

ADVANCED BATTERY TECHNOLOGIES, INC.
Form 10QSB
May 16, 2006

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

FORM 10-QSB

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2006

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period to

Commission File No. 0-13337

ADVANCED BATTERY TECHNOLOGIES, INC.

(Name of Small Business Issuer in Its Charter)

DELAWARE

22-2497491

(State or other jurisdiction of incorporation or organization)

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

136-14 Northern Blvd., Suite 8E, Flushing, NY 11354

(Address of principal executive offices)

718-359-6866

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The number of shares outstanding of each of the issuer's class of equity as of the latest practicable date is stated below:

Title of each class of Common Stock	Outstanding as of May 12 , 2006
Common Stock, \$0.001 par value	49,127,688

Transitional Small Business Disclosure Format (check one): Yes No

PART I - FINANCIAL INFORMATION

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

ADVANCED BATTERY TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEET

March 31, 2006
(Unaudited)

ASSETS	
Current assets	
Cash and cash equivalents	3,817
Accounts receivable	2,189,472
Tax receivable	206,699
Inventories	310,408
Prepayments, deposits and other receivable	911,590
Total current assets	3,621,986
Property, plant and equipment, net	7,846,099
Construction in process	3,955,708
Deposits for acquisition of property, plant and equipment	1,828
Rights to use land and power, net	422,588
Patents, net	109,859
Prepaid expenses	1,388,305
Total assets	17,346,373
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable	526,268
Accrued expenses and other payable	992,947
Short-term bank and other borrowing (Note 7)	4,111,412
Customer deposits	200,021
Welfare payable	134,743
Total current liabilities	5,965,391
Stockholders' equity	
Common stock (Note 8)	41,578
Additional paid-in capital (Note 9)	13,830,986
Accumulated deficit	(2,653,108)
Accumulated other comprehensive income	161,526
Total stockholders' equity	11,380,982
Total liabilities and stockholders' equity	17,346,373

See the accompanying notes to the unaudited consolidated financial statements

-2-

ADVANCED BATTERY TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31,

2006

2005

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

	----- (Unaudited)	----- (Unaudited)
Revenue	1,908,997	31,407
Cost of sales	(1,206,820)	(24,165)
Gross profit	----- 702,177	----- 7,242
Other income	-	801
Selling expenses	(8,617)	(2,996)
General and administrative expenses	(336,552)	(441,839)
Interest expense	(60,888)	(48,716)
Income/(loss) before minority interests	----- 296,120	----- (485,508)
Minority interests	-	49,217
Net income/(loss)	----- 296,120 =====	----- (436,291) =====
Net income/(loss) per share - Basic and diluted (Note 10)	----- 0.007 =====	----- (0.020) =====

See the accompanying notes to the unaudited consolidated financial statements

-3-

ADVANCED BATTERY TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2006	2005
	----- (Unaudited)	----- (Unaudited)
Cash flows from operating activities :		
Net income/(loss)	296,120	(436,291)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities :		
Depreciation and amortization	204,702	49,896
Amortization of prepaid expenses	88,754	321,452
Amortization of stock compensation	50,600	-
Minority interests	-	(49,217)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(221,171)	-
Increase in tax receivable	(206,699)	-
Decrease/(increase) in inventories	72,062	(23,454)
(Increase)/decrease in prepayments, deposits and other receivable	(11,474)	33,241
Decrease in accounts payable, accrued expenses and other payable	(353,719)	(7,861)
Increase/(decrease) in customer deposits	77,026	(31,636)
Increase in welfare payable	16,766	8,014
Net cash provided by/(used in) operating	-----	-----

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

activities	12,967	(135,856)
	-----	-----
Cash flows from investing activities :		
Purchase of property, plant and equipment	(3,193)	(346,979)
Additions to construction in process	-	(1,854,355)
	-----	-----
Net cash used in investing activities	(3,193)	(2,201,334)
	-----	-----
Cash flows from financing activities :		
Net proceeds from issuance of common stocks	-	1,691,542
Decrease in loan payable	(21,359)	(2,707)
Decrease in car loan	(2,324)	(1,862)
	-----	-----
Net cash (used in)/provided by financing activities	(23,683)	1,686,973
	-----	-----
Net decrease in cash and cash equivalents	(13,909)	(650,217)
Effect of foreign exchange rate changes	18	2,116
Cash and cash equivalents, beginning of period	17,708	758,015
	-----	-----
Cash and cash equivalents, end of period	3,817	109,914
	=====	=====

See the accompanying notes to the unaudited consolidated financial statements

-4-

ADVANCED BATTERY TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Advanced Battery Technologies, Inc. ("ABAT" or the "Company") was incorporated in the State of Delaware on January 16, 1984.

