

ZOOM TECHNOLOGIES INC  
Form 10-Q  
May 16, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTER ENDED MARCH 31, 2011

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 0-18672

ZOOM TECHNOLOGIES, INC.

(Exact name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**51-0448969**

(I.R.S. Employer Identification Number)

Headquarters:  
Sanlitun SOHO, Building A, 11th Floor  
No.8 Worker Stadium North Road  
Chaoyang District, Beijing, China 100027

U.S. correspondence office:  
c/o Ellenoff Grossman & Schole LLP

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150 East 42nd Street  
New York, NY 10017

(Address of principal executive offices including zip code)

(917) 609-0333

(Registrant's telephone number, including area code)

(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 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 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 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   
(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 Exchange Act). YES  NO

Applicable only to corporate issuers:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: The number of shares of common stock, par value \$0.01, outstanding as of May 6, 2011 is 15,879,757.

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Note: PDF provided as a courtesy

Zoom Technologies, Inc.  
and Subsidiaries

FORM 10-Q

For March 31, 2011

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## PART I — FINANCIAL INFORMATION

## ITEM 1 Consolidated Financial Information - (unaudited)

ZOOM TECHNOLOGIES, INC., AFFILIATES & SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	March 31, 2011	December 31, 2010
<b>ASSETS</b>		
(Unaudited)		
Current assets		
Cash and equivalents	\$ 2,083,812	\$ 6,374,103
Restricted cash	13,588,802	13,503,122
Accounts receivable, net	44,495,684	21,740,642
Inventories, net	1,972,753	1,955,458
Other receivables and prepaid expenses	450,453	432,205
Advance to suppliers	24,936,495	32,776,983
Notes receivable	426,630	746,922
Due from related parties	15,944,358	19,056,574
Deferred tax assets, net	100,000	103,419
<b>Total current assets</b>	<b>103,998,987</b>	<b>96,689,428</b>
Property, plant and equipment, net	4,672,562	4,949,920
Research and development contracts in progress	551,125	531,617
Construction in progress	898	-
Construction in progress deposit - related parties	9,852,841	9,790,700
Intangible assets	575,466	525,458
Goodwill	10,360,306	8,498,897
<b>TOTAL ASSETS</b>	<b>\$ 130,012,185</b>	<b>\$ 120,986,020</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term loans	\$ 24,591,791	\$ 21,945,664
Notes payable	25,479,064	25,318,370
Accounts payable	1,871,020	1,488,548
Accrued expenses and other payables	1,239,942	1,170,952
Advance from customers	545,167	301,014
Taxes payable	5,604,154	4,711,893
Interest payable	35,753	25,027
Dividends payable	603,142	599,338
Due to related parties	3,227,926	2,884,340
<b>Total current liabilities</b>	<b>63,197,959</b>	<b>58,445,146</b>
Long-term payables	580,000	580,000
Long-term loan	17,654	-
<b>TOTAL LIABILITIES</b>	<b>63,795,613</b>	<b>59,025,146</b>
<b>COMMITMENTS</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock: authorized 1,000,000 shares, par value \$0.01 none issued and outstanding as of March 31, 2011	-	-
Common stock: authorized 35,000,000 shares, par value \$0.01	158,393	152,739

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Issued 15,840,937 shares and outstanding 15,839,257 shares; and Issued 15,275,572 shares and outstanding 15,273,892 shares at March 31, 2011 and December 31, 2010, respectively		
Shares to be issued	300	557
Subscription receivable	-	(61,200)
Deferred expenses	(243,493)	(227,226)
Additional paid-in capital	40,429,952	38,204,403
Treasury shares: 1,680 shares at cost	(7,322)	(7,322)
Statutory surplus reserve	688,724	682,528
Accumulated other comprehensive income	1,214,584	964,206
Retained earnings	20,811,550	19,030,933
	<hr/>	<hr/>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	63,052,688	58,739,618
Noncontrolling interest	3,163,884	3,221,256
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 130,012,185	\$ 120,986,020
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The accompanying notes are an integral part of these consolidated financial statements.

ZOOM TECHNOLOGIES, INC., AFFILIATES & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME  
(UNAUDITED)

	Three Months Ended March 31	
	2011	2010
<b>Net revenues</b>	\$ 58,611,686	\$ 50,979,269
Cost of goods sold	52,262,817	46,801,015
	6,348,869	4,178,254
<b>Gross profit</b>		
Operating expenses:		
Sales and marketing	208,539	44,076
General and administrative	1,266,191	904,641
Research and development	1,635,204	-
Non-cash equity-based compensation	307,469	369,659
	3,417,403	1,318,376
Total operating expenses		
Income from operations	2,931,466	2,859,878
<b>Other income (expenses)</b>		
Interest income	104,261	187
(Loss) on disposal of fixed assets	(8,368)	-
Other income	15,225	-
Interest expense	(359,028)	(257,626)
Exchange (loss)	(16,172)	(155)
Other expenses	(80,581)	(14,853)
	(344,663)	(272,447)
Total other income (expenses)		
<b>Income before income taxes and non-controlling interest</b>	2,586,803	2,587,431
Income taxes	787,599	548,126
	1,799,204	2,039,305
<b>Income before noncontrolling interest</b>		
Less: Income attributable to noncontrolling interest	12,391	143,603
	1,786,813	1,895,702
<b>Net income attributable to Zoom</b>		
Other comprehensive income	230,269	388
	20,109	-
Other comprehensive income noncontrolling interest		
Comprehensive income Zoom Technologies, Inc.	\$ 2,017,082	\$ 1,896,090
Comprehensive income noncontrolling interest	\$ 32,500	\$ 143,603

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**Basic and diluted income per common share:**

Basic	\$ 0.11	\$ 0.21
Diluted	\$ 0.11	\$ 0.20

**Weighted average common shares outstanding:**

Basic	15,783,859	8,903,851
Diluted	16,074,096	9,257,582

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

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ZOOM TECHNOLOGIES, INC., AFFILIATES & SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	Three Months Ended March 31	
	2011	2010
<b>Cash flows from operating activities:</b>		
Income including noncontrolling interest	\$ 1,799,204	\$ 2,039,305
Adjustments to reconcile income including non-controlling interest to cash used in operating activities:		
Depreciation and amortization	378,531	405,019
Non-cash equity-based compensation	307,469	369,659
Provision for inventory obsolescence	(23,025)	-
Loss on disposal of fixed assets	8,368	-
Deferred tax assets	4,058	53,692
Changes in operating assets and liabilities:		
Accounts receivable	(22,243,148)	(1,636,001)
Inventories	18,162	