

APOLLO SOLAR ENERGY, INC.
Form 10-Q
November 23, 2009

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: September 30, 2009

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: 0-12122

Apollo Solar Energy, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

84-0601802
(I.R.S. Employer
Identification No.)

No. 485 Tengfei Third,
Shuangliu Southwest Airport Economic Development
Zone,
Shuangliu, Chengdu
People's Republic of China, 610207
(Address of principal executive offices including zip
code)

Registrant's Telephone Number, Including Area Code: +86 755 2580 1888

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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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 ☒

(Do not check if a smaller reporting company)

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

There were 44,555,131 shares of common stock outstanding as of November 19, 2009.

APOLLO SOLAR ENERGY, INC.

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For the Quarterly Period Ended September 30, 2009

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PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

APOLLO SOLAR ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash	\$ 1,222,686	\$ 4,874,044
Account receivable net of allowance for doubtful accounts \$29,822 and \$14,657, respectively	833,305	961,600
Inventories	7,680,682	7,496,477
Value added taxes receivable	-	494,387
Purchase deposit	758,140	321,300
Due from related parties	1,957,390	2,313,198
Deferred tax assets	33,827	25,880
Other sundry current assets	129,190	83,001
Total current assets	12,615,220	16,569,887
 Property, machinery and mining assets, net	 22,837,311	 19,549,909
 Non-marketable investment	 43,947	 -
Total assets	\$ 35,496,478	\$ 36,119,796
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term loan	4,413,367	-
Notes payable	4,394,748	-
Account payable - trade	319,780	876,221
- Construction vendors	2,469,522	2,546,890
Due to shareholders	5,777,180	9,032,382
Accrued expenses and other sundry current liabilities	1,034,963	959,186
Total current liabilities	18,409,560	13,414,679
 Long-term debt	 -	 4,397,215
 Shareholders' equity		
Preferred stock, \$.001 par value, 25,000,000 shares authorized, 0 shares issued and outstanding at September 30, 2009 and December 31, 2008		

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Common stock, \$.001 par value, 100,000,000 shares authorized,	44,555	44,555
44,555,131 issued and outstanding at September 30, 2009 and December 31, 2008		
Additional paid-in capital	17,753,853	17,347,905
Accumulated deficit	(1,987,555)	(383,221)
Accumulated other comprehensive income	1,276,065	1,298,663
Total shareholders' equity	17,086,918	18,307,902
Total liabilities and shareholders' equity	\$ 35,496,478	\$ 36,119,796

The accompanying notes are integral part of the financial statements

APOLLO SOLAR ENERGY, INC.				
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)				
(Unaudited)				
	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Sales	\$ 2,289,669	\$ 892,400	\$ 6,280,044	\$ 3,937,573
Cost of sales	1,624,416	716,163	4,723,694	2,814,875
Gross profit	665,253	176,237	1,556,350	1,122,698
Operating Expenses				
General and administrative expenses	726,982	249,682	1,978,936	611,189
Stock based compensation	178,686	-	551,947	-
Selling expenses	28,491	65,526	150,208	224,150
Research and development	29,370	28,755	79,332	74,044
Total Operating Expenses	963,529	343,963	2,760,423	909,383
Operating Income (loss)	(298,276)	(167,726)	(1,204,073)	213,315
Interest Income (expenses)	(114,109)	(53,126)	(303,213)	(42,423)
Other income (expenses)	(51,189)	7,894	(51,189)	7,894
Income (loss) before income taxes	(463,574)	(212,958)	(1,558,475)	178,786
Provision for income taxes	22,371	1,500	45,859	160,217
Net Income (loss)	\$ (485,945)	\$ (214,458)	\$ (1,604,334)	\$ 18,569

Other Comprehensive Income (loss)								
Foreign Currency Translation Adjustment	\$	(16,328)	\$	724,322	\$	(22,598)	\$	1,188,644
Comprehensive Income (loss)	\$	(502,273)	\$	509,864	\$	(1,626,932)	\$	1,207,213
Basic and Diluted Income per common share								
Basic	\$	(0.01)	\$	(0.00)	\$	(0.03)	\$	0.00
Diluted	\$	(0.01)	\$	(0.00)	\$	(0.04)	\$	0.00
Weighted average common share outstanding								
Basic		44,555,131		44,555,131		44,555,131		44,555,131
Diluted		45,385,131		44,555,131		45,376,047		44,555,131

The accompanying notes are integral part of the financial statements

APOLLO SOLAR ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine months ended
September 30,
2009 2008

Cash flows from operating activities		
Net income (loss)	\$(1,604,334)	\$18,569
Adjustments to reconcile net income to net cash		
Used in operating activities:		
Issurance of options for service	551,947	-
Depreciation	857,044	339,772
Deferred tax assets	(7,955)	
Changes in assets and liabilities:		
Account receivable-trade	127,644	(138,688)
Inventory	(158,789)	(4,369,298)
Other sundry current assets	(46,193)	11,988
Tax receivable	523,891	(389,322)
Advance for purchases	(506,535)	(682,644)
Account payable-trade	(555,459)	282,577
Accounts payable - construction	(75,875)	67,789
Accrued expenses and other sundry current liabilities	(189,752)	97,737
Accrued interests	281,796	214,793
Net cash used in operating activities	(802,570)	(4,546,727)
Cash flows from investing activities		
Non-marketable investment	(43,909)	-
Purchase of property & equipments	(1,491,382)	(6,335,555)
Government subsidy to purchase of Fixed Assets	2,019,803	-
Acquisition of land use rights	(3,674,831)	-
Net cash used in investing activities	(3,190,319)	(6,335,555)
Cash flows from financing activities		
Proceeds from short-term loans	4,419,432	-
Capital contribution	-	8,024,914
Advance from (payment to) shareholder	(3,258,745)	3,875,921
Payment to related party	(813,923)	(2,421,015)
Net cash provided by financing activities	346,764	9,479,820
Effect of exchange rate changes on cash		
	(5,233)	70,969
Net decrease in cash	(3,651,358)	(1,331,493)
Cash, beginning of year	4,874,044	2,619,176
Cash, end of period	\$1,222,686	\$1,287,683