

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.
Form 10-Q
August 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 June 30, 2009

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: 000-04494

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

13-5661446

(IRS Employer Identification
Number)

Wenyang Town

Feicheng City

ShanDong, China 271603

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(Address of principal executive offices)

86 538 3850 703

(Registrant's telephone number, including area code)

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 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 (§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). Not Applicable.

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

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

As of July 31, 2009 the Issuer had 26,000,000 shares of common stock issued and outstanding.

PART I-FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS.

The consolidated financial statements of China RuiTai International Holdings Co., Ltd., a Delaware corporation, included herein were prepared, without audit, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America were condensed or omitted pursuant to such rules and regulations, these financial statements should be read in conjunction with the financial statements and notes thereto included in the audited financial statements of China RuiTai International Holdings, Co., Ltd. in its Form 10-K, and all amendments thereto, for the fiscal year ended December 31, 2008.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.

FINANCIAL STATEMENTS

PERIOD ENDED JUNE 30, 2009

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CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

	June 30, <u>2009</u> <u>(unaudited)</u>	December 31, <u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,865,139	\$ 5,319,456
Bank checks and commercial paper	9,033,677	8,244,207
Accounts receivable, net (Note 5)	5,092,911	3,295,341
Due from unaffiliated suppliers (Note 6)	518,174	346,976
Prepaid expenses (Note 7)	2,676,279	2,330,898
Inventory (Note 8)	7,083,856	8,157,592
Advance to employees (Note 15)	204,101	150,294
Restricted cash (Note 11)	29,219,261	19,112,900
Due from a related party-current portion (Note 15)	15,940,153	10,321,711
Total current assets	71,633,551	57,279,375
Property and Equipment, net (Note 9)	13,467,279	12,936,668
Land use right, net (Note 10)	5,037,319	5,084,515
Long-term investment	887,973	886,780
Due from a related party (Note 15)	5,931,837	5,931,837
Total Assets	\$ 96,957,959	\$ 82,119,175
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank loan (Note 13)	\$ 22,782,257	\$ 22,022,146
Bank checks payable (Note 12)	39,446,002	29,180,000
Accounts payable and accrued expenses	6,693,279	6,247,060
Taxes payable	5,777,083	5,411,445
Deferred revenue	607,954	418,776
Due to employees (Note 15)	1,671,123	1,707,383
Employee security deposit	1,017,893	972,181
Total Current Liabilities	77,995,591	65,958,991

Commitments and Contingencies (Note 22)	-	-
Shareholders' Equity:		
China Ruitai International Holdings Co., Ltd.		
Shareholders' Equity		
Preferred stock, par value \$0.001, 10,000,000 shares authorized,		
authorized, no shares outstanding as of June 30, 2009 and December 31, 2008	-	-
Common stock, par value \$0.001, 50,000,000 shares authorized,		
26,000,000 shares issued and outstanding as of June 30, 2009 and December 31, 2008	26,000	26,000
Additional paid-in capital	2,908,171	2,908,171
Unamortized contractual services costs	-	(165,978)
Statutory Reserves	1,369,652	1,369,652
Retained earnings	13,148,634	10,560,128
Accumulated other comprehensive income	1,325,694	1,304,357
Total China Ruitai International Holdings Co., Ltd. Shareholders' equity	18,778,151	16,002,330
Noncontrolling Interest	184,217	157,854
Total Shareholders' Equity	18,962,368	16,160,184
Total Liabilities and Shareholders' Equity	\$ 96,957,959	\$ 82,119,175

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Revenues				
Sales	\$ 8,463,783	\$ 9,823,948	\$ 16,694,963	\$ 19,245,939
Costs of Sales	5,506,063	7,084,546	10,482,604	13,496,330
Gross Profit	2,957,720	2,739,402	6,212,359	5,749,609
Operating Expenses				
Selling expenses				
Sales commission	190,349	113,189	286,447	324,914
Freight-out	162,771	194,466	323,781	380,923
Advertising	26,019	16,748	26,019	17,433
Travel and entertainment	44,824	31,511	68,990	63,086
Office expenses	9,548	14,896	16,608	51,763
Other selling expenses	11,483	18,112	12,126	25,693
Total selling expenses	444,994	388,922	733,971	863,812
General and administrative expenses				
Payroll and employees benefits	67,185	146,010	215,180	272,774
Insurance	85,241	72,182	187,810	163,828
Consultant fees	64,770	126,910	203,188	287,724
Professional fees	29,638	10,987	40,019	16,860
Research and development expenses	126,777	-	287,375	-
Depreciation and amortization expenses	35,751	26,996	70,690	53,304
Taxes	52,733	103,759	87,260	103,759
Office expenses	130,437	63,074	236,374	261,015
Travel and entertainment	80,013	118,697	122,561	152,682
	11,192	8,735	48,513	54,738