The Company is engaged in the business of designing, manufacturing and marketing of rechargeable polymer lithium-ion batteries through its subsidiaries, Cashtech Investment Limited ("Cashtech") and Heilongjiang Zhong Qiang Power-Tech Co., Ltd. ("ZQ Power-Tech"). Cashtech is a British Virgin Islands corporation and ZQ Power-Tech is a limited liability company established in the People's Republic of China (the "PRC") in which Cashtech originally owned 70% interest as of December 31, 2005. On January 6, 2006, Mr. Zhiguo Fu ("Mr. Fu"), the chairman of ABAT, transferred to Cashtech shares of ZQ Power-Tech representing 30% of the outstanding shares of ZQ Power-Tech. As a result of the transfer, Cashtech now owns 100% of the capital stock of ZQ Power-Tech. Details of the transaction are set out in note 5.

2. BASIS OF PRESENTATION

- (i) The accompanying consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with generally accepted accounting principles in the United States of America for interim consolidated financial information. Accordingly, they do

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

not include all the information and notes necessary for comprehensive consolidated financial statements.

In the opinion of the management of ABAT, all adjustments necessary for a fair presentation of the financial position and the results of operations and cash flows for the interim periods have been included. Interim results are not necessarily indicative of results for a full year.

- (ii) The Group has accumulated deficit as at March 31, 2006. However, based on the substantial backlog of orders of approximately USD3.7 million that the Group has accumulated and the Group had attained net income for the current interim period which indicated an improvement to the current operations, the management of the Group believes that the backlog of orders and improved operation results will generate sufficient revenue and cash flows to enable the Group to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set forth in the section "Summary of significant accounting policies" of the consolidated financial statements of the Company included in the Company's Form 10-KSB submitted to the United States Securities and Exchange Commission on April 14, 2006.

-5-

ADVANCED BATTERY TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'D)

Recent accounting pronouncements

In February 2006, the Financial Accounting Standards Board issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 155"), and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year. We do not expect the adoption of SFAS No. 155 to have a material impact on our consolidated financial position, results of operations or cash flows as the Company currently has no financial instruments within the scope of SFAS No. 155.

4. INCOME TAXES

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

No provision for income tax is made as the Company's operating subsidiary in the PRC is entitled to an income tax holiday. The subsidiary is eligible to the income tax holiday of 2 years commencing from its first profit-making year.

5. ACQUISITION OF MINORITY INTERESTS IN ZQ POWER-TECH

As mentioned in note 1, Mr. Fu transferred his 30% interest in ZQ Power-Tech to Cashtech in exchange for 11,780,594 shares of the Company's common stock.

The amount of USD1,865,456, which represents the share of net assets by Mr. Fu in ZQ Power-Tech in excess of par value of the shares issued, was included in additional paid-in capital.

-6-

ADVANCED BATTERY TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. ACQUISITION OF A PATENT

On January 10, 2006, ABAT issued 4,400,000 shares of common stock to Mr. Fu in return for a patent transferred to ZQ Power-Tech by him.

The patent was recognized at the par value of the shares issued due to the nature of transaction being between related parties.

7. SHORT-TERM BANK AND OTHER BORROWINGS

Short-term bank and other borrowings consist of the following:

	USD
Bank borrowings (Note 7(i))	3,362,850
Loan payable (Note 7(ii))	373,650
Other loan payable (Note 7(iii))	374,912

	4,111,412
	=====

(i) The bank loans have maturity of less than one year from March 31, 2006 and are secured by the Group's buildings and right to use land. Loan amounts of USD2,491,000, USD622,750 and USD249,100 bear interest at 8.064%, 6.045% and 5.655% per annum respectively.

