18, Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement.

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Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Income Tax Uncertainties ("FIN 48"). FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The recently issued literature also provides guidance on the de-recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties.

FIN 48 is effective for fiscal years beginning after December 15, 2006 (ASAP's fiscal year ending May 31, 2008). The differences between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. The Company is still evaluating the impact, if any, of adopting the provisions of FIN 48 on its financial position, results of operations and liquidity.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements

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for the purpose of a materiality assessment. SAB No. 108 is effective for fiscal years ending after November 15, 2006 (ASAP's fiscal year ending May 31, 2007). The Company is currently assessing the impact, if any, the adoption of SAB No. 108 will have on our operating income or net earnings. The cumulative effect, if any, of applying the provisions of SAB No. 108 will be reported as an adjustment to beginning-of-year retained earnings.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007 (ASAP's fiscal year ending May 31, 2009). We plan to adopt SFAS No. 157 beginning in the first quarter of fiscal 2009. We are currently evaluating the impact, if any; the adoption of SFAS No. 157 will have on our operating income or net earnings.

NOTE 2 - BUSINESS SEGMENTS

Reportable business segments as of and for the periods ended August 31, 2006 and 2005 are as follows:

	3 Months Ended	
	08/31/06	08/31/05
	-----	-----
Revenues:		
Transaction sales	\$ 178,403	\$ 120,719
Tradeshows	750,549	720,115
Buying trip	--	171,832
	-----	-----
	\$ 928,952	\$ 1,012,666
	=====	=====
Income (loss) from operations:		
Transaction sales	\$ 15,757	\$ 23,118
Tradeshows	(22,267)	(213,412)
Buying trip	(2,525)	94,318
	-----	-----
	\$ (9,071)	\$ (95,976)
	=====	=====
Identifiable assets:		
Transaction sales	\$ --	
Tradeshows	112,917	
Buying trip	10,000	

	\$ 122,917	
	=====	

Revenues as reflected above; consist of sales to unaffiliated customers only as there were no significant intersegment sales for the three-month periods ended August 31, 2006 and 2005.

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There were no significant concentrations on net segment sales for the three-month periods ended August 31, 2006 and 2005.

Transaction apparel sales are made from goods exported from China into the USA, while tradeshow revenue relates exclusively to the Company's trade shows.

NOTE 3 - DEBT

Line of Credit from Stockholder

The Company has an unsecured revolving line-of-credit (the "Line") from Frank Yuan, the Company's Chief Executive Officer and his family members, which expires on August 1, 2007 and provides for borrowings up to a maximum of \$1,100,000, as amended. The Line bears an interest rate of 10.0% per annum. The balance at August 31, 2006 was \$809,234, including accrued and unpaid interest of \$23,386. Interest expense incurred under the Line approximated the following:

	Three-Months Ended
August 31, 2006	\$ 20,077 =====
August 31, 2005	\$ 26,394 =====

NOTE 4 - EQUITY

During the three months ended August 31, 2006, the Company issued 75,000 shares of common stock for services rendered. The estimated fair value of the common stock was \$8,250 (based on the estimated fair value on the date of grant) and the related expense is included in general and administrative expenses in the accompanying statement of operations.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Company filed a lawsuit against Maureen Storch ("Storch"), Katherine Li ("Li"), Cherry Wang ("Wang") and Global Nexus, Inc., a California Corporation ("Global"), (collectively the four defendants referred to as "Defendants") in the Superior Court of the State of California, County of Los Angeles on November 23, 2005. The claims by the Company against Storch, Li, Wang and Global arose out of certain activities undertaken by them as consultants or employees of the Company. The Company alleges, among other things, that Defendants failed to fulfill their contractual obligations and breached their fiduciary duties to the Company for a number of reasons, including by breach of contract, interference with contract, interference with prospective economic advantage, unfair competition and misappropriation of trade secrets. The Company seeks compensatory damages and injunctive relief.

