

CHINA RUNJI CEMENT INC
Form 10-Q
July 15, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 May 31, 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 000-51755

CHINA RUNJI CEMENT INC.
(Exact name of Registrant as specified in its charter)

Delaware	98-0533824
(State or other	(IRS Employer
jurisdiction of	Identification No.)
incorporation or	
organization)	

Xian Zhong Town, Han Shan County
Chao Hu City, People's Republic of China
(Address of principal executive offices)

(86) 565 4219871
(Registrant's telephone number)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange

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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 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 ☐ 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 ☒

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: July 15, 2009, 78,832,064 shares.

CHINA RUNJI CEMENT INC.

Form 10-Q for the period ended May 31, 2009

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

China Runji Cement, Inc.
Consolidated Balance Sheets
(UNAUDITED)

	May 31, 2009	Aug 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 602,937	\$ 415,031
Accounts receivable, net	6,704,148	3,099,956
Advances (Note 4)	4,102,873	3,772,367
Due from related parties	-	53,516
Inventory (Note 3)	2,807,683	3,275,570
Prepaid expenses and other receivables	1,036,449	1,530,022
Total Current Assets	15,254,090	12,146,462
Property, plant and equipment, net (Note 5)	52,129,773	51,499,895
Intangible Assets & Deferred Charges (Note 6)	4,492,148	4,615,689
Total Assets	\$ 71,876,011	\$ 68,262,046
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and accrued liabilities (Note 7)	\$ 19,325,900	\$ 15,629,106
Short-term loans (Note 8)	4,679,680	438,570
Long-term loan-current portion (Note 10)	710,818	-
Due to Related Parties (S/T, Note 9)	21,133,272	27,805,125
Taxes payable and other	91,768	2,374,042
Total Current Liabilities	45,941,438	46,246,843
Long-Term loan-non current portion	427,371	-
Total Liabilities	46,368,809	46,246,843
Commitments and Contingencies (Note 11)		
Stockholders' Equity		
Preferred Stock: 20,000,000 shares authorized, \$0.0001 par value, No shares issued and outstanding	-	-
	7,883	7,883

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Common Stock: 200,000,000 shares authorized, \$0.0001 par value, 78,832,064 shares issued and outstanding		
Additional paid in capital	12,327,962	12,327,962
Accumulated other comprehensive income	2,607,356	2,595,790
Retained earnings	10,564,001	7,083,568
Total Stockholders' Equity	25,507,202	22,015,203
Total Liabilities and Stockholders' Equity	\$ 71,876,011	\$ 68,262,046

The accompanying notes are an integral part of these unaudited financial statements.

China Runji Cement, Inc.
Consolidated Statement of Operations and Comprehensive Income
(UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Revenue	\$ 15,487,487	\$ 11,681,719	\$ 40,528,647	\$ 27,901,832
Cost of goods sold	15,292,572	8,819,531	38,555,892	21,584,102
Gross Profit (Loss)	194,915	2,862,188	1,972,755	6,317,730
Operating Costs and Expenses:				
Selling expenses	177,101	30,697	336,523	72,421
G&A expenses:	255,204	375,996	1,141,995	1,019,430
Depreciation of property, plant and equipment	38,027	26,572	113,667	69,659
Total operating costs and expenses	470,332	433,265	1,592,185	1,161,510
Income From Operations	(275,417)	2,428,923	380,570	5,156,220
Interest income (Expense)	(72,834)	(11,569)	(108,469)	(35,733)
Reversal of allowance for doubtful accounts	-	-	-	-
Government subsidies/grants and other income (expenses)	1,042,412	1,307,788	3,213,947	1,412,513
Income Before Income Taxes	694,161	3,725,142	3,486,048	6,533,000
Income taxes expense (benefit) (Note 12)	(376,825)	1,035,368	5,615	1,559,566
Net Income	\$ 1,070,986	\$ 2,689,774	\$ 3,480,433	\$ 4,973,434
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	36,540	482,874	11,566	1,398,816
Comprehensive Income	\$ 1,107,526	\$ 3,172,648	\$ 3,491,999	\$ 6,372,250
Earnings Per Share - Basic and Diluted	\$ 0.01	\$ 0.03	\$ 0.04	\$ 0.07

Weighted Average Shares Outstanding - Basic and Diluted	78,832,064	78,832,064	78,832,064	71,031,033
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The accompanying notes are an integral part of these unaudited financial statements.