Other general and
administrative

Total general and administrative expenses	683,737	677,350	1,498,970	1,366,684
Total Operating Expenses	1,128,731	1,066,272	2,232,941	2,230,496

Income from Operations	1,828,989	1,673,130	3,979,418	3,519,113
Other Income (Expense)				
Interest income	382,513	319,020	924,916	720,997
Interest expense	(483,531)	(597,794)	(1,249,082)	(1,225,020)
Gain(Loss) on foreign currency transaction	40,662	7,816	(10,937)	7,816
Loss on physical inventory count (Note 21)	(146,200)	-	(146,200)	-
Other income (expense)	(21,527)	10,394	(11,911)	8,225
Total other income (expense)	(228,083)	(260,564)	(493,214)	(487,982)
Income before Provision for Income Tax	1,600,906	1,412,566	3,486,204	3,031,131
Provision for Income Tax	400,225	353,141	871,551	757,782
Net Income	1,200,681	1,059,425	2,614,653	2,273,349
Less: Net income attributable to noncontrolling interest	(12,007)	(10,594)	(26,147)	(22,733)
Net Income attributable to China Ruitai International Holdings Co., Ltd.	\$ 1,188,674	\$ 1,048,831	\$ 2,588,506	2,250,616

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended June 30,	
	<u>2009</u> <u>(unaudited)</u>	<u>2008</u> <u>(unaudited)</u>
<u>Operating Activities</u>		
Net income (loss)	\$ 2,588,506	\$ 2,250,616
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Minority interest	26,147	22,733
Depreciation	633,970	503,881
Amortization of land use rights	53,500	51,444
Amortization of contractual service costs	165,978	100,933
Changes in operating assets and liabilities:		
(Increase)/Decrease in bank checks and commercial paper	(778,556)	(97,771)
(Increase)/Decrease in accounts receivable	(1,793,548)	(1,323,644)
(Increase)/Decrease in prepaid expenses	(342,323)	562,884
(Increase)/Decrease in inventory	1,084,961	(3,289,699)
(Increase)/Decrease in advance to employees	(53,617)	(109,265)
Increase/(Decrease) in accounts payable and accrued expenses	437,914	(1,144,563)
Increase/(Decrease) in bank checks payable	10,229,087	1,929,976
Increase/(Decrease) in taxes payable	358,439	568,480
Increase/(Decrease) in deferred revenue	188,658	(512,898)
Increase/(Decrease) in employee security deposit	44,414	66,324
Net cash provided (used) by operating activities	12,843,530	(420,569)

Investing Activities

Purchase of fixed assets	(1,146,764)	(1,081,706)
Purchase of land use rights	-	(7,069)
Loans to unaffiliated suppliers	(170,770)	(165,171)
Loans to a related party	(5,597,857)	-
Payback of loans to a related party		1,475,634
Net cash (used) by investing activities	(6,915,391)	221,688

Financing Activities

Bank loans	730,648		1,413,904
Payback of bank loans	-		-
Decrease (Increase) in restricted cash to secure bank checks payable	(10,082,958)		(459,510)
Loans from employees	-		384,698
Payback of loans from employees	(38,566)		-
Net cash provided (used) by financing activities	(9,390,876)		1,339,092
Increase (decrease) in cash	(3,462,737)		1,140,211
Effects of exchange rates on cash	8,420		256,388
Cash at beginning of period	5,319,456		4,166,713
Cash at end of period	\$ 1,865,139	\$	5,563,312

Supplemental Disclosures of Cash Flow Information:

Cash paid (received) during year for:

Interest	\$ 1,249,083	\$	1,140,679
Income taxes	\$ 515,713	\$	374,129

See Notes to Consolidated Financial Statements.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FIN