In response to the lawsuit filed by the Company, Defendants filed a Cross-Complaint against the Company and Frank Yuan individually on January 20, 2006 alleging breach of written contract, breach of implied covenant of good faith and fair dealing, fraud and deceit, rescission, libel, slander, intentional interference with prospective economic advantage, and unfair competition. Defendants seek compensatory and punitive damages and injunctive relief.

Mediation was conducted per court order on August 15, 2006. As a result, a

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global settlement was reached on the same date. In essence, the defendant, Global, agreed to pay \$200 for each booth it hosts with Material World during the upcoming shows in 2007 and beyond, up to 400 booths. Therefore, Global's total potential commitment to ASAP is \$80,000. If Global fails to pay amounts earned by the Company, Maureen Storch and Katherine Li will be personally liable for such payment. Pursuant to the Settlement Agreement, the entire action (complaint and cross-complaint) was dismissed with prejudice on September 25, 2006.

On March 7, 2006, a complaint was filed against Cyber Merchants Exchange, Inc. ("C-Me") in a Chapter 7 bankruptcy proceeding in U.S. Bankruptcy Court in the District of Delaware in the matter captioned In Re: Factory 2-U Stores, Inc. The complaint seeks to recover from C-ME \$91,572 in alleged preferential transfers made to C-ME by the debtor during the ninety-day period prior to the filing of the debtor's bankruptcy petition. C-ME intends to defend against such preference claim by asserting that such transfers were made in the ordinary course of business and such other available defenses.

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To the extent C-ME incurs any losses, costs or damages with respect to the preference claim, including attorneys' fees and related costs, the C-ME believes it may recover such losses, costs and damages from Frank Yuan and the Company pursuant to the indemnification provisions under the Transfer Agreement, which C-Me transferred all of its assets and liabilities to the Company. C-ME has informed Frank Yuan and the Company that it intends to seek indemnification from them with respect to the preference claim. Further, C-ME has informed Frank Yuan and the Company that the \$50,000 reserve originally due to be paid March 30, 2006 under the terms of the Transfer Agreement will be retained by C-ME until this preference claim is resolved to satisfy any potential indemnity claims.

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

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the financial statements and the related notes thereto included elsewhere in this quarterly report for the period ended August 31, 2006. This quarterly report contains certain forward-looking statements and the Company's future operating results could differ materially from those discussed herein. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to announce publicly the results of any revisions of the forward-looking statements contained or incorporated by reference herein to reflect future events or developments.

STATUS OF OPERATIONS

Background

ASAP Show, Inc. (the "Company") is a trade show organizer that is initially targeting the apparel industry and an international electronic trading, financing and logistics corporation. The following four interlocking services make the Company unique: 1) ASAP Shows consists of ASAP Global Sourcing Show - held twice a year in Las Vegas, NV., ASAP Buying Trips, and Fashion

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International Trade Show ("FITS") 2) The Company builds private extranets, or Internet Sourcing Networks ("ISN"), for its retail partners. The ISN matches and pushes merchandise to the appropriate buyers computer desktops. 3) The Company's Global Financial Platform ("GFP": Patent Pending) allows U.S. buyers to purchase overseas merchandise without the need of issuing a letter of credit. 4) Logistics warehouse, shipping, and billing services for overseas manufacturers. The Company presently has representatives located in 25 countries throughout Asia, Africa, and the Middle East to facilitate international transactions.

Services

Asap Global Sourcing Show

The Apparel Sourcing Association Pavilion ("Global Sourcing Show" or "ASAP Show") is bringing a totally new concept to the trade show industry. The Company has a unique opportunity to make the ASAP Show successful because of the Company's global presence and management expertise in the apparel industry. In addition, there were no trade shows for the producing countries to exhibit in the U.S.A. to gain container load orders until the ASAP show was launched. Also, many buyers are reluctant to travel overseas. Therefore, the ASAP Show is well positioned for buyers and overseas manufacturers.

