

BLUE HOLDINGS, INC.
Form 10-Q
August 14, 2007

**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, 2007

Commission File Number: 000-33297

BLUE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

88-0450923

(IRS Employer Identification No.)

5804 E. Slauson Ave., Commerce, CA 90040

(Address of principal executive offices)

(323) 725-5555

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

As of August 13, 2007, 26,232,200 shares of the registrant's common stock were outstanding.

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BLUE HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

ASSETS

	2007 (Unaudited)	2006
Current assets:		
Cash	\$ 184,519	\$ 109,031
Due from factor, net of reserves of \$185,417 and \$178,801, respectively	1,239,041	1,366,588
Accounts receivable, net of reserves of \$1,156,016 and \$901,941, respectively:	-	
- Purchased by factor with recourse	6,279,254	7,662,198
- Others	386,569	19,312
Inventories, net of reserves of \$1,030,158 and \$1,742,893, respectively	8,461,464	5,394,006
Income taxes receivable	2,016,875	2,030,919
Deferred income taxes	1,847,472	2,488,082
Prepaid expenses and other current assets	1,308,530	396,810
Total current assets	21,723,724	19,466,946
Deferred income taxes	774,293	-
Property and equipment, less accumulated depreciation	1,648,022	1,611,171
Total assets	\$ 24,146,039	\$ 21,078,117

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Bank overdraft	\$ 811,773	\$ 266,788
Accounts payable	1,474,783	2,820,024
Short-term borrowings	14,069,439	10,026,814
Due to related parties	125,734	710,153
Advances from majority shareholder	2,041,116	1,876,991
Current portion of liability for unrecognized tax benefits	96,850	-
Accrued expenses and other current liabilities	1,674,769	2,133,932
Total current liabilities	20,294,464	17,834,702
Non-current portion of liability for unrecognized tax benefits	170,884	-
Total liabilities	20,465,348	17,834,702
Stockholders' equity:		
Common stock \$0.001 par value, 75,000,000 shares authorized, 26,232,200 and 26,057,200 shares issued and outstanding, respectively	26,232	26,057
Additional paid-in capital	5,329,163	4,964,091
Accumulated deficit	(1,674,704)	(1,746,733)
Total stockholders' equity	3,680,691	3,243,415
Total liabilities and stockholders' equity	\$ 24,146,039	\$ 21,078,117

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BLUE HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net sales	\$ 8,401,971	\$ 15,180,652	\$ 16,842,193	\$ 27,058,531