

Qingdao Footwear, Inc.
Form 10-Q
August 16, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2010

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)

269 First Huashan Road
Jimo City, Qingdao, Shandong, PRC
(Address of principal executive office and zip code)

86-532-86595999
(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 preceding 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 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 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, 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

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

Edgar Filing: Qingdao Footwear, Inc. - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 15, 2010
Common Stock, \$0.0001 par value per share	10,000,179 shares

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	
ITEM 1.	FINANCIAL STATEMENTS	3
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	13
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	22
ITEM 4.	CONTROLS AND PROCEDURES	22
PART II.	OTHER INFORMATION	
ITEM 1.	LEGAL PROCEEDINGS	23
ITEM 1A	RISK FACTORS	23
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	24
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	24
ITEM 4.	RESERVED	24
ITEM 5.	OTHER INFORMATION	24
ITEM 6.	EXHIBITS	24
SIGNATURES		25

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QINGDAO FOOTWEAR, INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 AND DECEMBER 31, 2009

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
ASSETS		
Current assets		
Cash	\$ 414,350	\$ 61,131
Accounts receivable	360,934	98,962
Notes receivable	460,313	-
Inventories	557,031	344,512
Prepaid expenses	651,854	57,311
Total current assets	2,444,482	561,916
Long term prepaid expenses	1,668,725	-
Property, plant and equipment, net	1,022,594	930,451
Intangible assets	3,873,744	208,167
Total Assets	\$ 9,009,545	\$ 1,700,534
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 21,261	\$ 15,727
Accrued liabilities	1,056,441	-
Short term loans	1,163,670	718,830
Taxes payable	3,043,141	2,627
Duet to related parties	-	221,871
Total current liabilities	5,284,513	959,055
Long-term debt	250,410	249,390
Total Liabilities	\$ 5,534,923	\$ 1,208,445
Shareholders' Equity		
Series A preferred stock, .0001 par value, 10,000,000 shares authorized, none issued and outstanding	-	-
	1,000	970

Edgar Filing: Qingdao Footwear, Inc. - Form 10-Q

Common stock, .0001 par value, 100,000,000 shares authorized, 10,000,000 and 9,700,000 shares issued and outstanding, respectively		
Additional paid-in capital	762,091	319,510
Accumulated other comprehensive income	455,031	440,775
Retained earnings (deficits)	2,256,500	(269,166)
Total Shareholders' Equity	\$ 3,474,622	\$ 492,089
Total Liabilities and Shareholders' Equity	\$ 9,009,545	\$ 1,700,534

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

QINGDAO FOOTWEAR, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
 FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2010 and 2009
 UNAUDITED

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net sales	\$ 6,483,625	\$ 5,143,578	\$ 11,249,437	\$ 9,599,476
Cost of sales	3,422,563	2,923,413	6,079,318	5,445,751

		d
and outstanding, respectively	100,000	-
Common stock; 100,000,000 shares authorized, at \$0.001 par value, 22,850,608 and 20,947,858 shares issued and outstanding, respectively	22,851	20,948
Additional paid-in capital	3,180,448	2,877,552
Deficit accumulated prior to the development stage	(1,200)	(1,200)
Accumulated deficit	(182,781)	(436,215)
Total Stockholders' Equity (Deficit)	3,019,318	2,461,085
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	 \$ 4,548,857	 \$ 3,454,191

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

ASIA8, INC.**(Formerly Asia4Sale.com, Inc.)****(A Development Stage Company)****Statements of Operations (Unaudited)**

	For the Three Months Ended September 30, 2007		For the Nine Months Ended September 30, 2007		From Inception on July 9, 1999 Through Sept 30, 2007
	2006	2006	2006	2006	
REVENUES	\$ 346,852	\$ -	\$ 712,454	\$ -	\$ 712,454
EXPENSES					
Cost of goods sold	305,692		595,406		595,406
General and administrative	108,875	11,355	199,847	182,161	1,234,540
Depreciation	382	1,174	1,146	3,521	77,963
Total Expenses	414,949	12,529	796,399	185,682	1,907,909
OTHER INCOME					
Income from sale of investments	-	-	-	-	65,087
Income (loss) from equity investments	(32,874)	-	317,163	-	1,836,293
Interest income	11,201	-	20,217	-	44,728
Total Other Income	(21,673)	-	337,380	-	1,946,108
INCOME (LOSS) FROM CONTINUING OPERATIONS	(89,771)	(12,529)	253,435	(185,682)	750,652
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	-	(933,433)
NET INCOME (LOSS)	\$ (89,771)	\$ (12,529)	\$ 253,435	\$ (185,682)	\$ (182,781)
BASIC INCOME (LOSS) PER SHARE	\$ (0.00)	\$ (0.00)	\$ 0.01	\$ (0.01)	

WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	22,430,296	18,276,297	22,009,983	17,584,518
---	------------	------------	------------	------------

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

5

ASIA8, INC.

(Formerly Asia4Sale.com, Inc.)

(A Development Stage Company)

Statements of Cash Flows (Unaudited)

	For the nine Months Ended Sept 30, 2007	2006	From Inception on July 9, 1999 Through Sepr 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 253,435	\$ (185,682)	(182,780)
Adjustments to reconcile net loss to net cash used by operating activities:			
Discounted operations	-	0	747,114
Depreciation expense	1,146	3,521	77,964
Gain on sale of investments	-	-	(64,864)
Gain on equity investment	(317,163)	-	(1,836,293)
Changes in operating assets and liabilities			
(Increase) decrease in receivables	(331,410)	590	(477,679)
(Increase) decrease in inventory	(136,242)		(136,242)
(Increase) decrease in prepaids	(19,905)		(19,905)
Increase (decrease) in accounts payable and accrued expenses	328,088	(434,132)	368,885

Edgar Filing: Qingdao Footwear, Inc. - Form 10-Q

Net Cash Used by Operating Activities	(222,051)	(615,703)	(1,523,800)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiaries	-	-	(1,634,071)
Purchase of short-term investments	-	(6,480)	(6,480)
Sale of investments	-	-	75,483
Purchase of fixed assets	(289,000)	-	(367,338)
Net Cash Provided by (Used by) Investing Activities	(289,000)	(6,480)	(1,932,406)
CASH FLOWS FROM FINIANCING ACTIVITIES			
Common stock issued for cash	304,800	520,060	3,200,615
Preferred stock issued for cash	100,000		100,000
Increase (decrease) in note payable	108,345	998,445	1,056,745
Cash paid on note receivable	-	(900,000)	(900,000)
Capital contributed by shareholder	-	-	1,485
Net Cash Provided by Financing Activities	513,145	618,505	3,458,845
NET DECREASE IN CASH	2,094	(3,678)	2,639
CASH AT BEGINNING OF PERIOD	545	5,618	-
CASH AT END OF PERIOD	\$ 2,639	\$ 1,940	2,639
SUPPLIMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
CASH PAID FOR:			
Interest	\$ -	\$ -	-
Income Taxes	\$ -	\$ -	-

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

(A Development Stage Company)

Notes to Financial Statements

NOTE 1 - ORGANIZATION AND HISTORY

Asia8, Inc., a Nevada corporation, was incorporated in September of 1996 as H&L Investments, Inc. (“Company”). The name of the corporation was changed to “Asia4sale.com, Inc.” on December 29, 1999 and to “Asia8, Inc” on April 27, 2007.