China Runji Cement, Inc.
Consolidated Statements of Cash Flows
(UNAUDITED)

	For the Nine Months Period Ended	
	May 31, 2009	May 31, 2008
Operating activities		
Net income	\$ 3,480,433	\$ 4,973,434
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Reversal of allowance of doubtful accounts	-	(172,409)
Amortization	204,599	-
Depreciation expense	3,141,660	2,477,452
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,596,842)	1,337,021
Advances to suppliers	-	(7,426,140)
Prepaid expenses and other receivables	465,324	(93,420)
Inventory	469,008	103,059
Accounts payable and accrued liabilities	4,165,604	604,018
Customer Deposit	(1,001,520)	(210,876)
Tax payable	(2,059,586)	284,799
Net cash provided by operating activities	5,268,680	1,876,938
Investing activities		
Changes in due from related parties	53,534	14,947
Cash paid for intangible assets and deferred expenses	-	(136,532)
Cash paid for property, plant and equipment additions	(3,753,924)	(9,688,605)
Net cash used in investing activities	(3,700,390)	(9,810,190)
Financing activities		
Short term loan proceeds (repayment)	4,240,960	(1,155,911)
Debt issue cost	(68,377)	
Proceeds (repayments) of due to related parties	(6,681,365)	8,476,546
Long term loan proceeds (repayment)—Current	710,818	-
Long term loan proceeds (repayment)- Non current	427,371	-
Other	-	(11,820)
Net cash provided by (used in) financing activities	(1,370,593)	7,308,815
Effect of exchange rate changes on cash and cash equivalents	(9,791)	1,398,816

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Increase (decrease) in cash and cash equivalents	187,906	774,379
Cash and cash equivalents, beginning of year	415,031	1,400,479
Cash and cash equivalents, end of year	\$ 602,937	\$ 2,174,858
Supplemental Disclosures		
Interest Paid	\$ 41,782	\$ 29,482
Income taxes paid	\$ 1,444,339	\$ 1,431,995

The accompanying notes are an integral part of these unaudited financial statements.

CHINA RUNJI CEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

The Company was incorporated as FitMedia Inc., a Delaware corporation, on August 30, 2004.

On November 1, 2007, the Company closed a reverse merger with Anhui Province Runji Cement Co., Limited (“Anhui Runji”). Anhui Runji is the accounting acquirer and the transaction is accounted for as a recapitalization. The historical financial statements of Anhui Runji survived the merger and are presented herein.

Anhui Runji, a producer and distributor of cement located in Anhui Province in China, was established in December 2003 with registered capital of RMB 60 million yuan. Anhui Runji started production in October 2005 and specializes in cement production and sales. The main cement varieties produced are ordinary silicate cement PO52.5, PO42.5, PO32.5 and PC32.5. Following the commencement of the second cement clinker production line in October 2008, Anhui Runji currently has one production line of cement and one of cement clinker; each is designed to produce 2,500 tons per day.

Anhui Runji obtained its production license in 2005. Presently, Anhui Runji mainly focuses production on Runji Brand PII52.5, PO42.5, PO32.5 and PC32.5 cements. PII52.5 is a high grade, high strength cement that is made in Anhui and Jiangsu Provinces and the region of north of the Changjiang River and is used in large infrastructural projects. Anhui Runji has a rigorous quality control system and received ISO9001 quality system certification and international accreditation in March 2006. In addition Anhui Runji passed the national GB/T 19001-2000 standard authentication.

