

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.
Form 10-Q
May 16, 2011

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 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 000-04494

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-5661446
(I.R.S. Employer Identification No.)

Wenyang Town, Feicheng City, ShanDong,
China
(Address of principal executive offices)

271603
(Zip Code)

(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 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 (§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 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 12, 2011, there were outstanding 26,000,000 shares of the registrant's common stock, par value \$0.001 per share.

China Ruitai International Holdings Co., Ltd.

FORM 10-Q

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PART I—FINANCIAL INFORMATION

The statements contained in this quarterly report on Form 10-Q, including under the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other sections of this quarterly report, include 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, including, without limitation, statements regarding our or our management’s expectations, hopes, beliefs, intentions or strategies regarding the future. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “plan” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this quarterly report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Unless the content otherwise requires, all references to “we,” “us,” the “Company” or “China Ruitai” in this Quarterly Report on Form 10-Q refers to China Ruitai International Holdings Co., Ltd.

ITEM 1.

Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,764,161	\$ 25,286,619
Restricted cash	15,311,791	10,254,394
Accounts receivable, net	7,835,553	4,896,665
Notes receivable	2,814,074	2,736,496
Advances to suppliers, net	2,367,966	1,171,477
Inventories	10,758,530	9,468,211
Other receivables, net	898,932	1,023,337
Total current assets	55,751,007	54,837,199
Property and equipment, net	13,813,051	14,014,923
Commercial leasing assets, net	37,092,812	37,079,584
Advance payment for equipment purchase, net	222,020	-
Land use rights, net	5,049,759	5,045,883
	\$ 111,928,649	\$ 110,977,589
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term bank loans	\$ 42,608,179	\$ 42,339,454
Accounts payable	6,742,824	7,691,017
Notes payable	11,567,556	15,124,474
Notes payable- related party	7,914,644	3,024,895
Advances from customers	974,372	687,408
Due to related party	1,288,680	2,526,474
Income tax payable	4,662,831	4,336,457
Other payables	4,026,099	3,872,549
Loan from employees	1,303,551	1,470,138
Total current liabilities	81,088,736	81,072,866
Total Liabilities	81,088,736	81,072,866
Commitments and contingencies		
Equity		
Shareholders' equity:		
Common stock (\$.001 par value; 50,000,000 shares authorized shares issued and outstanding 26,000,000 as of March 31, 2011 and December 31, 2010)	26,000	26,000
Additional paid-in capital	2,908,171	2,908,171
Statutory reserve	1,369,652	1,369,652
Retained earnings	23,779,280	23,043,387
Accumulated other comprehensive income	2,453,880	2,264,049
Total China Ruitai Shareholders' Equity	30,536,983	29,611,259

Non-controlling interest	302,930	293,464
Total Equity	30,839,913	29,904,723
TOTAL LIABILITIES AND EQUITY	\$ 111,928,649	\$ 110,977,589

See notes to consolidated financial statements.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income
(Unaudited)

	Three months ended March 31,	
	2011	2010
Sales	\$ 9,586,817	\$ 10,238,256
Cost of sales (See note below)	6,784,133	6,929,872
Gross margin	2,802,684	3,308,384
Operating expenses:		
General and administrative expenses	721,495	284,252
Selling expenses	528,529	359,075
Total operating expenses	1,250,024	643,327
Income from operations	1,552,660	2,665,057
Other income/(expense)		
Interest income	87,441	391,180
Interest expense	(739,953)	(578,487)
Commercial leasing income	368,783	303,183
Cost of commercial leasing	(221,462)	(214,007)
Other income/(expense)	(6,166)	38,295
Total other income/(expense), net	(511,357)	(59,836)
Income before income tax expense	1,041,303	2,605,221
Income taxes expense	297,976	646,302
Net income before allocation to non-controlling interests	743,327	1,958,919
Less: Net income attributable to the non-controlling interest	7,434	19,389
Net income attributable to China Ruitai	735,893	1,939,530
Comprehensive income		
Net Income before allocation to non-controlling interest	743,327	1,958,919
Foreign Currency Translation Adjustment	191,863	67,027
Comprehensive income	935,190	2,025,946
Less: Comprehensive income attributable to non-controlling interests	9,466	19,389
Comprehensive income attributable to China Ruitai	\$ 925,724	\$ 2,006,557
Earnings per share-Basic and diluted	\$ 0.03	\$ 0.07
Weighted average number of common shares outstanding		
-Basic and diluted	26,000,000	26,000,000

(Note: The cost of sales includes hot steam purchased from a related party, but the precise amount could not reasonably be determined, see Note 12)