The Company changed its name on December 29, 1999 with the intent to acquire Asia4Sale.com, Ltd., a Hong Kong registered software development company (“LTD”) which was incorporated in March of 1999. At that time the Company had 1,000,000 shares of common stock outstanding and no assets or liabilities. The acquisition of LTD took place in February 2000, when the Company issued 9,000,000 common shares to acquire LTD. On December 11, 2000, the Company executed a 1 for 1 stock dividend.

The Company thus became a software development company in the process of designing and building a web based system for B2B and B2C selling, bartering, and auctioning of consumer goods and services to the Asian market place.

In 2000 the Company spent significant funds developing its software and attempting to market its software through various media channels. The development and marketing operations, handled through wholly owned subsidiary LTD., were ceased in mid 2000 due to lack of acceptance of the Company’s products and an overall downturn in the popularity of emerging B2C and B2B products. The Company has recorded a loss from these discontinued operations on its financial statements.

During June of 2000, we paid \$970,000 to acquire 49% of World Wide Auctioneers, Inc., a Nevada registered corporation, holding 100% of British Virgin Island registered company World Wide Auctioneers, Ltd. In August of 2003, World Wide Auctioneers, Inc. sold 100% of its subsidiary World Wide Auctioneers, Ltd., to a Nevada registered company WWA Group, Inc. (“WWA Group”), in a stock for stock transaction whereby WWA Group stock was issued to owners of World Wide Auctioneers, Inc. in exchange for ownership of World Wide Auctioneers, Ltd. The exchange caused the Company to acquire a minority equity investment in WWA Group.

Since mid year 2000, when the Company discontinued the software development and marketing operations of LTD., the Company has been actively seeking one or more operating companies or businesses to acquire.

In May 2007 the Company agreed to acquire interests in various business opportunities, which in the opinion of management will provide a profit to the Company. The Company generated cash revenue and receivables on sales, a gross profit, and a nominal net profit from its new business units in the nine month period ending September 30, 2007.

The Company also raised \$404,800 in equity capital from sales of preferred shares and common stock during the nine month period ending September 30, 2007, and management reports that a commitment has been made by the same non US investor to purchase an additional \$400,000 worth of preferred stock in 2007.

7

ASIA8, INC.

(formerly “Asia4Sale.com, Inc.”)

(A Development Stage Company)

Notes to Financial Statements

NOTE 2 - SIGNIFICANT EVENTS

On April 20, 2007, the Company held a special meeting of shareholders to amend its articles of incorporation to change the name to “Asia8, Inc.”, to amend its articles of incorporation to create a preferred class of shares of 25,000,000 shares par value \$0.001 and to authorize the board of directors to effect a one share for two shares reverse split of its common stock effective April 27, 2007.

The shareholders approved the proposed amendments to the Company’s articles of incorporation and authorized the board of directors to effect a one share for two shares reverse split of its common stock. All references to common stock in these financial statements have been retroactively restated so as to incorporate the effect of the reverse stock-split.

On May 1, 2007 the Company entered into an agreement to acquire the exclusive distribution rights to sell Furukawa Unic Cranes in the U.A.E., along with ownership of \$415,000 of the seller’s equipment assets in the U.A.E. As per the agreement, the Company committed to seller 800,000 shares of its common stock, and assumed associated liabilities totaling \$415,000.

On May 1, 2007 the Company entered into an agreement to acquire the first right of refusal to acquire the exclusive rights to sell Trident Tri-Car vehicles in 20 countries chosen by the Company. The agreement required the Company to pay \$65,000 in cash consideration to the seller for a 2-year first right of refusal for the 20 countries, plus additional

cash commitments for each country when test vehicles are sent to the country and the Company commits to become the exclusive distributor in that country.

On May 1, 2007, the Corporation entered into an agreement to acquire the rights to the exclusive distributorship agreement for Atomix Boats in the U.A.E., manufactured in China by the Atomix Boats Co. Ltd. Zhejiang, in exchange for 600,000 shares of the Company's common stock.

8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

This "*Management's Discussion and Analysis*" of our financial condition and results of operations and other parts of this report contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsections entitled "*Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition*" below. The following discussion should be read in conjunction with our financial statements and notes thereto included in this report. All information presented herein is based on our period ended September 30, 2007. Our fiscal year end is December 31.

The Company

The Company is a corporation, organized and existing under the laws of the State of Nevada, having been incorporated in September 1996 as "H&L Investments, Inc." The name of the corporation was changed to "Asia4Sale.com, Inc." on December 29, 1999 and to "Asia8, Inc." on April 27, 2007.

During June of 2000, the Company paid \$970,000 to acquire 49% of World Wide Auctioneers, Inc. ("WWA Inc"), a Nevada registered corporation, holding 100% of a British Virgin Island registered company World Wide Auctioneers, Ltd. ("WWA Ltd"). In August of 2003, WWA Inc sold 100% of WWA Ltd to WWA Group, Inc. ("WWA Group"), a Nevada registered company, in a stock for stock transaction whereby WWA Group stock was issued directly to owners of WWA Inc in exchange for ownership of WWA Ltd. The exchange caused the Company to acquire a minority equity investment in WWA Group, which is accounted for using the equity method. WWA Group, through its subsidiary WWA Ltd, operates auctions of used, heavy construction equipment from Dubai, United Arab Emirates ("U.A.E."), and other locations. WWA Ltd is also involved in direct trading of new and used equipment, and owns a shipping company with a RO vessel. WWA Ltd also owns equity in a mining and earthmoving management company in the U.A.E.

On May 1, 2007, the Company acquired: (a) the exclusive distribution rights to sell Furukawa Unic Cranes ("Unic") in the U.A.E.; (b) the first right of refusal for the exclusive rights to sell the China-manufactured Trident Tri-Car ("Trident"), which are compressed natural gas ("CNG") and electric powered 3-wheel vehicles, in 20 countries of our

choosing; and (c) the rights to the exclusive distributorship agreement for Atomix Boats in the U.A.E., manufactured in China by the Atomix Boats Co. Ltd. Zhejiang.

We are not acting as agents for any of the manufacturers we represent; rather we are buying for resale on our own account. We prefer to trade rather than represent, to keep manufacturers pricing as low as possible, and to manage the schedule of inventory stock on hand. We also believe there is significant upside potential in the retail market prices of the Unic cranes and Atomix boats, and we prefer to be able to dictate our own selling prices.

We are still searching for new high value products that we can acquire exclusive regional trading rights for. We will develop each business unit on its own, but utilize our economies of scale, for eventual sale or spin-off as public companies.

9

Our original business plan involved selling Asian made goods to the rest of the world over a web based business to business software system. Our new business approach reflects a return to the original business plan, but with a focus on only a few higher value items using established and new distribution channels in the rapidly growing Gulf Cooperation Council (Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, and Oman, collectively the "GCC") consumer market.

Operations

WWA Group, Inc. and World Wide Auctioneers, Ltd.