Presently, Anhui Runji’s main market is in Hefei city and Pukou area of Nanjing, with 60% of the total annual production sold in this area. An additional 30% of total annual production is sold in the cities surrounding Hefei and Pukou, with another 10% being sold in Liu’an and Dingyuan in Anhui and Jiangsu. To reflect its business and business plan, the Company changed its name from “FitMedia Inc.” to “China Runji Cement Inc.”

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the August 31, 2008 audited financial statements of the Company and the notes thereto as included in the Company’s Form 10-K filed on December 3, 2008. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would substantially duplicate the disclosure required in the Company’s August, 31, 2008 annual financial statements have been omitted.

These accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Ren Ji Cement Investment Co., Ltd (a BVI corporation), Ren Ji Cement Company Limited (a Hong Kong corporation), Mass Market Limited (a BVI corporation), and Anhui Province Runji Cement Co., Ltd. (a PRC corporation). All have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

All significant inter-company balances and transactions have been eliminated in consolidation. Certain prior period numbers are reclassified to conform to current period presentation.

Use of Estimates

In preparing these financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the year reported. Actual results may differ from these estimates.

New Accounting Pronouncements

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("FAS 165"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. FAS 165 is effective for interim and annual periods ending after June 15, 2009 and will be effective for the Company beginning with its annual period ending August 31, 2009. Since FAS 165 at most requires additional disclosures, the Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

In June 2009, the FASB approved the "FASB Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP to be launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is effective for the Company in the interim period ending November 30, 2009 and it does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

CHINA RUNJI CEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Government Subsidies Income and Other Income (Expenses)

A government subsidy is recognized only when there is reasonable assurance that the enterprise will comply with any conditions attached to the grant and the grant will be received.

NOTE 3 – INVENTORY

Inventory consists of the following:

	May-31-09	Aug-31-08
Raw Materials	\$ 1,633,088	\$ 1,539,946
Packaging Materials	36,304	51,682
Semi-Finished Goods	280,490	340,678
Finished Goods	844,009	962,227
Supplies	13,792	381,037
	\$ 2,807,683	\$ 3,275,570

NOTE 4 – ADVANCES TO SUPPLIERS

Advances to suppliers consist of the following:

	May-31-09	Aug-31-08
Advances	\$ 4,102,873	\$ 3,772,367

Advances to suppliers represent amounts prepaid for raw materials and construction in progress, including waste heat power generator project. These advances are applied against amounts due to suppliers as the materials are received.

CHINA RUNJI CEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	May-31-09	Aug-31-08
Building - Cost	\$ 27,844,678	\$ 22,270,871
Building - Accumulated Depr	(3,077,596)	(2,103,678)
Building - Net	24,767,082	20,167,193
Equipment & Machinery - Cost	31,151,512	18,712,633
Equipment & Machinery - Accumulated Depr	(7,728,704)	(5,607,996)
Equipment & Machinery - Net	23,422,808	13,104,637
Automobiles - Cost	292,962	292,862
Automobiles – Accumulated Depr	(137,733)	(95,953)
Automobiles - Net	155,229	196,909
Other Equipment - Cost	30,978	56,880
Other Equipment - Accumulated Depr	(15,184)	(11,208)
Other Equipment - Net	15,794	45,672
Computer Equipment - Cost	28,235	24,982
Computer Equipment - Accumulated Depr	(10,624)	(6,670)
Computer Equipment - Net	17,611	18,312
Total Fixed Assets - Net	\$ 48,378,524	\$ 33,532,723
Construction in progress	3,751,249	17,967,172
	\$ 52,129,773	\$ 51,499,895

NOTE 6 –INTANGIBLE ASSETS & DEFERRED CHARGES

Intangibles and deferred charges include the following:

	May-31-09	Aug-31-08
Mineral rights-Limestone	\$ 3,461,330	\$ 2,682,863
Mineral rights-Sandstone	231,666	1,124,440
Land compensation fees (mine forest land requisition fees)	551,673	599,671
Working area forestation fees	54,232	72,980
	16,946	18,420