The ASAP show segment derives revenue principally from the sale of exhibit space and conference attendance fees generated at its events. In fiscal 2006, approximately 95% of our trade shows and conferences revenue was from the sale of exhibit space. Events are generally held on a semi-annual basis in Las Vegas, Nevada. At many of our trade shows, a portion of exhibit space is reserved and partial payment is received as much as 90 days in advance. Booth fees that are collected in advance of the related ASAP show are recorded on our balance sheet as deferred revenue. Revenue and related direct event expenses are recognized in the month in which the event is held.

Costs incurred by the ASAP show segment include facility rent, outsourced services such as registration, booth rental, electrical services, security, decorator and attendee and exhibitor promotion. All show promotion related expenses such as advertisements, traveling; staff salaries and related payroll expenses are treated as monthly period expenses. The deposit for the ASAP show facility is capitalized and then expensed in the month the event occurs.

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ASAP Buying Trips

The China Buying Trip is being arranged by the Company to bring 80 U.S. and European buyers during fiscal 2006, each with more than \$10 million in purchasing power, to four production centers in China. This event has been overwhelmingly supported by the International Cotton Council, The American Apparel Production Network and many other leading corporations and associations. The first tour of its kind was designed for U.S. and European buyers prepared to place production orders, find joint ventures possibilities and relocate U.S. textile plants to China. Participation from the U.S. side will include such prominent names as Fruit of the Loom, Maidenform and many others. The Company also arranged a trip bringing 12 buyers to Bangladesh and Pakistan Buying trip in November 2005. Management is planning to conduct annual buying trips in China in May and Southeast Asia countries in November.

The Buying Trip's revenue is generated from Buyers paid participation fees and shared exhibitor's fees with each city's Co-organizer, the Municipal Government,

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and is recognized ratably during the period in which the event is conducted.

Fashion International Trade Show ("FITS")

Currently there are very few brands in China. Only world famous brands such as Louis Vuitton, Chanel, DKNY, and Polo, have a presence. There is a vacuum for up and coming brands from the U.S., Canada and Europe. Since many Chinese consumers are not familiar with certain foreign brands, the opportunity for designers to become famous brands is available with the right promotion.

FITS is a brand new licensing trade show to be held in China. FITS intends to bring International Fashion Brands into the fastest growing consumer market, China, by matching them with a local Chinese Master Licensee partner. In this way, International Fashion Brands can provide their know how - such as Brand name, designs, marketing and promotions - and receive royalty income without any capital investment. The first FITS was held in Hangzhou from June 29 to July 1, 2006. The Company's management negotiated with Hangzhou municipal government, whereby it covered all venue rental, booth decoration, and International Fashion Brands' hotel accommodation expenses. The revenue of FITS was recognized at the completion of the FITS show and is classified as tradeshow revenue in the accompanying statements of operations.

Electronic Commerce, A New Wave of International Trade

The Company has utilized the convenient and powerful Internet to communicate between buyers and sellers internationally. The ISN was built with the buyer in mind to make it user friendly to gain global apparel stock lot information. The Company has successfully represented Fruit of the Loom, Kellwood, Value City, and others to be their buyer's agent. The ASAP Show helps promote the Company's ISN transaction model to these buyers. In addition, the Company sometimes acts as a principal to purchase merchandise for presale orders. The Company also represents some reputable overseas manufacturers with non-refundable monthly retainer payments as their U.S. sales agents. ISN is in its development stage.

Global Financial Platform

The Company developed a patent-pending global financial platform, levied with CIT - a factoring accounts receivable guarantee service. This process allows overseas sellers to gain cash advances through their local bank and eliminate the need for letters of credit to sell international merchandise. The application for the patent was filed in 2001. Due to the U. S. Patent Office's workload, the Company has not received any response to the filing. Therefore, the Company cannot predict when or if this patent will be granted. The GFP is in its development stage. There can be no assurance as to when or if the GFP will be utilized.

