

Big Tree Group, Inc.  
Form 10-Q  
August 14, 2013

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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 period ended June 30, 2013

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

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

Commission File No. 0-27845

BIG TREE GROUP, INC.

(Name of registrant as specified in its charter)

Colorado  
(State or other jurisdiction of incorporation or organization)

84-1304106  
(I.R.S. Employer Identification No.)

South Part 1-101, Nanshe Area, Pengnan Industrial Park on North  
Yingbinbei Road  
in Waisha Town of Longhu District in Shantou, Guangdong, China  
(Address of principal executive offices)

515023  
(Zip Code)

(86)-754-8323888  
(Registrant's telephone number, including area code)

not applicable  
(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

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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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most practicable date: 10,350,192 shares of common stock are issued and outstanding as of August 14, 2013.

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BIG TREE GROUP INC AND SUBSIDIARIES  
FORM 10-Q  
June 30, 2013

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We used in this report, the terms "Big Tree," "we," "our," and "us" or the "Company" refers to Big Tree Group, Inc., a Colorado corporation and its wholly-owned subsidiaries Big Tree International Co., Ltd., a Brunei company, ("BT Brunei") and Shantou Big Tree Toys Co., Ltd., a Chinese company ("BT Shantou").

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- The circumstances resulting in the restatement of our financial statements and the material weaknesses in our internal control over financial reporting and in our disclosure controls and procedures;
- Transactions with our related parties which may have resulted in violations of the Sarbanes-Oxley Act of 2002;
- Fluctuations in our revenues based upon our revenue recognition policy;
- Factors affecting consumer preferences and customer acceptance of new products;
- Competition in the toy industry;
- Loss of one or more key customers;
- Dependence on third-party contract manufacturers;
- Dependence on certain key personnel;
- Inability to manage our business expansion;
- Infringement by third parties on our intellectual property rights;
- Our inadvertent infringement of third-party intellectual property rights;
- Availability of skilled and unskilled labor and increasing labor costs;
- Lack of insurance coverage and the impact of any loss resulting from product liability or third party liability claims or casualty losses;
- Violation of Foreign Corrupt Practices Act or China anti-corruption laws;
- Economic, legal restrictions and business conditions in China;
- Limited public market for our common stock; and
- Potential conflicts of interest between our controlling shareholders and our shareholders.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission. Other sections of this report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any

forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

## Item 1. Financial Statements

BIG TREE GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	June 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 30,974	\$ 22,167
Accounts receivable, net of allowance of \$58,619 and \$54,135, respectively	9,589,606	4,554,077
Inventories	1,919,869	1,327,342
Other receivables	834,835	1,202,750
Prepaid expenses	254,418	171,629
Advance to suppliers - related parties	476,745	529,148
Advance to suppliers	7,207	574,219
Total Current Assets	13,113,654	8,381,332
Security deposit - related party	58,317	57,133
Property and equipment, net	170,180	201,757
Intangible assets, net	9,241	10,592
Total Assets	\$ 13,351,392	\$ 8,650,814
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 6,651,811	\$ 2,003,390
Loan payable	3,725,782	3,650,156
Loans payable- related party	80,000	-
Advance from customers	171,825	142,125
Salaries payable	68,134	60,578
Other payables	13,292	50,926
Taxes payable	-	65,586
Due to related parties	1,084,226	10,578
Total Current Liabilities	11,795,070	5,983,339
Loans payable- related party - long term	-	61,711
Total Liabilities	11,795,070	6,045,050
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock No par value; 20,000,000 shares authorized; none issued and outstanding	-	-
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Common stock \$0.00001 par value; 100,000,000 shares authorized; 10,350,192 and 10,200,179 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively		
Additional paid-in capital	302,399	207,900
Retained earnings	3,061,883	2,663,029
Accumulated other comprehensive income (loss)	67,633	(3,297 )
Due from related party	(1,875,697 )	(261,970 )
Total Shareholders' Equity	1,556,322	2,605,764
Total Liabilities and Shareholders' Equity	\$ 13,351,392	\$ 8,650,814

See accompanying notes to unaudited consolidated financial statements.

**BIG TREE GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012 (As Restated)	2013	2012 (As Restated)
Revenues	\$ 11,863,274	\$ 5,960,742	\$ 19,310,975	\$ 10,712,827
Cost of revenues	10,974,138	5,154,695	17,727,189	9,385,758
Gross profit	889,136	806,047	1,583,786	1,327,069
<b>OPERATING EXPENSES:</b>				
Selling expenses	168,083	130,774	271,998	258,263
General and administrative	285,251	173,937	727,930	353,405
Total operating expenses	453,334	304,711	999,928	611,668
Operating income	435,802	501,336	583,858	715,401
<b>OTHER INCOME (EXPENSES):</b>				
Other income (expenses)	(36,586 )	17,499	(55,528 )	31,688
Interest (expense) income, net	(65,743 )	(345 )	(129,476 )	(211 )
Total other income (expenses)	(102,329 )	17,154	(185,004 )	31,477
Income before income taxes	333,473	518,490	398,854	746,878
Income taxes	-	-	-	-
Net income	\$ 333,473	\$ 518,490	\$ 398,854	\$ 746,878
<b>COMPREHENSIVE INCOME:</b>				
Net income	\$ 333,473	\$ 518,490	\$ 398,854	\$ 746,878
Foreign currency translation income	53,392	395	70,930	29,113
COMPREHENSIVE INCOME	\$ 386,865	\$ 518,885	\$ 469,784	\$ 775,991
<b>NET INCOME PER COMMON SHARE</b>				
Basic	\$0.03	\$0.05	\$0.04	\$0.07
Diluted	\$0.03	\$0.05	\$0.04	\$0.07
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	10,350,192	10,000,179	10,347,699	10,000,179
Diluted	10,350,192	10,000,179	10,347,699	10,000,179

See accompanying notes to unaudited consolidated financial statements.





BIG TREE GROUP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Six Months Ended	
	June 30,	
	2013	2012 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$398,854	\$746,878
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	39,606	23,022
Stock-based compensation	94,501	-
Bad debt expense	3,327	-
Changes in operating assets and liabilities:		
Accounts receivable	(4,891,997)	(1,825,705)
Advance to suppliers	572,757	44,791
Advance to suppliers-related parties	62,693	67,121
Prepaid expenses and other current assets	310,242	(375,678 )
Inventories	(559,022 )	(1,414,875)
Accounts payable and accrued expenses	4,566,069	1,280,769
Due to related party	-	1,617,578
Other payables	(36,664 )	139,568
Taxes payable	(66,234 )	