

ACL SEMICONDUCTOR INC  
Form 10-Q  
August 13, 2009

**U.S. 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, 2009.

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

For the transition period from \_\_\_\_ to \_\_\_\_.

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Commission File Number: 000-50140

**ACL Semiconductors Inc.**

(Name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**16-1642709**

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

**B24-B27,1/F., Block B**

**Proficient Industrial Centre, 6 Wang Kwun Road  
Kowloon, Hong Kong**

(Address of principal executive offices)

**011-852-2799-1996**

(Registrant's telephone number)

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 x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o  
Non-accelerated filer x

Accelerated filer o  
Smaller reporting company o



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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  No   
APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No   
APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, \$.001 par value, as of August 13, 2009: 28,329,936

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**Cautionary Note Regarding Forward-Looking Statements**

The Company has included in this quarterly report certain Forward-Looking Statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning the Company's business, operations and financial condition. Forward-Looking Statements consist of all non-historical information and the analysis of historical information, including the references in this report to future revenue growth, future expense growth, future credit exposure, earning before interest, taxes, depreciation and amortization, future profitability, anticipated cash resources, anticipated capital expenditures, capital requirements, and the Company's plans for future periods. In addition, the words could, expects, anticipates, objective, plan, may affect, may depend, believes, estimates, projects and similar words and phrases are also used to identify such forward-looking statements.

Actual results could differ materially from those projected in the Company's forward-looking statements due to numerous known and unknown risks and uncertainties, including, among other things, unanticipated technological difficulties, the volatile and competitive environment for computer and consumer electronic products, changes in domestic and foreign economic, market and regulatory conditions, the inherent uncertainty of financial estimates and projections, the uncertainties involved in certain legal proceedings, instabilities arising from terrorist actions and responses thereto, and other considerations described as Risk Factors in other filings by the Company with the Securities and Exchange Commission including its annual report on Form 10-K. Such factors may also cause substantial volatility in the market price of the Company's common stock. All such forward-looking statements are current only as of the date on which such statements were made. The Company does not undertake any obligations to publicly update any forward looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Any reference to ACL, the Company or the Registrant, we, our or us means ACL Semiconductors Inc. and its subsidiaries.

## ITEM 1. FINANCIAL STATEMENTS.

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

**ASSETS**

	<b>As of June 30, 2009 (Unaudited)</b>	<b>As of December 31, 2008</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,068,951	\$ 1,784,355
Restricted cash	2,086,504	5,169,753
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2009 and 2008	9,232,076	10,230,464
Accounts receivable, related parties	9,582,171	8,412,729
Inventories, net	1,762,732	2,060,195
Restricted marketable securities		500,000
Other current assets	28,171	30,051
<b>Total current assets</b>	<b>23,760,605</b>	<b>28,187,547</b>
<b>Property, equipment and improvements</b> , net of accumulated depreciation and amortization	5,946,867	6,007,456
<b>Other deposits</b>	49,390	392,069
	<b>\$ 29,756,862</b>	<b>\$ 34,587,072</b>

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

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (CONTINUED)**

**LIABILITIES AND STOCKHOLDERS EQUITY**

	<b>As of June 30, 2009 (Unaudited)</b>	<b>As of December 31, 2008</b>
<b>Current liabilities:</b>		
Accounts payable	\$ 14,661,745	\$ 13,669,779
Accrued expenses	838,631	396,755
Lines of credit and notes payable	7,982,178	16,447,742
Current portion of long-term debt	162,672	160,447
Current portion of capital lease	64,493	58,683
Income tax payable	403,024	5,588
Due to stockholders for converted pledged collateral	112,385	112,385
Other current liabilities	175,862	301,076
Total current liabilities	24,400,990	31,152,455
<b>Long-term liabilities</b>		
Long-term debts, less current portion	2,279,729	2,361,711
Capital lease, less current portion	34,043	43,055
Total long-term liabilities	2,313,772	2,404,766
<b>Deferred tax</b>		
	8,343	8,343
	26,723,105	33,565,564
<b>Stockholders equity:</b>		
Common stock - \$0.001 par value, 50,000,000 shares authorized, 28,329,936 issued and outstanding at June 30, 2009 and December 31, 2008	28,330	28,330
Additional paid in capital	3,593,027	3,593,027
Amount due from stockholder/director	(39,633)	(39,633)
Accumulated deficit	(547,967)	(2,560,216)
Total stockholders equity	3,033,757	1,021,508
	\$ 29,756,862	\$ 34,587,072

