

Qingdao Footwear, Inc.
Form 10-Q
August 16, 2011

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

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended: **June 30, 2011**

or

*** TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **000-53075**

QINGDAO FOOTWEAR, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

16-1591157
(I.R.S. Employer
Identification Number)

c/o Qingdao Hongguan Shoes Co., Ltd.

269 First Huashan Road

Jimo City, Qingdao, Shandong, PRC

(Address of principal executive office and zip code)

86-0532-86595999

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes * Nox

As of August 15, 2011, there were 12,123,679 shares outstanding of the registrant's common stock.

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

QINGDAO FOOTWEAR, INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

	June 30, 2011 (Unaudited)	December 31, 2010
<u>ASSETS</u>		
Current assets:		
Cash	\$ 827,869	\$ 49,325
Accounts receivable	532,715	49,390
Advance to suppliers	-	70,074
Inventories	487,988	630,701
Other receivables	3,264,134	3,546,852
Prepaid expenses	386,895	604,577
 Total current assets	 5,499,601	 4,950,919
 Long term prepaid expenses	 3,963,221	 3,873,077
Property, plant and equipment, net	1,667,015	1,153,116
Land use right, net	211,898	210,261
Deferred tax assets	401,167	-
 Total Assets	 \$ 11,742,902	 \$ 10,187,373

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Current liabilities:		
Short-term loans	\$ 1,810,305	\$ 1,774,932
Accounts payable	14,783	51,242
Other payables	212,255	978,762
Taxes payable	14,106,008	13,976,944
Salary payable	31,456	32,996
 Total current liabilities	 16,174,807	 16,814,876

Shareholders' Deficiency:

Series A preferred stock, .0001 par value, 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock, .0001 par value, 100,000,000 shares authorized, 12,023,679 and 10,613,679 shares issued and outstanding, respectively as of June 30, 2011 and December 31, 2010	1,202	1,061
Additional paid-in capital	2,975,814	2,383,755
Statutory surplus reserve	160,240	160,240
Accumulated other comprehensive income/ (loss)	(83,272)	72,040
Accumulated deficit	(7,485,889)	(9,244,599)
Total Shareholders' Deficiency	(4,431,905)	(6,627,503)
Total Liabilities and Shareholders' Deficiency	\$ 11,742,902	\$ 10,187,373

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

QINGDAO FOOTWEAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010
UNAUDITED

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net revenue	\$ 8,300,187	\$ 6,483,625	\$ 13,748,451	\$ 11,249,437
Cost of sales	4,695,323	3,422,563	7,732,028	6,079,318
Gross profit	3,604,864	3,061,062	6,016,423	5,170,119
Operating expenses:				
Selling, general and administrative expenses	2,895,688	402,142	3,334,731	1,104,863
Depreciation and Amortization Expense	73,105	41,312	114,820	59,317
Income from operations	636,071	2,617,608	2,566,872	4,005,939
Other income (expenses)				
Interest income	55	18,498	117	18,587
Interest expenses	(35,134)	(26,261)	(69,055)	(49,167)
Other, net	7,417	22,009	44,413	44,007
Income before income taxes	608,409	2,631,854	2,542,347	4,019,366
Income tax	306,619	657,964	783,637	1,115,495