WWA Ltd operates auctions of heavy equipment in Dubai. WWA Ltd has developed a significant customer base and has achieved consistent revenue, profits, and a dominant market share in its primary operating market in Dubai. WWA

Ltd has leased a new yard space for a 20 year term starting in 2007, and plans to build large, multi-use office/shop/arena on the site. The new yard and the continuation of the construction boom in the GCC should contribute to WWA Ltd's continued growth.

WWA Ltd sells a variety of Asian sourced second hand equipment at its auctions, and has held an auction in China in the past. Our business experience has indicated that higher value Chinese made goods are becoming more competitive in quality, although certain Japanese, American and European made equipment products dominate some market categories.

WWA Ltd is commonly managed by the CEO of Asia8, who is also the CEO of WWA Group. We have access to a wide base of manufacturers/dealers of equipment and other items in Japan, China, Taiwan, and Thailand due to our relationship with WWA Group. The Company's current focus is to work together, where possible, with WWA Group to leverage the common CEO and the well established physical plant of WWA Ltd in Dubai, and also utilize WWA Ltd's large distribution channel to the advantage of both companies. We will use the WWA Ltd infrastructure and staff, customer base and work space on a commission and fee basis that will add value to WWA Ltd's business. This operating structure also allows the Company to oversee its large investment in WWA Ltd.

Furukawa Unic Cranes

Unic cranes are among the world's most popular and highly regarded products within their market niche that have achieved a dominant market position in Japan and several other markets. Unic produces a range of innovative light lifting equipment products, which are noted for flexibility, easy operation, safety, and economy. Unic cranes feature remote radio-controlled operation, flexible booms with multiple lifting and grabbing attachments for handling different types of loads, and a variety of features designed to enhance safety and efficiency. Unic's unique crawler cranes can gain access to work sites and other locations that cannot be reached by wheeled vehicles. The Unic A094CR mini-crane won the "best Tools and Access Product" award at the recent Interbuild exhibition at the United Kingdom, and the product's ability to move inside buildings and work in spaces inaccessible to other cranes is attracting attention throughout the industry. Unic products are compact, efficient, and easy to maneuver, characteristics ideally suited to the busy, confined, urban construction environments that are typical of the U.A.E. The URW A295CR mini crawler crane was featured on Discovery Channel's "Mean Machines" series as one of the most useful, innovative products in its category in the world.

The Trident 3-wheeled vehicle was designed and is manufactured in China. The manufacturer builds a range of compact vehicles, which use light internal combustion engines driven by natural gas, gasoline engines, or electric propulsion systems. The vehicle was specifically designed to be sold to businesses and individuals in China's rapidly developing urban areas. It is lightweight, compact, inexpensive, environmentally sound, and economical to operate. These qualities make the Trident extremely attractive to consumers in many other markets, especially in areas where fuel economy is a desired feature and incentives are offered for environmentally sound vehicles with few or no emissions. The Trident is ideally suited for urban light commercial use as a delivery or shuttle vehicle and for use by families seeking an inexpensive vehicle capable of highly economical local operation. The manufacturer has agreed to brand a range of the vehicles under the Trident name, specifically modified as per the requirements of the Trident master international distributor, for export outside of China.

The Trident vehicle that the Company will concentrate on seats 4 people, is air conditioned, and can reach a maximum speed of 120 kilometers per hour. The CNG version can drive over 30km on a liter of fuel. The Trident fills an underserved niche between the motorcycle and currently available small cars, and is ideally suited to price-sensitive market conditions in many developing nations, where emerging middle classes and small businesses require inexpensive transport equipment that is economical to operate and maintain.

Atomix Boats

Atomix has established a new composite boat manufacturing facility in China. The Atomix boats include a range of 8 designs from 4 to 10 meters including bow riders, cabin cruisers, sports cruisers, fisherman, centre consoles and RIB's (rigid hull inflatable). Other Atomix products include a selection of inflatable boats and a selection of trailers including boat trailers and general purpose trailers. Atomix China is owned by New Zealand nationals. Expertise and experience is drawn from other New Zealand companies to ensure the quality and reliability of all Atomix product. These New Zealand companies have been carefully selected from the best in the world with international reputations. Amongst these companies are Bakewell White Yacht Design, and High Modulus, who provide technical assistance and support both on and off site. The New Zealand marine industry, built on a strong domestic market, has developed into an internationally credible supplier of innovative products and some of the finest boats in the world.

Atomix products are all 100% hand-laid to achieve maximum quality and consistency. High Modulus supply engineering expertise is employed to insure that all products are built to meet CE requirements and to achieve optimum strength to weight ratios. There is no structural timber used in any Atomix products and all reinforcing is done with high density foam using foam sandwich construction techniques.

Quality assurance is provided by a team of New Zealand boat builders that remain onsite both to train staff and monitor production. Atomix boats are designed to achieve the critical balance between style, safety, comfort and performance. With an original and unmatched hull design, a proven high-tech construction, Atomix yachts bring together all the ingredients of comfort and ease of handling.

The boats are equipped with Volvo or Mercruiser diesel and gasoline engines made outside of China. The boats are priced well below the competitors in the 4 to 10 meter range, due to lower manufacturing costs.

The Market for Operations

U.A.E.'s Economic Outlook

For the foreseeable future, the Company's interests are focused on the United Arab Emirates, and our operating headquarters are in the U.A.E. Our business will also be affected by the overall economic environment in the Gulf Cooperation Council.

The GCC is the world's fastest growing and most dynamic economic region, led by the Dubai and U.A.E. Governments as the primary catalysts and master planners of the current GCC business plan. Lehman Brothers, in a May 2007 report titled "*Beyond Petrodollars: Globalization and Sustainable Development in the Middle East*," stated that as of early April 2007, there were over two thousand ongoing and planned infrastructure projects in the GCC countries, amounting to an estimated \$1.3 trillion plus of investments over the period 2007-2012. According to the *Middle East Economic Digest* (MEED), which tracks these projects, the total value of these projects may have risen by \$300 billion since the start of this year, reflecting the rapid rate at which new projects are being added. MEED reports that projects in the U.A.E account for over \$300 Billion of this total. This unprecedented regional construction boom is fueled by sustained high energy prices: oil and gas export receipts for the GCC rose 40%, to \$291 billion, in 2005, and reached a record \$330 billion in 2006. The Lehman Brothers report summed up the region's immediate potential in these terms:

The six GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) have seen nominal GDP growth hovering near 20% for the past four years. Given our forecast of sustained high oil prices, we expect these growth levels to continue through this decade. Non-petroleum sectors of the GCC are growing at rapid and in some cases double-digit rates; new regulatory regimes are encouraging capital and equity market developments, guaranteeing property and financial rights within the region for foreign and local investors. The groundwork has been laid for a new Middle East that can take its place alongside the US and China as a critical engine of global growth.

Strong market conditions will contribute to the growth of our businesses, and we intend to continue to seeking out and pursue distribution agreements for products that are likely to be well received in this market. The U.A.E. led GCC has become the world second largest consumer of oil and gas next to China, and is expected to become one of the world largest importers of non-oil goods in the next few years. Merchandise imports in the region have grown from \$89 billion in 2002 to almost \$200 billion in 2006. As an importer of high value merchandise, the Company expects solid growth in our revenues.