(ii) The loan payable represents an interest-free and unsecured demand loan from Shuangcheng National Owned Assets Operation Ltd. with a fixed term of repayment.

(iii) The other loans are due to non-related third parties and are interest-free, unsecured and repayable on demand.

8. COMMON STOCK

	No. of shares	Amount USD
Authorized :-		

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

Common stock at USD0.001 par value	60,000,000	60,000
	=====	=====
Issued and outstanding :-		
At January 1, 2006	25,337,116	25,337
Shares issued for acquisition of minority interests in ZQ Power-Tech (Note 5)	11,780,594	11,781
Shares issued for acquisition of a patent (Note 7(i))	4,400,000	4,400
Shares issued to consultants (Note 7(ii))	60,000	60
	-----	-----
At March 31, 2006	41,577,710	41,578
	=====	=====

Notes :-

- (i) 60,000 shares of common stock were issued as full compensation to three consultants for the provision of research and development services to the Company. An amount of USD34,740, which represents the aggregate fair value of the shares in excess of par value, was included in additional paid-in capital.

-9-

ADVANCED BATTERY TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. ADDITIONAL PAID-IN CAPITAL

Included in the additional paid-in capital are :-

- (i) An amount of USD1,865,456 which relates to the acquisition of minority interests in ZQ Power-Tech (Note 5); and
- (ii) An amount of USD34,740 which relates to the issuance of shares to consultants (Note 8(i)); and
- (iii) A debit balance of USD1,855,333 which represents the balance of unamortized stock compensation. Following the adoption of FAS123R, any unearned stock compensation should be netted against additional paid-in capital and be amortized over the remaining period with a debit to statement of operations as amortization expenses and a credit to additional paid-in capital.

10. NET INCOME/(LOSS) PER SHARE - BASIC AND DILUTED

The basic and diluted net income/(loss) per share is calculated using the net income/(loss) and the weighted average number of common stock outstanding during both interim periods. The Company has no dilutive instruments and accordingly, the basic and diluted net income/(loss) per share are the same.

	Three months ended March 31,	
	2006	2005
Net income/(loss)	USD296,120	USD(436,291)
	=====	=====
Weighted average number of shares		

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

outstanding	40,272,782 =====	21,851,316 =====
Net income/(loss) per share	USD0.007 =====	USD(0.020) =====

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2006	2005
	USD	USD
Interest paid	60,888	48,716
Income taxes	206,699	-

Other than the above-mentioned information, during the three months ended March 31, 2006, there were non-cash transactions regarding the issuance of the Company's common stock for the acquisitions of minority interests in ZQ Power-Tech (Note 5) and a patent (Note 6), and provision of services by certain consultants (Note 8(i)) respectively.

-10-

ADVANCED BATTERY TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. EQUITY INCENTIVE PLAN

- (i) The Company adopted the 2004 Equity Incentive Plan (the "Plan") on August 24, 2004. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of the participants of the Plan (the "Participants") to those of the Company's shareholders, and by providing the Participants with an incentive for outstanding performance. The Plan is further intended to attract and retain the services of the Participants upon whose judgment, interest, and special efforts the successful operation of the Group is dependent. The Company has reserved 5,000,000 shares of common stock for the options and awards under the Plan.

Subject to the terms and provisions of the Plan, the Board of Directors, at any time and from time to time, may grant shares of stock to eligible persons in such amounts and upon such terms and conditions as the Board of Directors shall determine.

The Committee appointed by the Board of Directors to administer the Plan shall have the authority to determine all matters relating to the options to be granted under the Plan including selection of the individuals to be granted awards or stock options, the number of stocks, the date, the termination of the stock options or awards, the stock option term, vesting schedules and all other terms and conditions thereof.

- (ii) The Company adopted the 2006 Equity Incentive Plan after the balance sheet date and the form S-8 was filed with the Securities and Exchange Commission on April 24, 2006.

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

- (iii) The 60,000 shares of common stock entitled by the consultants as disclosed in note 8(i) were issued under the Plan.
- (iv) Other than the transaction as detailed in note 12(iii), no options or awards have been made, exercised or lapsed during the three months ended March 31, 2006.