See notes to consolidated financial statements.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net income before allocation to non-controlling interests	\$ 743,327	\$ 1,958,919
Adjustments to reconcile net income before non-controlling interests to net cash provided by/(used in) operating activities		
Depreciation	612,956	564,625
Amortization of land use rights	28,067	27,122
Bad debt provision	134,208	(280,793)
Changes in operating assets and liabilities:		
Restricted cash	(4,977,691)	879,900
Accounts receivable	(2,917,333)	(3,477,901)
Notes receivable	(60,033)	(556,011)
Advances to suppliers	(1,212,063)	201,892
Inventories	(1,226,621)	575,753
Other receivables	104,922	(284,794)
Accounts payable	(994,087)	770,749
Notes payable	(3,642,213)	(1,613,150)
Other payables	128,592	1,191,228
Advances from customers	281,773	491,841
Income taxes payable	297,976	281,188
Net cash (use in)/provided by operating activities	(12,698,220)	730,568
Cash flows from investing activities:		
Advanced payment to purchase equipment	(285,451)	-
Purchase of property and equipment	(101,520)	(609,265)
Net cash used in investing activities	(386,971)	(609,265)
Cash flows from financing activities:		
Proceeds from bank loans	10,158,740	6,003,851
Repayment of bank loans	(10,158,740)	(7,910,301)
Proceeds from loan from a related party	4,856,285	-
Repayment in loan from a related party	(1,250,157)	(347,609)
Repayment in loan from employee	(175,403)	(118,513)
Net cash provided by/(used in) financing activities	3,430,725	(2,372,572)
Effect of foreign exchange rate fluctuation on cash and cash equivalents	132,008	29,931
Net decrease in cash and cash equivalents	(9,522,458)	(2,221,338)
Cash and cash equivalents- beginning of period	25,286,619	10,174,528
Cash and cash equivalents-end of period	\$ 15,764,161	\$ 7,953,190

Supplementary disclosure of cash flow information:

Cash paid for interest expense	\$ 739,953	\$ 578,487
Cash paid for income tax	\$ -	\$ 365,239

See notes to consolidated financial statements

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CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

China Ruitai International Holdings Co., Ltd. (“China Ruitai” or the “Company”) was initially organized under the laws of the State of Delaware on November 15, 1955 as Inland Mineral Resources Corp. The Company subsequently changed its name to Parker-Levitt Corporation, and in 1997 changed its name to Commercial Property Corporation. In 2006, the Company changed its name to Shandong Ruitai Chemical Co., Ltd. On March 12, 2007, the Company changed its name to China Ruitai International Holdings Co., Ltd. Since February 26, 2007, the Company’s fiscal year end is December 31.

On August 29, 2007, the Company entered into a Share Exchange Agreement with Pacific Capital Group Co., Ltd., (“Pacific Capital Group”), a corporation incorporated under the laws of the Republic of Vanuatu, and the Shareholders of Pacific Capital Group (the “Shareholders”). Pursuant to the Share Exchange Agreement, the Shareholders agreed to transfer all of the issued and outstanding shares of common stock in Pacific Capital Group to the Company in exchange for the issuance of an aggregate of 22,645,348 shares of the Company’s common stock, thereby causing Pacific Capital Group to become a wholly-owned subsidiary of the Company and TaiAn RuiTai Cellulose Co., Ltd. (“TaiAn Ruitai”), Pacific Capital Group’s majority-owned operating subsidiary, a Chinese limited liability company, to become a majority owned subsidiary of the Company. The parties closed the share exchange contemplated by the Share Exchange Agreement on November 8, 2007.

Pacific Capital Group was incorporated on November 23, 2006 under the laws of the Republic of Vanuatu as a holding company, for the purposes of seeking and consummating a merger or acquisition with a business entity. On April 26, 2007, following the approval by the relevant governmental authorities in the People’s Republic of China (the “PRC”), Pacific Capital Group acquired a 99% ownership interest in TaiAn Ruitai, which was formed in the PRC on November 10, 1999 with registered capital of \$2,391,840. As a result of the transaction, TaiAn Ruitai became a 99% majority-owned subsidiary of Pacific Capital Group.

TaiAn Ruitai is the only one of these affiliated companies that is engaged in business operations. China RuiTai and Pacific Capital Group are holding companies, whose business is to hold an equity ownership interest in TaiAn Ruitai. TaiAn Ruitai is engaged in the production, sales, and exportation of deeply processed chemicals, with a primary focus on non-ionic cellulose ether products. TaiAn Ruitai’s assets exist solely in the PRC, and its revenues are derived from its operations therein.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES