

Hongli Clean Energy Technologies Corp.  
Form 10-Q  
May 23, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 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 **March 31, 2016**

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: **001-15931**

**HONGLI CLEAN ENERGY TECHNOLOGIES CORP.**

(Exact name of registrant as specified in its charter)

**Florida**

(State or other jurisdiction of incorporation or  
organization)

**98-0695811**

(I.R.S. Employer Identification Number)

**Kuanggong Road and Tiyu Road 10th Floor**

**467000**

**Chengshi Xin Yong She, Tiyu Road, Xinhua District**

**Pingdingshan, Henan Province**

**People's Republic of China**

(Address of principal executive offices)

(Zip Code)

**+86-3752882999**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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 (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 (Check one):

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 Act). Yes ☐ No ☒

As of May 23, 2016, the registrant had 23,960,217 shares of common stock outstanding.

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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*All statements contained in this report, other than statements of historical facts, that address future activities, events or developments, are forward-looking statements, including, but not limited to, statements containing the words “believe,” “anticipate,” “expect,” “project,” “may,” “might,” “will,” the negative forms thereof, and words of similar import. These statements are based on certain assumptions and analyses made by us in light of our experience and our assessment of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control. Actual results, performance or achievements may differ materially from those expressed or implied by forward-looking statements depending on a variety of important factors, including, but not limited to, weather, local, regional, national and global coke and coal price fluctuations, levels of coal and coke production in the region, the demand for raw materials such as iron and steel which require coke to produce, availability of financing and interest rates, competition, changes in, or failure to comply with, government regulations, costs, uncertainties and other effects of legal and other administrative proceedings, and other risks and uncertainties. Such risks and uncertainties are described in greater details in the “Risk Factors” section beginning on page 26 of the registrant’s annual report on Form 10-K for the year ended June 30, 2015 filed with the Securities and Exchange Commission (the “SEC”) on October 13, 2015 (the “Annual Report”).*

*Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results anticipated by management will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the registrant’s business operations. The registrant is not undertaking to update or revise any forward-looking statement, whether as a result of new information, future events or circumstances or otherwise.*

**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**

**HONGLI CLEAN ENERGY TECHNOLOGIES CORP. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

	March 31, 2016 (Unaudited)	June 30, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$67,522	\$81,605
Accounts receivable, net	3,532,687	13,970,451
Other receivables and deposits	6,440,435	4,928,967
Inventories	710,519	3,191,605
Advances to suppliers	-	8,216,127
Prepaid expenses	-	16,670
Total current assets	10,751,163	30,405,425
 <b>PLANT AND EQUIPMENT, net</b>	 14,464,389	 18,750,242
 <b>CONSTRUCTION IN PROGRESS, net</b>	 -	 65,420,768
 <b>OTHER ASSETS</b>		
Prepayments	-	19,674,034
Intangible assets, net	1,603,655	56,355,185
Long-term investments	1,240,435	2,920,247
Other assets	-	114,589
Total other assets	2,844,090	79,064,055
 <b>Total assets</b>	 \$28,059,642	 \$193,640,490
 <b>LIABILITIES AND EQUITY</b>		
 <b>CURRENT LIABILITIES</b>		
Current maturity of long term loans	\$273,769	\$44,471,220
Accounts payable, trade	182,214	70,164

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Other payables and accrued liabilities	698,751	4,503,689
Other payables - related party	576,075	736,596
Acquisition payable	-	4,747,250
Customer deposits	-	80,306
Taxes payable	360,746	907,472
Current portion of warrants liability	-	289,481
Total current liabilities	2,091,555	55,806,178
LONG TERM LIABILITIES		
Long term loans	-	-
Warrants liability	111,094	2,626,168
Total long term liabilities	111,094	2,626,168
Total liabilities	2,202,649	58,432,346
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 23,960,217 shares issued and outstanding as of March 31, 2016 and June 30, 2015, respectively	23,960	23,960
Additional paid-in capital	6,318,600	6,846,397
Statutory reserves	2,064,961	3,689,941
Retained earnings	12,557,470	108,831,633
Accumulated other comprehensive income	4,892,002	11,484,613
Total Hongli Clean Energy Technologies Corp's equity	25,856,993	130,876,544
NONCONTROLLING INTERESTS	-	4,331,600
Total equity	25,856,993	135,208,144
Total liabilities and equity	\$28,059,642	\$193,640,490

The accompanying notes are an integral part of the consolidated financial statements