The U.A.E. comprises almost half of the total merchandise imports to the GCC. The U.A.E. is the largest export market in the GCC for Japan, Hong Kong and China, with imports from the three countries growing to over \$35 billion worth of diversified goods in 2006. Europe and then the U.S. are the next largest exporters of goods to the U.A.E. Dubai has grown to be the third largest re-export hub in the world, behind Hong Kong and Singapore. This data suggest that the overall U.A.E. and GCC market is proven and ideal for entry of new Asian product distributors.

Dubai's Construction Boom and World Wide Auctioneers, Ltd.

Dubai's last building census, in 2005, showed that the number of commercial buildings in the Emirate increased from 55,659 in 2000 to 79,214 in 2005, an increase of 42%. The number of housing units increased to 237,728 from 145,363 in 2000, recording a 64% rise; the increase in the number of business establishments reached 94% during the same period, with the number of establishments touching 73,294 compared to 37,775 in 2000. Growth in 2006 and 2007 has been even more rapid.

12

Stephen S. Roach, Managing Director and Chief Economist of Morgan Stanley, wrote a report titled *The Cranes of Dubai* in February 23, 2007, in which he cited industry sources data. About 26.8 million square feet of office space is expected to come on line in Dubai in 2007, alone -- more than six times the peak rate of completions in Shanghai Pudong in 1999 and nearly equal to the total stock of 30 million square feet of office space in downtown Minneapolis. Based on current projections, another 42 million square feet should come on line in Dubai in 2008 -- the equivalent of adding the office space of a downtown San Francisco. A country with less than 0.5% the population of China is out-building the biggest construction boom in modern Chinese history.

The success of Dubai's growth model has been noticed elsewhere in the UAE, and is being emulated with considerable success. The oil-rich emirate of Abu Dhabi is pouring billions of dollars into infrastructure and industrial, residential, commercial, and tourism projects designed to follow Dubai's model and wean the economy away from dependence on oil and gas. Smaller Emirates, particularly Ras al Khaimah, which has seacoast and mountain environments ideally suited for tourism, is following much the same pattern. These developments are expected to accelerate as Dubai's boom enters maturity, providing additional growth drivers for the national economy.

Twenty-four percent of the world's 125,000 construction cranes are currently operating in Dubai, according to the organizers of the Conmex construction machinery exhibition. Saif Al Midfa, director-general of the Expo Centre Sharjah, the organizers of Conmex, the exhibition for construction machinery and equipment, said "demand for construction related machinery, equipment and vehicles is expected to continue rising in the Middle East, especially in the UAE, due to the continuing construction and real estate boom. In 2003, the UAE's market for heavy construction machinery stood at \$165 million, road construction machinery at \$142 million and earth moving machinery at \$125 million. The size has increased by 15-20 per cent since then. Annual market demand for used machinery in the Middle East is valued at over \$1.3 billion. Construction activity in the region is currently at its peak as a result of which the demand for related machinery, equipment and vehicles is experiencing a sharp rise. The indications are that there will be no let-up in this trend," he added.

The Saudi American Bank's Brad Bourland has commented that "The first phase of the regional boom is large-scale infrastructure and real estate projects", and predicted that the second phase will be "explosive private sector growth." Field observation in Dubai, the starting point and epicenter of the regional boom, confirms this observation. Spending on basic infrastructure development, dominated by giant state-owned firms, has drawn a second wave of private sector spending of far greater proportions. For example, the \$5 billion spent on infrastructure for the Dubailand development has drawn over \$60 billion in private sector spending commitments, with the \$300 million Dubai Business Bay pulling in over \$50 billion in downstream investments.

This shift to an "explosive private sector growth", which will be repeated throughout the region as major projects in Abu Dhabi, Qatar, and other leading economies reach maturity, will fundamentally change the construction equipment and supply business in the region. During the infrastructure phase the regional construction market was dominated by a few extremely large and well connected companies, often government-owned. This produced market distortions, as large consumers used their leverage to force suppliers to drop prices, negatively impacting margins. This situation is rapidly changing, with a much wider range of purchasers actively entering the market and driving a transition to a more mature market-driven pricing structure. Many new private sector projects are managed by international contractors and construction management firms, creating a more open, dynamic marketplace and a highly beneficial business environment for the equipment auction and material supply operations of the WWA Ltd.

Based on WWA Ltd's \$125 million in gross equipment sales in the last 12 months, the figures cited above would be considered conservative. The upward trend in equipment demand is positive for WWA Ltd's business. As such, our outlook in the auctioneer mark seems very promising.

In addition to WWA Ltd, Unic also stands to benefit substantially from an ongoing transition in the composition of Dubai's construction market.

As the focus of the regional construction business moves from small numbers of massive publicly financed infrastructure projects to numerous privately financed projects built on top of the developed infrastructure, the Company anticipates rapidly escalating demand for compact and highly mobile equipment capable of cost-effective operation in high density urban environments. The Unic cranes that we distribute are ideally suited to this working environment.

The rapidly accelerating U.A.E. construction market creates enormous potential demand for the Unic lifting products that the Corporation is now distributing. Much of the country's developments are now in dense, crowded urban environments, and the compact, efficient Unic products are ideally suited to loading, unloading, and on-site handling of construction materials under these conditions, and to ongoing finishing and maintenance work. As the overall economy matures in the country and more in-fill land is developed, the trend is expected to move toward more use of light, efficient handling machinery rather than manual labor and large multi-purpose lifting equipment.

In Japan and Southeast Asian markets where development is dense, Unic has sold over 5,000 cranes in total in the last 5 years. Unic has sold over 1,500 cranes in Taiwan alone in the last 5 years. As the U.A.E. becomes more developed and dense, we expect the market demand for Unic products to reach levels of established Southeast Asian countries.

In the table below are export figures provided by Unic for 2004 – 2006. The 2006 Middle East figures include cranes sold by the UAE dealership acquired by the Company.

Unic exports are as follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Middle-East	60 units	50 units	130 units
North America	60 units	165 units	50 units
Europe	70 units	120 units	160 units
Australia	80 units	60 units	45 units
Taiwan	310 units	300 units	300 units

The above quantities do not include the exported cranes which were mounted on trucks in Japan and sold as a package.

Unic Thailand reports that the total market for truck mounted cranes of 2 - 15 ton size is about 400 units per year. Unic sells approximately 100 of these units per year, with Tadano also selling 100 and the balance distributed amongst Palfinger, Hiab, and several other lesser known brands. The Thailand and Taiwan markets are good comparisons to the UAE.

Japanese industrial products are well received in the U.A.E., and Unic's pricing and features compare favorably with competing products. Our extensive research and experience in the U.A.E. gives us reason to believe that we can create a significant market share in the U.A.E. for these products. More than 30 units were sold in the U.A.E. from March 2006 through April 2007, at an average gross margin of about 15%, or \$4,500 per unit. We have sold 23 cranes at a gross margin of \$4,500 each from May 1, 2007 up to the date of this report. With our expanded network of customers in the U.A.E. and our sales channels we expect to increase these sales figures to over 100 units per year by 2009.

Demographics of the U.A.E. and the Trident Tri-Car Market

The U.A.E. has adopted extremely liberal policy on immigration, allowing residence to virtually anyone who invests, purchases property, or finds employment in the country. These policies, combined with minimal taxation, a clean, safe living environment, and extremely tolerant social policies, have driven a surge of qualified immigrants, which drives demand for goods, services, and housing, which in turn drives further immigration. Robert Tindall of Callison Architecture, a global firm with exposure in many regional real estate projects, points out that over 4 billion people live within a six hour flight of Dubai and over 1.7 billion people live within a 4 hour flight. The prospect of relocation to a safe, tolerant city with abundant opportunity is a considerable attraction to many of them.