Logistics, Warehouse, Shipping and Invoice Services

Logistics, warehousing, shipping and billing services are also provided for overseas manufacturers.

In international trade, the shipment of goods from one country to another involves multiple activities. The Company will assist clients in finding ocean and air forwarders, custom brokers, domestic trucking companies and public warehouses for packaging and shipping. The Company intends to leverage the contacts from its trade show buyers and sellers to negotiate with FedEx, DHL, and many ocean carriers for a deep discount bulk rate. The Company will keep a portion of the discount rate. When the Company's client base expands, this

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activity could generate significant revenues. However there is no assurance as to if or when this will occur.

These logistics and warehousing activities are in their development stages.

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Critical Accounting Policies

There were no changes to the company's critical accounting policies as summarized in its May 31, 2006 Form 10-KSB

RESULTS OF OPERATIONS

Three Months Ended August 31, 2006 and 2005

Revenue

Gross revenue from transaction sales for the three months ended August 31, 2006 were \$178,403, an increase of \$57,684 or 48% compared to \$120,719 for the same period last year. The reason for such a significant increase on transaction sales was because the Company received one large order of approximately \$125,000 during the current period. The Company does not anticipate that transactions sales will remain a significant percentage of the Company's overall business in future periods, because the Company allocates most of its resources and efforts to its tradeshows and buying trips.

The gross tradeshow revenue for the three months ended August 31, 2006 was \$750,549, an increase of \$30,434 or 4% compared to \$720,115 for the same period last year. Such an increase was due to first time revenue of \$75,694 from the FITS show held in China, net of a decrease in revenue of \$45,260 from the August 2006 ASAP Show, as compared to the August 2005 ASAP Show.

There was no buying trip conducted for the three months ended August 31, 2006 as compared to \$171,832 buying trip revenue for the same period last year.

Operating Expenses

Operating expenses decreased by \$170,619, or 15%, to \$938,023 for the three months ended August 31, 2006, as compared to \$1,108,642 for the same period last year. The decrease in operating expenses is primarily due to the decrease in general and administrative expenses. General and administrative expenses decreased by \$154,120 to \$680,016 for the three months ended August 31, 2006, as compared to \$834,136 for the same period last year.

The Company will continue to implement its cost reduction plan to minimize its general and administrative expenses to ease its cash flows.

Net Loss

As a result of the above, the Company recorded a net loss of \$29,948 for the three months ended August 31, 2006, an improvement of \$93,222; as compared to a net loss of \$123,170 for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

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The Company had a deficit in working capital of \$1,220,633 as of August 31, 2006. During the three month period ended August 31, 2006, the Company had average monthly expenses of approximately \$106,000 (excluding ASAP Show production expenses). Management anticipates maintaining its monthly expenses in the range of \$100,000 to \$110,000 in the foreseeable future. The Company will focus its efforts on the semi-annual ASAP show in Las Vegas, Buying Trips and FITS, to generate more revenue.

At August 31, 2006, the Company has current assets of approximately \$113,000. With the revenue from the ASAP shows, Buying Trips, FITS and continuing support from its major shareholder to provide a revolving line-of-credit, management believes the Company will have enough net working capital to sustain its business for the next twelve months and beyond.

The Company has a revolving line-of-credit ("Line") from Frank Yuan, the Company's CEO and his family members, which expires on August 1, 2007 and provides for borrowings up to a maximum of \$1,100,000, as amended. The Line carries an interest rate of 10.0% per annum. The balance as of August 31, 2006 was \$809,234, including \$23,386 of accrued interest.