## HONGLI CLEAN ENERGY TECHNOLOGIES CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(UNAUDITED)

	For the Three Months Ended March		For the Nine Months Ended March	
	31, 2016	2015	31, 2016	2015
REVENUE	\$ 4,516,107	\$ 10,860,134	\$ 16,322,706	\$ 37,111,289
COST OF REVENUE	1,528,863	6,846,870	9,047,889	28,128,833
GROSS PROFIT	2,987,244	4,013,264	7,274,817	8,982,456
OPERATING EXPENSES:				
Selling	6,114	34,585	38,052	103,840
Impairment on intangible assets	-	-	19,270,003	-
Impairment on equipment	-	-	2,070,683	-
Impairment on construction in progress	-	-	23,552,226	-
Loss from Inventories LCM	-	-	1,849,379	-
Bad debt expense	-	96,625	1,708,567	1,645,659
General and administrative	473,588	797,540	2,042,833	2,265,755
Total operating expenses	479,702	928,750	50,531,743	4,015,254
INCOME (LOSS) FROM OPERATIONS	2,507,542	3,084,514	(43,256,926 )	4,967,202
OTHER INCOME (EXPENSE)				
Interest income	10	190	67	165,297
Interest expense	(4,778 )	(1,264,104 )	(2,509,311 )	(4,263,658 )
Other finance expense	(58,940 )	(563 )	(123,785 )	(52,462 )
Gain on debt restructure	6,857,707	-	6,857,707	-
Loss on disposal of subsidiaries	(30,034,623 )	-	(30,034,623 )	-
Loss on disposal of Underground Coal Gasification project	(31,244,185 )	-	(31,244,185 )	-
Loss on disposal of equipment	(68,573 )	-	(68,573 )	-
Change in fair value of warrants	89,754	1,889,365	2,804,555	5,315,068
Total other income (expense), net	(54,463,628 )	624,888	(54,318,148 )	1,164,245
INCOME (LOSSES) BEFORE INCOME TAXES	(51,956,086 )	3,709,402	(97,575,074 )	6,131,447

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PROVISION FOR INCOME TAXES	-	719,551	851,866	1,712,995
NET INCOME (LOSS)	(51,956,086 )	2,989,851	(98,426,940 )	4,418,452
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment	403,014	676,095	(6,592,611 )	846,600
COMPREHENSIVE INCOME (LOSS)	\$ (51,553,072 )	\$ 3,665,946	\$ (105,019,551 )	\$ 5,265,052
WEIGHTED AVERAGE NUMBER OF COMMON SHARES				
Basic and diluted	23,960,217	23,960,217	23,960,217	23,076,987
EARNINGS (LOSSES) PER SHARE				
Basic and diluted	\$ (2.17 )	\$ 0.12	\$ (4.11 )	\$ 0.19

The accompanying notes are an integral part of the consolidated financial statements



## HONGLI CLEAN ENERGY TECHNOLOGIES CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Nine Months Ended March 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (98,426,940	) \$ 4,418,452
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation	1,179,704	1,052,240
Amortization and depletion	383,685	53,126
Impairment loss on intangible assets	19,270,003	
Impairment loss on equipment	2,070,683	-
Impairment loss of CIP	23,552,226	-
Loss from inventories LCM	1,849,379	-
Bad debt expense	1,708,567	1,645,659
Gain on debt restructure	(6,857,707	) -
Loss on disposal of subsidiaries	30,034,623	-
Loss on disposal of Underground Coal Gasification project	31,244,185	-
Loss on disposal of equipment	68,573	-
Change in fair value of warrants	(2,804,555	) (5,315,068
Amortization of prepaid expenses	16,670	58,331
Change in operating assets and liabilities		
Accounts receivable, net	(4,598,733	) (8,428,248
Other receivables	4,702,507	841,985
Inventories	482,910	5,450,252
Advances to suppliers	3,927,443	(1,215,314
Accounts payable, trade	118,348	(2,936,709
Other payables and accrued liabilities	(1,231,320	) (807,441
Taxes payable	(44,755	) 863,744
Net cash provided by (used in) operation activities	6,645,496	(4,318,991
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Collection of loans receivable	-	8,232,037
Loan out principal of loans receivable	-	(200,000
Payments of gasification equipment	-	(6,511,939
Purchase of equipment	-	(7,040,567
Payments of coal mine acquisition	(4,534,942	) -
Net cash used in investing activities	(4,534,942	) (5,520,469

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of short-term loans - Bairui Trust	-	(8,132,990	)
Preceeds from short-term loans - CPL	1,638,416	2,958,329	
Repayment of short-term loans - CPL	(3,601,712	-	)
Proceeds from issuance of common stock	-	13,204,539	
Proceeds from (payment to) related parties	(126,515	1,380,735	)
Net cash provided by (used in) financing activities	(2,089,811	9,410,613	)

EFFECT OF EXCHANGE RATE ON CASH	(34,826	340,686	)
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INCREASE (DECREASE) IN CASH	(14,083	(88,161	)
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CASH, beginning of period	81,605	191,992	
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CASH, end of period	\$ 67,522	\$ 103,831	
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SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for income tax	\$ 1,161,098	\$ 1,330,554	
Cash paid for interest expense, net of capitalized interest	\$ 4,067,231	\$ 4,893,353	

NON-CASH TRANSACTIONS OF INVESTING AND FINANCING  
ACTIVITIES