Between 2000 and 2006, Dubai's population grew at a compounded annual rate of 9%. Over the same period, real per capita income increased 4%, suggesting that Dubai's economy is capable of sustaining growth rates that would be catastrophic in most countries.

The key to the sustainability of Dubai and the U.A.E.'s population growth is that the growth is driven not by birth rates or by an influx of selected migrants. Migrants to the country must have employment, or be able to invest in businesses or property. Employee immigrants must leave when employment is concluded. By attracting productive immigrants, the U.A.E. has avoided the problems of unemployment, poverty, and social stress that have traditionally accompanied rapid population growth and high immigration rates. The RSP Group, a Middle East real estate investment advisor, predicts a doubling of the local population in Dubai alone to two million over the next decade. This projection is likely to be conservative, given the number of new real estate projects now under construction: giant developer Nakheel

projects that Dubai's Palm Jebel Ali and Dubai Waterfront projects alone will house 1.7 million people by 2020. The \$33 billion Dubai World Central complex, built around what will be the world's largest aviation complex, is expected to house an additional 750,000.

The U.A.E.'s economic shift, together with a rapidly expanding and almost fully employed population, has generated rapidly escalating demand for cost-effective personal transport for the huge number of workers needed to provide services for the highly paid managerial class, as well as for courier services and other delivery-based service enterprises. This demand, combined with the government's emphasis on clean-burning natural gas powered vehicles, provides an excellent marketing environment for our Trident distribution.

We believe that the motor vehicle market in the U.A.E. offers a significant opportunity for our Trident vehicle distributorship. The U.A.E. is often viewed primarily as a market for high-end luxury vehicles, but there is also a large and growing demand for small, economical vehicles appropriate to small business use and as a family vehicle for the large and growing number of middle class workers.

The U.A.E.'s motor vehicle market has seen enormous growth in the last 5 years. In Abu Dhabi, the capitol, the number of registered vehicles increased 650% between 2001 and 2006, from 27,338 to 212,686. This demand is generated by economic growth, and also by a rapidly increasing population: the U.A.E.'s population has increased by 74.8% since 1995, and continues to grow at a rate of over 7% per year, driven primarily by immigration of working adults. In Dubai, the population increased from 1.13 million in 2005 to 1.422 million in 2006, and is expected to reach 2.0 million by 2010.

A recent consumer poll by AC Neilson showed that Internet users in the U.A.E. have the highest vehicle penetration in the world, together with Italians and Americans, with 93% of respondents owning a vehicle. The Neilson poll indicated that 85% of the respondents in the U.A.E. have been affected by high fuel prices and almost half are trying to use their vehicles less in order to control fuel expenses, while almost none would be willing to exchange their vehicle for a motorcycle, scooter, or bicycle.

This conjunction of attachment to the motor vehicle and sensitivity to price increases creates an obvious market niche for compact, inexpensive, and highly economical vehicles like the Trident. The Trident is an ideal candidate for delivery-based businesses, lower middle income families that want personal transportation but cannot afford to own or

operate a conventional vehicle, or as a second vehicle for use in daily travel to stores, schools, and markets.

The Trident has been well received in markets where it has been introduced. Approximately 15,000 Trident vehicles were sold in China in 2006 and another 300 were sold in Peru and Egypt in 2006 and 2007, according to the manufacturer. These countries are not part of our exclusive distribution territories.

While the Company is focusing initial attention on the U.A.E. market, we also have distribution rights for several other potentially enormous markets for these vehicles, including Indonesia, a rapidly developing nation with a population of over 240 million, Pakistan, and a number of countries in the North African and Eastern European region. There is an almost unlimited market for environmentally friendly, low cost commercial vehicles in the regions we are targeting. We believe that we will be able to establish a network of sub-distributors to sell these vehicles into the huge potential base of buyers in these countries.

Between May 1, 2007 and September 30, 2007, we sold two sub-distributorships for the Trident vehicles.

Atomix's Boat Market

The U.A.E.'s population mix is also changing as the economy matures. Saudi American Bank's Bourland comments that the U.A.E.'s banking and insurance sectors have grown at over 50% in the last three years. Dubai is emerging as a major world financial center, particularly through the establishment of the Dubai Mercantile Center's commodity exchanges, and other well-funded financial centers. This trend, together with the rapid influx of corporate headquarters and production facilities, is shifting the balance of population, with well paid management and technical personnel rapidly replacing low-salary construction workers. The rapidly expanding U.A.E. economy has generated a new class of largely expatriate managers, who enjoy some of the world's best salary packages: the Hay Group's 2007 World Pay report places managers in the U.A.E. and Saudi Arabia at the top of the world's compensation list, with average salary buying power in excess of US\$220,000. This large managerial and technical class has in turn generated a large demand for a variety of service occupations and businesses.

The rapid growth in the region's professional and managerial class and the very high compensation enjoyed by these individuals are driving very high and rapidly growing demand for lifestyle-oriented products. Feeding into this demand is an enormous number of waterfront marina and real estate developments catering to this high-end resident clientele and to the rapidly growing influx of affluent tourists: Dubai attracted 6.5 million tourists in 2006, and is targeting 15 million arrivals per year by 2010. Both tourists and the growing local consuming class focus much of their attention on a waterfront lifestyle. Island Global Yachting, which provides comprehensive design, development and management services to all marina properties and developments built by Dubai real estate giant Nakheel, points out that Nakheel projects alone will add 1500km of developed waterfront property to Dubai, and predicts that up to 40,000 new marina berths will be built in Dubai alone. Coupled with tens of billions of dollars in waterfront developments in emirates of Abu Dhabi, Ras al Khaimah, and Umm al Quwain, this suggests an enormous potential demand for pleasure craft. Some of these berths will be filled by high-end yachts, but we believe that far more will

ultimately contain reasonably priced pleasure craft, and that the Atomix products distributed by us are very well suited to meet this demand.

16

In an article published in April 2007 in the Gulf News by Erwin Bamps, Executive Manager of local market leader Gulf Craft, he stated that there are 13,000 boats in UAE at the moment and the market can expect another 10,000 to 30,000 pleasure boats once new marinas are built. He estimated that currently one out of 350 people owns a boat in UAE, while in Australian & New Zealand one out of 10 people owns a boat.

According to the *Gulf Boating Market Report*, a strong incline in marina leisure is projected for the UAE, Kuwait and Qatar. Around the Gulf, their estimate one boat for every 423 residents. The report states that leisure fishing is one of the main drivers for boating in the Gulf, due to the traditional aspect of fishing and pearl-diving in the past. However, with the increasing number of overseas property purchasers in Dubai, imported boats from leading European and US builders are on the increase.

The annual Dubai International Boat Show is one of the top 5 most visited boat shows in the world, with than 25,000 visitors reported for 2007.