The Report of the Company's Independent Registered Public Accounting Firm on our May 31, 2006 financial statements includes an explanatory paragraph stating that the Company has incurred recurring losses and has a working capital deficit of \$377,135 at May 31, 2006, and that these factors, among others, raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, the CEO and CFO concluded that as of August 31, 2006 our disclosure controls and procedures were effective in timely alerting them to the material information relating to the Company required to be included in the Company's periodic filings with the SEC, subject to the various limitations on effectiveness set forth below under the heading, "LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS," such that the information relating to the Company, required to be disclosed in SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure." (b) Changes in internal control over financial reporting. There has been no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended August 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS The Company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls

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can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, and/or the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company filed a lawsuit against Maureen Storch ("Storch"), Katherine Li ("Li"), Cherry Wang ("Wang") and Global Nexus, Inc., a California Corporation ("Global"), (collectively the four defendants referred to as "Defendants") in the Superior Court of the State of California, County of Los Angeles on November 23, 2005. The claims by the Company against Storch, Li, Wang and Global arose out of certain activities undertaken by them as consultants or employees of the Company. The Company alleges, among other things, that Defendants failed to fulfill their contractual obligations and breached their fiduciary duties to the Company for a number of reasons, including by breach of contract, interference with contract, interference with prospective economic advantage, unfair competition and misappropriation of trade secrets. The Company seeks compensatory damages and injunctive relief.

In response to the lawsuit filed by the Company, Defendants filed a Cross-Complaint against the Company and Frank Yuan individually on January 20, 2006 alleging breach of written contract, breach of implied covenant of good faith and fair dealing, fraud and deceit, rescission, libel, slander, intentional interference with prospective economic advantage, and unfair competition. Defendants seek compensatory and punitive damages and injunctive relief.

Mediation was conducted per court order on August 15, 2006. As a result, a global settlement was reached on the same date. In essence, the defendant, Global, agreed to pay \$200 for each booth it hosts with Material World during the upcoming shows in 2007 and beyond, up to 400 booths. Therefore, Global's total potential commitment to ASAP is \$80,000. If Global fails to pay amounts earned by the Company, Maureen Storch and Katherine Li will be personally liable for such payment. Pursuant to the Settlement Agreement, the entire action (complaint and cross-complaint) was dismissed with prejudice on September 25, 2006.

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On March 7, 2006, a complaint was filed against Cyber Merchants Exchange Inc. ("C-ME") in a Chapter 7 bankruptcy proceeding in U.S. Bankruptcy Court in the District of Delaware in the matter captioned In Re: Factory 2-U Stores, Inc. The complaint seeks to recover from C-ME \$91,572 in alleged preferential transfers made to C-ME by the debtor during the ninety-day period prior to the filing of the debtor's bankruptcy petition. C-ME intends to defend against such preference claim by asserting that such transfers were made in the ordinary course of business and such other available defenses.

To the extent C-ME incurs any losses, costs or damages with respect to the preference claim, including attorneys' fees and related costs, the C-ME believes

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it may recover such losses, costs and damages from Frank Yuan and the Company pursuant to the indemnification provisions under the Transfer Agreement, which C-Me transferred all of its assets and liabilities to the Company. C-ME has informed Frank Yuan and the Company that it intends to seek indemnification from them with respect to the preference claim. Further, C-ME has informed Frank Yuan and the Company that the \$50,000 reserve originally due to be paid March 30, 2006 under the terms of the Transfer Agreement will be retained by C-ME until this preference claim is resolved to satisfy any potential indemnity claims.

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

During the three months ended August 31, 2006, the Company issued 75,000 shares of common stock for services rendered. The estimated fair value of the common stock was \$8,250 (based on the estimated fair value on the date of grant) and the related expense is included in general and administrative expenses in the accompanying statement of operations.

The issuance of the shares was exempt from registration under Section 4 (2) of the Securities Act of 1933 as a transaction not involving a public offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

None.

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.

ASAP SHOW, INC.
(Registrant)

Date: 10/16/2006

/s/ Frank S. Yuan

Frank S. Yuan, Chairman, Chief Executive Officer