13. COMMITMENTS

At March 31, 2006, the Group had agreed to pay USD136,356 to Harbin Institute of Technology for the research and development of polymer lithium-ion batteries for motor vehicles.

14. WARRANTIES

The Group warrants that all batteries manufactured by it will be free from defects in material and workmanship under normal use for a period of one year from the date of shipment. The Group's experience for costs and expenses in connection with such warranties has been minimal and during the three months ended March 31, 2006, no amounts have been considered necessary to reserve for warranty costs.

-11-

ADVANCED BATTERY TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS

Apart from the acquisitions of minority interests in ZQ Power-Tech and a patent from Mr. Fu as referred to in notes 5 and 6 respectively, during the period ended March 31, 2006, the Group had no other material transactions with its related parties.

Item 1. Management's Discussion and Analysis or Plan of Operation Forward Looking Statements

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include statements regarding our capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Readers are cautioned that there are risks and uncertainties which may cause actual future results to differ from the results anticipated in these forward-looking statements. A detailed discussion of some of the risks that may cause such a difference has been set forth in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005 in the section numbered "Item 6" under the heading "Risk Factors That May Affect Future Results." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We disclaim any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements.

Results of Operations

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

During the year ended December 31, 2003 ZQ Power-Tech's activities were focused on development of its product line and the build-out of its manufacturing facility. ZQ Power-Tech recorded its first significant revenues in the first half of 2004, ending June 30, 2004. For that six month period, it recorded sales totaling \$968,675.

The Company's level of sales fell in the second half of 2004 to \$222,834. The reduction occurred primarily because the Company obtained the financing needed to complete additional factory facilities at ZQ Power-Tech's campus in Heilongjiang. Production was reduced to minimal or none, as management focused on doubling the Company's production capacity and training the necessary personnel. Between 2004 and the end of 2005, the number of employees at our facility increased from 300 to 1260, as we more than doubled our production capacity to its current level of \$40 million per year. We now have two buildings ("A" and "B") in full production, and continue to outfit buildings "C" and "D."

-12-

In the fall of 2005 we returned to full production, shipping \$2,618,165 of product in that quarter, to produce total revenues in 2005 of \$4,222,960. Our increased level of activity continued into the first quarter of 2006, during which we recorded \$1,908,997 in revenue. By comparison, our revenue during the first quarter of 2005 was only \$31,407, as we were focused on building our facility at that time. Since we currently have a backlog of approximately \$3.7 million, we expect to maintain the level of operations that we achieved in the first quarter of 2006. We do not include in our current backlog the \$21 million order placed by Aiyingsi in 2004, since the delivery times for that order have been delayed indefinitely.

ZQ Power-Tech realized a 37% gross margin on its sales in the three months ended March 31, 2006, an improvement over the 33% ratio that we realized in 2005. Our gross margin ratio in the future will depend considerably upon which of ZQ Power-Tech's products are dominating sales. However we do expect our operations in 2006 and beyond to be more efficient than they have been in the past, as we are implementing advanced production management systems. We are also gaining experience with our new production lines, which is enabling us to improve the efficiency of the lines and to discover lower-cost sources of raw materials for our products.

Our general and administrative expense fell from \$441,839 in the first quarter of 2005 to \$336,552 (18% of revenue) in the first quarter of 2006. The reduction reflected, in part, our efforts to increase efficiencies in our operations. The greatest part of the reduction, however, was attributable to the fact that general and administrative expense in 2004 included a non-cash expense of \$321,452 attributable to amortization of prepaid consulting fees that were paid by issuing common stock to the consultants. At March 31, 2006 there remained \$1,388,305 in prepaid expenses on the Company's balance sheets, which were primarily attributable to prepaid consulting fees to the Company's consultants. We amortized \$139,354 of prepaid expenses and stock compensation during the first quarter of 2006 and will amortize the remainder over the next few years.

The Company's revenue less expenses produced an income of \$296,120, compared to a net loss before minority interests of \$485,508 in the first quarter of 2005. In 2005, however, Advanced Battery owned only 70% of ZQ Power-Tech. For that reason, our net loss for the three months

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

ended March 31, 2005 was reduced by \$49,217, representing the 30% of the net loss of ZQ Power-Tech that we did not own. In January 2006 our Chairman, Fu Zhiguo, transferred the remaining 30% of ZQ Power-Tech into the Company's control. In 2006 and hereafter, therefore, we will be able to include 100% of the net income of ZQ Power-Tech in the net income for Advanced Battery Technologies.