State owned Nakheel, the largest oceanfront property developer in the U.A.E., has signed a management agreement with Island Global Yachting to build and operate marinas in all their developments in the U.A.E. Andrew Farkas, CEO of Island Capital Group said, "We are excited about the expansion of our partnership with Nakheel, whose visionary projects and renowned developments have established Dubai as a new world-class destination for business and luxury tourism. Our partnership will pave the way for potentially more than 40,000 new marina berths, which will establish Dubai as a global yachting destination and facilitate the growth of the marina industry in the Middle East."

This partnership will create an extraordinary opportunity for worldwide marina manufacturers, developers and service providers to contribute their expertise to and benefit from this unparalleled waterfront development in Dubai. Nakheel currently has \$30 billion worth of projects under development, which will add 1,500 km (approximately 932 miles) of waterfront property to Dubai once they are completed. There are currently only 1,000 boat berths in Dubai."

Local and international banks have been quick to realize the opportunity for growth in pleasure boat sales, offering a range of financing options for potential boat owners. UK-based HSBC requires a 30 per cent down payment and a valid boat and life insurance. The National Bank of Abu Dhabi (NBAD) also offers two types of boat financing loans for any person who makes more than \$5,000 per month in salary.

The estimates from all sources range from 25,000 new marina berths in Dubai, to 40,000 berths coming on line in Nakheel projects alone. These estimates do not include the thousands of berths and waterfront housing units coming on line in Abu Dhabi, Umm al Quwain, and the increasingly popular Ras al Khaimah.

We believe that there is potential for sales of at least 40,000 boats in the under-10-meter, motor powered category in the next 5 years in the U.A.E. While we have yet to determine the marketability of the Atomix product, our research indicates that we can sell the boats at a significant profit but at less than the average local market price for the category. We have sold four units at an average gross profit of 20% since May 15, 2007.

Results of Operations

During the nine months ended September 30, 2007, the Company sold 23 Unic cranes, 2 Trident car sub-distributorships, and 4 Atomix boats. We expect to generate revenue from increased sales of these products in 2007 and onwards.

17

Furukawa Unic Cranes

The Unic cranes are in the same category of commercial and construction equipment that WWA Ltd is a U.A.E. market leader in selling, and many prospective buyers of the Unic products are WWA Ltd customers. We do not have to spend significant amounts on advertising, sales staff, or administrative matters to sell Unic cranes. We have sold 23 cranes from May 1, 2007 through September 30, 2007, at a total gross profit margin of approximately \$110,000. We had only one sales assistant working with the operations manager during his period, and no other staff.

Trident Tri-Car

We plan to sell Trident CNG powered commercial vehicles to 20 countries in the Gulf Region, Southeast Asia, Africa, Central America and Eastern Europe. We expect to sell Trident commercial vehicles in the U.A.E. by wholesale auctions, direct wholesaling to users, and automated internet selling. However, the business is not designed to rely on WWA Ltd's networks of buyers. We plan to build a network of sub-distributors in the countries we determine to have the best potential, and charge up front cash fees and profit margin to the vehicles and parts ordered by them. We will utilize contracted direct marketing firms to engage in the selling of sub-distributorships.

In the 20 countries we have the exclusive rights to sell Trident vehicles there is a population base of between 1 and 1.5 billion people. We plan to sell one sub-distributorship to each area of 1 million people, or up to 1,500 sub-distributorships. Initial fees up front will be \$15,000 cash for one territory, and a minimum order of 50 vehicles in the first year. Our calculations of gross potential cash fees, profit margins on cars and parts, equates to over \$20 million if we sell 1,000 sub-distributorships and each sells 50 cars at \$150 per car margin. This amount will be reduced by commissions on the up- front fees, but the ongoing sales of cars will generate substantial revenue over the long term at no cost to the Company.

Atomix Boats

For us to sell Atomix boats without building an in-house retail sales team, we are in the process of formalizing relationships with real estate agents involved in selling marina and waterfront property throughout the U.A.E. These agents will act as commission agents to sell boats along with housing units they sell on a regular basis. Two boats were sold in the current quarter by these agents. We are also planning to work in a joint venture with Emirates Boat Share Ltd. to co-market Atomix boats.

Outside commission agents, contracted direct sales teams, and consultants will be used if they can be obtained for minimal fixed cost. Management is confident that it will be able to operate in this manner and to develop the business during the next twelve months. Our longer term plans are to hire sales and service staff for the Unic, Atomix and Trident businesses as necessary. Meanwhile, the Company has appointed an executive vice president of operations, based in Dubai, who has experience in selling Unic Cranes and Atomix boats in the U.A.E., to oversee sales of our products. We have also engaged a sales manager and are now occupying showroom space on a verbal sharing arrangement with an Abu Dhabi company. We plan to engage a full time marketing manager to oversee the sales of Trident sub-distributor agreements.

Related Operations

The Company is in the process of obtaining or acquiring a trade license and corporate office in Dubai.

The Company has also entered into a sublease with Fastcraft Marine FZE to occupy 50% of a 2,000 square meter shop and warehouse in Ras al Khaimah port, U.A.E., which will serve as our service and logistics center. We have agreed to pay rent of \$40,000 per year for a 5-year term for use of this building space and quayside space.

We have also engaged Fastcraft Marine FZE to service, warranty, manage and deliver all boats, Unic cranes and Trident vehicles we import to the U.A.E. By contracting a well established company in a shared facility, and passing the costs onto the buyers, we believe we can avoid growing our own overhead and salary costs long into the future.

Quarters Ended September 30, 2007 and 2006

Revenue

Revenue for the three months ended September 30, 2007 was \$346,852 as compared to revenue of \$0 for the three month period ending September 30, 2006. Revenue for the nine months ended September 30, 2007 was \$712,454 as compared to revenue of \$0 for the nine month period ended September 30, 2006. The realization of revenue since May 1, 2007 can be attributed to the sale of Unic Cranes, Atomix boats, and sub-distributorships for Trident cars. We expect that revenue will increase in future periods as the Company focuses on building sales from our distributorship agreements.

Other Income/Losses

Other losses for the three months ended September 30, 2007 were \$21,673 as compared to other losses of \$0 for the three months ended September 30, 2006. Other income for the nine months ended September 30, 2007 was \$337,380 as compared to other income of \$0 for the nine months ended September 30, 2006. Both the loss in the current three month period and the income in the current nine month period can be largely attributed to our equity investment in WWA Group. We expect that other income will increase in future periods with the profitability of WWA Group.

Expenses

Expenses for the three months ended September 30, 2007 were \$414,949, as compared to expenses of \$12,529 for the three month period ending September 30, 2006, an increase of 3,212%. Expenses for the nine months ended September 30, 2007 were \$796,399 as compared to expenses of \$185,682 for the nine month period ending September 30, 2006, an increase of 329%. The increase in expenses over the comparative periods can be attributed to increases in general and administrative expenses and the cost of goods sold in the current periods. Increases in general and administrative expenses are partially attributable to the salary of our new vice president of operations and marketing expenses. We expect that expenses related to the cost of goods sold will continue to increase over future periods as corresponding revenues increase from the sale of our products.

Depreciation and amortization expenses for the three months ended September 30, 2007 and 2006 were \$382 and \$1,174, respectively. Depreciation and amortization expenses for the nine months ended September 30, 2007 and 2006 were \$1,146 and \$3,521, respectively. Depreciation and amortization expenses are expected to increase as we acquire additional assets in the process of expanding the operation of our distribution activities.