Baxiong Village stone materials requisition expense		
Baxiong Limekiln mining area compensation expenses	14,736	16,019
Qiaomai Village sandstone land compensation expenses	93,188	101,296
Debt issue cost	68,377	-
	\$ 4,492,148	4,615,689

CHINA RUNJI CEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 –PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities consist of the following:

		May-31-09	Aug-31-08
Accounts payable	\$	11,015,297	8,580,607
Other Payables		8,284,085	7,039,091
Accrued liabilities		26,518	9,408
Payables and accrued liabilities	\$	19,325,900	15,629,106

NOTE 8 – SHORT TERM LOANS

Short term loans consist of the following:

		May-31-09	Aug-31-08
Xianzong credit union	\$	438,720	\$ -
Pudong Development Bank, Wuhu branch		4,240,960	-
Loan from Zhongxing Bank		-	438,570
	\$	4,679,680	\$ 438,570

The details for the Company's bank loan are as follows:

					Nine Months period May 31, 2009	
Borrowing bank	Amount	Starting date	Maturity date	Interest rate (monthly)	Interest 2009	Interest 2008
Xianzong credit union	438,720	2008-12-27	2009-12-23	0.8835%	33,563	-
Pudong Development Bank, Wuhu branch	4,240,960	2009-4-30	2010-4-30	0.4425%	18,744	-
Total					52,307	-

At May 31, 2009, both loans are secured by assets of the Company.

NOTE 9 –DUE TO RELATED PARTIES (S/T)

(a) Names and relationship of related parties

Existing relationships with the
Company

Nanjin Hongren	A company controlled by shareholder
Nanjin Runji	A company controlled by shareholder
Zhao, Shouren	shareholder & president & CEO of the Company
Yang, Xuanjun	shareholder of the Company

CHINA RUNJI CEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 –DUE TO RELATED PARTIES (S/T) (CONT.)

(b) Due to Other Related Parties (S/T) consists of the following:

	May-31-09	Aug-31-08
Nanjin Hongren	\$ 12,940,616	\$ 19,117,328
Nanjin Runji	7,138,296	7,135,856
Zhao, Shouren	444,003	488,606
Yang, Xuanjun	607,075	1,060,056
Miscellaneous	3,282	3,279
	\$ 21,133,272	27,805,125

The above amounts due to related parties represent loans payable that are unsecured and non-interest bearing. The loans are due on demand and are used to meet the Company's operating needs.

NOTE 10 – LONG-TERM LOAN

The details for the Company's long-term loan are as follows:

	May-31-09	Aug-31-08
Long-term loan – Anhui Yuanzhong (current portion)	\$ 710,818	\$ -
Long-term loan – Anhui Yuanzhong (None-current portion)	427,371	-
	\$ 1,138,189	\$ -

NOTE 11 – COMMITMENTS AND CONTINGECIES

Social insurance for employees

According to the prevailing laws and regulations of the PRC, the Company is required to cover its employees with medical, retirement and unemployment insurance programs. Management believes that due to the transient nature of its employees, the Company does not need to provide all employees with such social insurances, and has paid the social insurances for the Company's employees who have completed three months' continuous employment with the Company.

In the event that any current or former employee files a complaint with the PRC government, the Company may be subject to making up the social insurances as well as administrative fines. As the Company believes that these fines would not be material, no provision has been made in this regard.

Tax issues

The tax authority of the PRC Government conducts periodic and ad hoc tax filing reviews on business enterprises operating in the PRC after those enterprises had completed their relevant tax filings, hence the Company's tax filings may not be finalized. It is therefore uncertain as to whether the PRC tax authority may take different views about the Company's tax filings which may lead to additional tax liabilities.

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CHINA RUNJI CEMENT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – INCOME TAXES

The Company's Enterprise Income Tax ("EIT") rate is 25%.