-13-

Liquidity and Capital Resources

Until December 2004, the development and initial operations of ZQ Power-Tech were financed primarily by contributions to capital made by Fu Zhiguo, the Company's Chairman. On December 1, 2004, ZQ Power-Tech entered into a Loan Agreement with China Financial Bank, and received a loan of 20 million RMB (approximately \$2.4 million). The Loan Agreement required that half of the principal be paid in a balloon in November 2005 and half in November 2006. Interest at 8.064% per annum is payable monthly. \$1.9 million of the obligation is secured by a pledge of ZQ Power-Tech's manufacturing facilities; the remainder of the debt is secured by a pledge of our realty assets. After the end of 2005 we refinanced the loan with China Financial Bank, so that the entire amount is now due in November 2006.

At March 31, 2006 the Company had a working capital deficit of \$2,343,405, an improvement of \$578,838 since December 31, 2005. The primary reason for the decrease in the deficit was the fact that we used the net income in the first quarter to reduce our accounts payable by 47%. In addition, we determined that we are entitled to a tax refund of \$206,699 from the government of China, which we expect to receive this year.

Although our net income for the first quarter of 2006 was \$296,120, our operations provided only \$12,967 in cash for the quarter, compared to a reduction in cash of \$135,856 in the first quarter of 2005. The primary reason for this disparity was the fact that our accounts receivable increased during the quarter by nearly the amount of our net income. As we seek new market share, we are tolerating extended payments from a number of our customers, particularly our primary distributor, who is allowed 120 days to pay its receivables. For this reason, the growth in our net income will not produce a proportionate increase in cash until we are able to secure better payment terms from our customers.

Despite its negative working capital, ZQ Power-Tech has sufficient liquidity to fund its near-term operations. The principal capital resource available is \$12,224,395 in property, plant and equipment, construction in process, and real property rights, which ZQ Power-Tech owns subject only to the China Financial Bank lien for \$3.4 million. Based on the substantial backlog of orders that ZQ Power-Tech has accumulated, it believes that additional secured financing will be available to it on favorable terms when needed. Until then, if short-term cash shortages occur, Mr. Fu has committed to provide financing as needed.

Based upon the financial resources available to ZQ Power-Tech, management believes that it has sufficient capital and liquidity to sustain operations for the foreseeable future.

-14-

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

Item 3. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The evaluation was undertaken in consultation with our accounting personnel. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are currently effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. As we develop new business or if we engage in an extraordinary transaction, we will review our disclosure controls and procedures and make sure that they remain adequate.

There were no changes in the internal controls over our financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In January 2006 the Company issued 11,780,594 shares of common stock to Zhiguo Fu, its Chairman. The shares were issued in consideration of the transfer by Mr. Fu to Cashtech Limited of a 30% interest in ZQ Power-Tech. The sale was exempt pursuant to Section 4(2) of the Securities Act since the sale was not made in a public offering and was made to an individual who had access to detailed information about the Company and who was acquiring the shares for his own account. There was no underwriter.

In January 2006 the Company issued 4,400,000 shares of common stock to Zhiguo Fu, its Chairman. The shares were issued in consideration of the transfer of a patent by Mr. Fu to ZQ Power-Tech. The sale was exempt pursuant to Section 4(2) of the Securities Act since the sale was not made in a public offering and was made to an individual who had access to detailed information about the Company and who was acquiring the shares for his own account. There was no underwriter.

-15-

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters To a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits

Edgar Filing: ADVANCED BATTERY TECHNOLOGIES, INC. - Form 10QSB

Exhibits

- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADVANCED BATTERY TECHNOLOGIES, INC.

Date: May 15, 2006

By: /s/ Zhiguo Fu

Name: Zhiguo Fu
Title: Chief Executive Officer

Date: May 15, 2006

By: /s/ Guohua Wan

Name: Guohua Wan
Title: Chief Financial Officer