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

**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
<b>Net sales:</b>				
Related parties	\$ 4,267,650	\$ 3,731,920	\$ 6,505,899	\$ 5,496,412
Other	69,736,839	41,518,721	128,926,206	92,662,735
Less discounts to customers	(449)	(4,948)	(7,438)	(4,948)
	<u>74,004,040</u>	<u>45,245,693</u>	<u>135,424,667</u>	<u>98,154,199</u>
<b>Cost of sales</b>	<u>71,796,523</u>	<u>43,850,748</u>	<u>130,551,426</u>	<u>96,239,084</u>
<b>Gross profit</b>	2,207,517	1,394,945	4,873,241	1,915,115
<b>Operating expenses:</b>				
Selling	29,361	19,159	48,780	36,935
General and administrative	1,082,439	750,417	2,304,128	1,525,214
	<u>1,095,717</u>	<u>625,369</u>	<u>2,520,333</u>	<u>352,966</u>
<b>Income from operations</b>	1,095,717	625,369	2,520,333	352,966
<b>Other income (expenses):</b>				
Interest expense	(115,918)	(276,477)	(282,810)	(500,304)
Rental Income	22,308	22,308	44,615	44,615
Profit on disposal of equipment & improvements	21,350		21,350	
Income from participating forward	28,372	15,237	48,721	60,352
Unrealized loss		(14,190)		(218,073)
Miscellaneous	28,983	23,180	57,476	54,091
	<u>1,080,812</u>	<u>395,427</u>	<u>2,409,685</u>	<u>(206,353)</u>
<b>Income (loss) before income taxes</b>	1,080,812	395,427	2,409,685	(206,353)
<b>Income taxes</b>	<u>179,487</u>		<u>397,436</u>	
<b>Net income (loss)</b>	<u>\$ 901,325</u>	<u>\$ 395,427</u>	<u>\$ 2,012,249</u>	<u>\$ (206,353)</u>
<b>Earnings per share - basic and diluted</b>	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ (0.01)</u>
<b>Weighted average number of shares - basic and diluted</b>	<u>28,329,936</u>	<u>28,329,936</u>	<u>28,329,936</u>	<u>28,329,936</u>

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



**ACL SEMICONDUCTORS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six months ended	
	June 30, 2009	June 30, 2008
	<u>                    </u>	<u>                    </u>
<b>Cash flows provided by (used for) operating activities:</b>		
Net income (loss)	\$ 2,012,249	\$ (206,353)
	<u>                    </u>	<u>                    </u>
<b>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</b>		
Depreciation and amortization	130,780	133,176
Change in inventory reserve	89,744	
Gain on disposal of equipment and improvements	(21,350)	
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in assets</b>		
Accounts receivable - other	998,387	(3,434,725)
Accounts receivable - related parties	(1,169,443)	(570,164)
Inventories	207,719	(3,027,915)
Other current assets	1,880	32,302
Deposits	342,679	(4,824)
<b>Increase (decrease) in liabilities</b>		
Accounts payable	991,966	2,030,329
Accrued expenses	441,876	74,397
Income tax payable	397,436	
Other current liabilities	(125,214)	(128,299)
	<u>                    </u>	<u>                    </u>
Total adjustments	2,286,460	(4,895,723)
	<u>                    </u>	<u>                    </u>
Net cash (used for) provided by operating activities	4,298,709	(5,102,076)
	<u>                    </u>	<u>                    </u>
<b>Cash flows provided by (used for) investing activities:</b>		
Repayments from stockholders		