Net Income/Losses

Net loss for the three months ended September 30, 2007 was \$89,771, as compared to net loss of \$12,529 for the three-month period ended September 30, 2006, an increase of 617%. Net income for the nine months ended

September 30, 2007 was \$253,425, as compared to a net loss of \$185,682 for the nine-month period ended September 30, 2007. The loss in the current three month period can be attributed to increases in our operating expenses which outweighed our revenue gain. Our income in the current nine month period can be attributed to the income from our equity investment in WWA Group. We expect that revenue will surpass expenses in future periods as our operations expand.

19

Capital Expenditures

The Company expended no significant amounts on capital expenditures for the period from July 9, 1999 (inception) to September 30, 2007.

Income Tax Expense (Benefit)

The Company has an income tax benefit resulting from net operating losses to offset any future operating profit. However, the Company has not recorded this benefit in the financial statements because it cannot be assured that we will utilize the net operating losses carried forward in future years.

Impact of Inflation

In the opinion of management, inflation has not and will not have a material effect on our operations until such time as the Company adds additional sales and administrative staff in the U.A.E. and other countries experiencing high inflation. At that time, management will evaluate how the possible effects of inflation impact our business and operations. Inflation has had a negative effect on the net income of WWA Ltd in the past 24 months, but we believe that increases in WWA Ltd revenue over time is an offsetting consideration.

Liquidity and Capital Resources

Cash flow used in operating activities for the nine month period ended September 30, 2007 was \$222,051 as compared to cash flow used in operating activities of \$615,703 for the nine month period ended September 30, 2006.

The decrease in cash flow used in operating activities in the current nine-month period can be attributed to the realization of net income and an increase in accounts payable and accrued expenses. We expect that cash flow used in operating activities will continue to decrease as net income increases.

Cash flow used in investing activities for the nine month period ended September 30, 2007 was \$289,000 as compared to cash flow used in investing activities of \$6,480 for the nine month period ended September 30, 2006. Cash flow used in investing activities in the current nine month period was used on the purchase of fixed assets connected to our distribution agreements. We expect to continue to use cash flow in investing activities as we build inventories to sell products through our distribution agreements.

Cash flow provided by financing activities for the nine-month period ended September 30, 2007 was \$513,145 as compared to \$618,505 for the nine-month period ended September 30, 2006. Cash flow provided by financing activities in the current nine month period is attributable to the sale of common and preferred stock as well as the issuance of a note payable. The preferred stock sold in the second quarter of 2007 is secured by a portion of our

holdings of WWA Group common stock.

The Company had a working capital deficit of \$1,426,900 as of September 30, 2007 compared to a working capital deficit of \$992,561 as of December 31, 2006. Despite the working capital deficit we have inventory of \$136,241 and receivables of \$331,410 as of September 30, 2007. We also have a secured note receivable for \$900,000. We believe that these assets, in addition to anticipated increases in cash flow from operations, and our existing option to generate an additional \$400,000 from the sale of preferred stock, are sufficient to meet our obligations over the next twelve months.

20

Historically, the Company has funded its cash needs from inception through operations, increases in payables, and a series of debt transactions. Other prospective sources of funding include shareholder loans, the sale of common stock or other equity instruments, and loans from other sources. However, outside of a commitment to purchase up to an additional \$400,000 worth of our preferred stock, we can provide no assurance that we will be able to obtain additional financing to expand our operations. If we are unable to increase our cash flows from operating activities or obtain additional financing as required by such shortfall, we may be required to curtail operations and limit our expansion plans.

The Company has no current plans for the purchase or sale of any plant or equipment except for resale as part of our Unic, Atomix and Trident businesses.

The Company has no defined benefit plan or contractual commitment with any of its officers or directors.

Off Balance Sheet Arrangements

As of September 30, 2007, the Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to stockholders.

Critical Accounting Policies

In the notes to the audited financial statements for the year ended December 31, 2006, included in the Company' Form 10-KSB, the Company discusses those accounting policies that are considered to be significant in determining the results of operations and our financial position. The Company believes that the accounting principles we utilized conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires Company management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, the Company evaluates estimates. We base our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company’s future reported financial position or results of operations.

21

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)”. This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company’s future reported financial position or results of operations.

In September 2006, the Securities and Exchange Commission (“Commission”) issued Staff Accounting Bulletin (“SAB”) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for periods ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”. This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on its financial position and results of operations.

Forward Looking Statements and Factors that May Affect Future Results and Financial Condition

The statements contained in the section titled “*Management’s Discussion and Analysis*,” with the exception of historical facts, are forward looking statements within the meaning of Section 27A of the Securities Act. A safe-harbor

provision may not be applicable to the forward looking statements made in this Form 10-QSB because of certain exclusions under Section 27A (b). Forward looking statements reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These statements include, but are not limited to, statements concerning:

- § WWAG's ability to continue increasing sales and profit margins on their auctions;
- § our marketing and distributorship success with Unic, Triton, and Atomix;
- § our beneficial relationship with Fastcraft Marine FZE;
- § our ability to raise additional capital, if needed, to fund cash requirements for future operations;
- § our ability to maintain our corporate existence as a viable entity; and
- § the volatility of the stock market and general economic conditions.

We wish to caution readers that the Company's operating results are subject to various risks and uncertainties that could cause our actual results to differ materially from those discussed or anticipated in this report. We also wish to advise readers not to place any undue reliance on the forward looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than is required by law.

Risks Factors

Our future operating results are highly uncertain. Before deciding to invest in us or to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this annual report. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

We have a history of significant operating losses and such losses may continue in the future.

Since our inception in 1996, our expenses have substantially exceeded our income, resulting in continuing losses and an accumulated deficit during our development stage of \$182,781 at September 30, 2007. Although, the Company has historical income from the sale of investments, interest, and equity investments, we have only recently realized revenue from operations. Our only expectation of future profitability is dependent upon our ability to continue to realize revenue from operations, which progression can in no way be assured.

The Company's limited financial resources cast severe doubt on our ability to generate cash profits.

The Company's future operation is dependent upon the development of our various business activities. However, the prospect of such development is in doubt due to our limited financial resources. The Company may seek to improve

this financial condition through debt or equity offerings but can provide no assurance that such efforts will be successful.

Our extremely limited operating history and the discontinuation of our initial business makes it difficult to evaluate our prospects. As a result of our short operating history, we have only limited financial data and business information with which to evaluate our business strategies, past performance and investment in our common stock.

Dependence on key personnel

If we lose key personnel, we may be unable to successfully operate our business. The Company depends on the continued contributions of our executive officers to work effectively as a team, to execute our business strategy and to manage our business. The loss of key personnel or their failure to work effectively could have a material adverse effect on our business, financial condition and results of operations.

23

Common stock price may be extremely volatile

The price of our common stock may be extremely volatile in the event the Company is able to develop a public market for its stock. Therefore, investors may not be able to sell their shares at or above their purchase price, or at all. Our stock was originally quoted on the OTC Bulletin Board, was subsequently relegated to the "Pink Sheets", and in July 2005 the Commission suspended all trading in our securities due to delinquent filings. We have since brought current our filings with the Commission and plan to develop a public market for our securities in the near future. However, there is no assurance that a public market will ever be realized. The price of our common stock in a public market could be highly volatile and could fluctuate substantially because of:

- § actual or anticipated fluctuations in our future business and operating results;
- § changes in or failure to meet market expectations; and
- § fluctuations in stock market price and volume, which are particularly common among securities of technology companies, particularly new start-up companies.