	Nine Months ended May-31-09	Nine Months ended May-31-08
Income Taxes	\$ 5,615	1,559,566

During 2009, the PRC tax authority announced that the government subsidies income is not subject to income tax, which is a permanent difference between book and tax income.

NOTE 13 - OPERATING RISK

Country risk

The Company has significant investments in the PRC. The operating results of the Company may be adversely affected by changes in the political and social conditions in the PRC and by changes in Chinese government policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things. There can be no assurance; however, those changes in political and other conditions will not result in any adverse impact.

NOTE 14 – IMPORTANT ASSETS' MORTGAGE AND GUARANTEE ISSUES

(a) The Company has renewed its asset mortgage agreement with Nanjing Runji Building Materials Industrial Ltd., Co. ("Nanjing Runji") on March 28, 2009. On March 27, 2009, Nanjing Runji has repaid its short term bank loan of USD\$1,461,900 with an interest rate of 7.47% per annum in Nanjing Daxinggong Branch of Bank of Construction in China commencing on April 30, 2008 and expiring on April 29, 2009. And Nanjing Runji renewed a short term bank loan of USD\$1,461,900 with an interest rate of 5.31% per annum in Nanjing Daxinggong Branch of Bank of Construction in China commencing on March 28, 2009 and expiring on March 27, 2010. The bank loan was mortgaged by assets of Anhui Province Runji Cement Ltd., Co., and the mortgage period is from March 28, 2009 to March 27, 2010. Runji provided the mortgage to Nanjing Runji Building Materials Industrial Ltd., Co., including the principal of USD\$1,461,900, interest (including compound interest and default interest), penalties, claims, and other payments that the debtor should pay to the mortgage. The mortgage asset list below was decided by Runji's management when it provided the mortgage to Nanjing Runji Building Materials Industrial Ltd., Co.

Mortgage Asset List

Mortgage Asset Name	Ownership Certificate No.	Location	Area or Quantity	Whether mortgaged for other debts	Notes
Land Use Right	Han State (2005) No.	Xianzhong Town,	64,051.6 square	No	Total original

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083		Hanshan County, Anhui Province	meters	area 278,691 square meters
House	Real Estate Property Zi Guan No. 06001650	Runji Cement Factory Area	8,690.21 square meters	No
House	Real Estate Property Right Zi Guan No. 06001652	Runji Cement Factory Area	3,258.63 square meters	No

(b) The Company renewed a credit guaranty agreement with Nanjing Runji Building Materials Industrial Ltd., Co. ("Nanjing Runji") on March 31, 2009. On March 30, 2009, Nanjing Runji has repaid its one-year short term bank loan of USD\$2,923,763 with an interest rate of 7.47% per annum from Daxinggong Branch of Bank of Construction in China commencing on March 31, 2008 and expiring on March 30, 2009. And Nanjing Runji renewed its one-year short term bank loan of USD\$2,923,763 with an interest rate of 5.31% per annum from Daxinggong Branch of Bank of Construction in China commencing on March 31, 2009 and expiring on March 30, 2010. Runji Cement provided credit guaranty to Nanjing Runji Building Materials Industrial Ltd., Co. The guaranty period is from March 31, 2009 until the maturity of the bank loan two years thereafter. The credit guaranty includes the principal of USD\$2,923,763, interest (including compound interest and default interest), penalties, claims, and other payments that the debtor should pay to the mortgage.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL DESCRIPTION OF BUSINESS

Introduction

China Runji was incorporated as FitMedia Inc., a Delaware company, on August 30, 2004. FitMedia was a development stage company that planned to sell prenatal yoga DVDs through small retail stores and others and it also planned to sell its fitness DVDs through its Internet site www.fitmedia.net. It completed its prenatal yoga DVD for sale and began marketing it in January 2007.

