

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.
Form 10-Q
May 20, 2008

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, 2008

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

(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 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 May 15, 2008 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. (the "Company"), 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 the Company in the Company's Form 10-KSB for the fiscal year ended December 31, 2007.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.

FINANCIAL STATEMENTS

PERIOD ENDED MARCH 31, 2008

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

	March 31, <u>2008</u> <u>(unaudited)</u>	December 31, <u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,600,109	\$ 4,166,713
Bank checks and commercial paper	734,361	621,204
Accounts receivable, net (Note 5)	4,614,989	3,053,295
Due from unaffiliated suppliers (Note 6)	1,751,946	1,112,948
Prepaid expenses (Note 7)	2,483,545	2,876,820
Inventory (Note 8)	9,520,267	6,656,028
Advance to employees (Note 14)	158,045	113,297
Restricted cash (Note 11)	16,601,911	14,738,564
Due from a related party-current portion (Note 14)	179,185	4,448,878
Total current assets	44,644,358	37,787,747
Property and Equipment, net (Note 9)	11,919,130	11,306,271
Land use right, net (Note 10)	5,056,662	4,859,620
Long-term investment	867,938	830,984
Due from a related party (Note 14)	10,380,715	10,380,715
Total Assets	\$ 72,868,803	\$ 65,165,337
 LIABILITIES AND OWNERS' EQUITY		
Current Liabilities:		
Bank loan (Note 13)	\$ 21,554,232	\$ 19,269,317
Bank checks payable (Note 12)	25,704,000	22,059,772
Accounts payable and accrued expenses	7,489,203	7,657,437

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Taxes payable	3,861,542	3,560,918
Deferred revenue	274,471	737,027
Due to employees (Note 14)	1,596,098	1,265,898
Employee security deposit	894,263	810,802
Total Current Liabilities	61,373,809	55,361,171

Minority Interest	114,815	98,053
Shareholders' Equity:		
Preferred stock, par value \$0.001, 10,000,000 shares authorized		
authorized, no shares outstanding	-	-
Common stock, par value \$0.001, 50,000,000 shares authorized,		
26,000,000 shares issued and outstanding as of		
March 31, 2008 and December 31, 2007	26,000	26,000
Additional paid-in capital	2,540,171	2,366,171
Unamortized contractual services costs	(159,500)	-
Statutory Reserves	1,042,355	1,042,355
Retained earnings	6,902,660	5,700,875
Accumulated other comprehensive income	1,028,493	570,712
Shareholders' Equity	11,380,179	9,706,113
Total Liabilities and Shareholder' Equity	\$ 72,868,803	\$ 65,165,337

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,	
	<u>2008</u>	<u>2007</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Revenues		
Sales	\$ 9,421,991	\$ 6,970,875
Costs of Sales	6,411,784	4,420,724
Gross Profit	3,010,207	2,550,151
Operating Expenses		
Selling expenses		
Sales commission	211,725	147,967
Freight-out	186,457	259,989
Adverting	685	8,338
Travel and entertainment	31,575	85,394
Other selling expenses	44,448	28,752
Total selling expenses	474,890	530,440
General and administrative expenses		
Payroll and employees benefits	126,764	23,678
Insurance	91,646	86,295
Consultant fees	160,814	-
Office expenses	156,892	10,429
Travel and entertainment	33,985	53,627
Other general and administrative	119,233	76,768
	689,334	250,797

Total Operating
Expenses

Total Operating Expenses	1,164,224	781,237
Income (Loss) from Operation	1,845,983	1,768,914

Other Income (Expense)		
Interest income	401,977	21,506
Interest expense	(627,226)	(291,776)
Other income (expense)	(2,169)	99,278
Total other income (expense)	(227,418)	(170,992)
Income (Loss) before Provision Income Tax and Minority Interest	1,618,565	1,597,922
Provision for Income Tax	404,641	479,376
Income before Minority Interest	1,213,924	1,118,546
Minority Interest	(12,139)	(11,185)
Net Income	1,201,785	1,107,361
Other Comprehensive Income (Loss)		
Effects of Foreign Currency Conversion	457,781	37,548
Comprehensive Income (Loss)	\$ 1,659,566	\$ 1,144,909

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	<u>2008</u>	<u>2007</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
<u>Operating Activities</u>		
Net income (loss)	\$ 1,201,785	\$ 1,107,361
Adjustments to reconcile net income (loss) to		
net cash provided (used) by operating activities:		
Minority interest	12,139	11,185
Depreciation	241,628	165,192
Amortization of land use rights	25,449	23,510
Amortization of contractual service costs	14,500	
Changes in operating assets and liabilities:		
(Increase)/Decrease in bank checks and commercial paper	(83,717)	846,149
(Increase)/Decrease in accounts receivable	(1,395,657)	(193,786)
(Increase)/Decrease in prepaid expenses	510,149	(619,650)
(Increase)/Decrease in inventory	(2,513,748)	(757,627)
(Increase)/Decrease in advance to employees	(38,867)	(53,651)
Increase/(Decrease) in accounts payable and accrued expenses	(497,968)	738,238
Increase/(Decrease) in bank checks payable	2,606,711	5,814,577
Increase/(Decrease) in taxes payable	139,250	537,314
Increase/(Decrease) in deferred revenue	(484,822)	115,187
Increase/(Decrease) in employee security deposit	46,398	33,007

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Net cash provided (used) by operating activities	(216,770)	7,767,006
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Investing Activities

Purchase of fixed assets	(331,493)	(434,989)
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Purchase of land use rights	(6,989)	-
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Loans to unaffiliated suppliers	(576,996)	(262,697)
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Loans to a related party	-	(5,270,503)
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Payback of loans to a related party	4,824,582	-
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Net cash (used) by investing activities	3,909,104	(5,968,189)
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Financing Activities

Bank loans	1,397,700	-
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Payback of bank loans	-	(586,102)
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Decrease (Increase) in restricted cash to secure bank checks	(1,182,286)	(910,486)
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Loans from employees	268,093	-
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Payback of loans from employees	-	(60,227)
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Net cash provided (used) by financing activities	483,507	(1,556,815)
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Increase (decrease) in cash	4,175,840	242,002
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Effects of exchange rates on cash	257,556	(58,704)
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Cash at beginning of period	4,166,713	6,286,289
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Cash at end of period	\$ 8,600,109	\$ 6,469,587
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Supplemental Disclosures of Cash Flow Information:

Cash paid (received) during year for:

Interest	\$ 570,827	\$ 192,624
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Income taxes	\$ 185,246	\$ 104,321
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See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1- BASIS OF PRESENTATION

The accompanying unaudited financial statements as of March 31, 2008 and for the three months ended March 31, 2008 and 2007 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim fi