We do not intend to pay dividends

We have never declared or paid any cash dividends on shares of our common stock. We currently intend to retain our future earnings for growth and development of our business and, therefore, we do not anticipate paying any dividends in the foreseeable future.

Our internal controls over financial reporting may not be considered effective, which could result in a loss of investor confidence in our financial reports.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our annual report for the year ending December 31, 2007, we may be required to furnish a report by our management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. If we are unable to assert that our internal controls are effective as of December 31, 2007, investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

Going Concern

The Company's most recent annual audit at year end 2006 expressed substantial doubt as to the Company's ability to continue as a going concern as a result of recurring losses, lack of revenue-generating activities and an accumulated deficit of during the development stage of \$436,215 as of December 31, 2006, which decreased to \$182,781 as of September 30, 2007. The Company's ability to continue as a going concern is subject to our ability to realize a profit from operations and/or obtain funding from outside sources.

ITEM 3. 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 evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2007. Based on this evaluation, our principal executive officer and our principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective and adequately designed to ensure that the information required to be disclosed by us in the reports we submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that such information was accumulated and communicated to our chief executive officer and chief financial officer, in a manner that allowed for timely decisions regarding disclosure.

(b) Changes in Internal Controls

During the period ended September 30, 2007, there has been no change in internal control over financial reporting 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. UNREGISTERED SALES OF EQUITY SECURITIES

On September 18, 2007 the Company issued 187,500 shares of restricted stock for consulting services rendered by Orsa & Company, valued at \$0.16 per share or \$30,000 pursuant to the exemptions from registration provided by Regulation D and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with the exemption requirements of Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was only one offeree who was issued stock as consideration for services rendered; (3) the offeree committed to hold the stock for at least one year; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Corporation complied with the requirements of Rule 506 of Regulation D of the Securities Act for the Regulation D equity financing by: (i) foregoing any general solicitation or advertising to market the securities; (ii) selling only to an accredited investor; (iii) having not violated antifraud prohibitions with the information provided to the creditor; (iv) being available to answer questions by the creditor; and (v) issuing restricted securities to the investor, which securities cannot be sold for at least a year without registration.

On September 18, 2007 the Company issued 504,750 shares of restricted stock for aggregate cash

25

consideration of \$80,760 or \$0.16 a share to eight individuals or entities pursuant to the exemption from registration provided by Regulation S of the Securities Act of 1933, as amended. No commissions were paid in connection with this equity offering.

Regulation S provides generally that any offer or sale that occurs outside of the United States is exempt from the registration requirements of the Securities Act, provided that certain conditions are met. Regulation S has two safe harbors. One safe harbor applies to offers and sales by issuers, securities professionals involved in the distribution process pursuant to contract, their respective affiliates, and persons acting on behalf of any of the foregoing (the “issuer

safe harbor”), and the other applies to resales by persons other than the issuer, securities professionals involved in the distribution process pursuant to contract, their respective affiliates (except certain officers and directors), and persons acting on behalf of any of the forgoing (the “resale safe harbor”). An offer, sale or resale of securities that satisfies all conditions of the applicable safe harbor is deemed to be outside the United States as required by Regulation S. The distribution compliance period for shares sold in reliance on Regulation S is one year.

The Company complied with the requirements of Regulation S of the Securities Act by: (i) having no directed offering efforts made in the United States, (ii) offering only to offerees who were outside of the United States at the time the securities were issued, and (iii) ensuring that the subscribers to whom the restricted securities were issued were non-U.S. residents with addresses in foreign countries.

The following individuals and entities were issued securities pursuant to the exemption from registration provided by Regulation S of the Securities Act:

SUBSCRIBER	SHARES	CONSIDERATION
Peter Hersey	6,250	\$1,000
Don Mortensen	100,000	\$16,000
Estec Superannuation Fund	45,000	\$7,200
Rene Bloch	2,500	\$400
Lesley Gray and Garry Gray	5,000	\$800
Charles Warwick Beattie	15,000	\$2,400
Gordon Howard	50,000	\$8,000
Nine 2005 Holding Ltd.	281,000	\$45,000

On September 18, 2007 the Company issued 1 preferred shares of restricted stock for aggregate cash consideration of \$100,000 to Nine 2005 Holding Ltd. pursuant to the exemption from registration provided by Regulation S of the Securities Act of 1933, as amended. No commissions were paid in connection with this equity offering.

The Company complied with the requirements of Regulation S of the Securities Act by: (i) having no directed offering efforts made in the United States, (ii) offering only to an offerees who was outside of the United States at the time the security was issued, and (iii) ensuring that the subscriber to whom the restricted security was issued was a non-U.S. resident with an address in a foreign county.

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

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 29 of this Form 10-QSB, and are incorporated herein by this reference.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Asia8, Inc. (formerly Asia4Sale.com, Inc.)

By:

Eric Montandon

Chief Executive Officer, Chief Financial Officer, and Principal Accounting Officer

Date: November 19, 2007

INDEX TO EXHIBITS

<i>Exhibit No.</i>	<i>Page</i>	<i>Description</i>
3(i)(a)		* Articles of Incorporation dated September 23, 1996 (incorporated by reference to the Form 10-12G filed with the Commission on October 20, 1999).
3(i)(b)		* Amended Articles of Incorporation dated July 9, 1999 (incorporated by reference from Form 10-QSB filed with the Commission on October 20, 1999).
3(i)(c)		* Amended Articles of Incorporation dated December 22, 1999 (incorporated by reference from Form 10-QSB filed with the Commission on May 15, 2007).
3(i)(d)		* Amended Articles of Incorporation dated April 20, 2007 (incorporated by reference from Form 10-QSB filed with the Commission on May 15, 2007).
3(ii)(a)		* By-Laws dated May 6, 1999 (incorporated by reference Form 10-12G filed with the Commission on October 20, 1999).
3(ii)(b)		* Amended Bylaws dated January 22, 2007 (incorporated by reference to the Form 8-K filed with the Commission on January 29, 2007).
10(i)		* Share Purchase Agreement dated May 1, 2000 between Asia4Sale.com, Inc. and World Wide Auctioneers, Inc. (incorporated by reference from Form 8-K filed with the Commission on October 3, 2007).
10(ii)		* Unic Distribution Agreement dated May 1, 2007 between Asia8, Inc. and Peter Prescott (incorporated by reference from Form 8-K filed with the Commission on October 3, 2007).
10(iii)		* Tri Car Distribution Agreement dated May 1, 2007 between Asia8, Inc. and Asian Dragon Entertainment and Gaming Corporation (incorporated by reference from Form 8-K filed with the Commission on October 3, 2007).
10(iv)		* Atomix Distribution Agreement dated May 1, 2007 between Asia8, Inc. and Peter Prescott (incorporated by reference from Form 8-K filed with the Commission on October 3, 2007).
31		<u>Attached Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934 as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32		<u>Attached Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

* Incorporated herein by reference