In October 2007, the management of FitMedia determined that it was in the best interests of the stockholders of FitMedia to agree to a share exchange with Anhui Province Runji Cement Co., Limited, a Chinese company that is engaged in the business of distributing cement across many provinces in mainland China. As part of the share exchange and reverse merger, FitMedia ceased engaging in the health and fitness business.

On October 9, 2007, FitMedia entered into a Share Exchange Agreement (the "Exchange Agreement") by and among FitMedia, Timothy Crottey, the President and majority shareholder of FitMedia ("Crottey"), Shouren Zhao, a citizen and resident of the People's Republic of China and owner of 100% of the share capital of Ren Ji Cement Investment Company Limited ("Zhao"); Ren Ji Cement Investment Company, Ltd., a British Virgin Islands corporation ("Renji Investment") and owner of 100% of the share capital of Ren Ji Cement Company Limited; Ren Ji Cement Company Limited, a corporation organized and existing under the laws of the Hong Kong SAR of the People's Republic of China ("HK Renji") and owner of 100% of the share capital of Anhui Province Runji Cement Co., Ltd.; and Anhui Province Runji Cement Co., Ltd., a corporation organized under the laws of the People's Republic of China ("Anhui Runji"). For purposes of the Exchange Agreement, Zhao was referred to as the "Ren Shareholder," and Renji Investment, HK Renji and Anhui Runji were referred to as the "Renji Subsidiaries." Upon closing of the share exchange transaction (the "Share Exchange") contemplated under the Exchange Agreement on November 1, 2007, the Ren Shareholder transferred all of his share capital in Renji Investment to FitMedia in exchange for an aggregate of 55,000,000 shares of common stock of the FitMedia, thus causing the Renji Subsidiaries to become direct and indirect wholly-owned subsidiaries of FitMedia.

On October 9, 2007, FitMedia entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") by and among FitMedia, Crottey, and the Ren Shareholder, pursuant to which the Ren Shareholder, as Purchaser, at closing on November 1, 2007, acquired 18,500,000 shares (the "Stock Purchase") of common stock of FitMedia from Crottey for \$540,000.00.

In addition, pursuant to the terms and conditions of the Exchange Agreement:

- Demand and piggy-back registration rights were granted to the Ren Shareholder with respect to shares of the Company's restricted common stock to be acquired by him at closing in a Regulation S offering.
- On the Closing Date, the current officers of FitMedia resigned from such positions and the persons chosen by Anhui Runji were appointed as the officers of FitMedia, notably Shouren Zhao, as Chairman, CEO and President and Yichun Jiang as CFO.
- On the Closing Date, Crottey resigned from his position as a director effective upon the expiration of the ten day notice period required by Rule 14f-1, at which time additional persons designated by Anhui Runji were appointed as directors of FitMedia, notably Liming Bi and Xuanjun Yang.
-

On the Closing Date, FitMedia paid and satisfied all of its “liabilities” as such term is defined by U.S. GAAP as of the closing.

- As of the Closing, the parties consummated the transactions contemplated by the Stock Purchase Agreement.

On January 8, 2008, FitMedia changed its name to China Runji Cement Inc. and increased its authorized common stock from 80,000,000 shares to 200,000,000 shares.

As a result of the closing of the Share Exchange, China Runji became the owner of a leading cement production and distribution company in mainland China through its ownership of Anhui Runji. Using cost effective production techniques, while building a strong brand image, Anhui Runji is a strong competitor in the central China cement market.

Anhui Runji is a producer and distributor of cement, primarily in An Hui Province of central China and neighboring locations, which was founded in December 2003. Its initial capital was 60,000,000 RMB and there were two founding shareholders who owned such capital in a ratio of 60 to 40%. Anhui Runji is located in Xianzong Town, Hanshan County, An Hui Province, where the factory occupies an area of 418 mu, and its limestone mine comprises an area of 1,000 mu. The Anhui Runji factory, limestone reserve and storing mine together comprise an area of approximately 50,000 square meters.

Summary of the Operations of Anhui Runji

Anhui Province Runji Cement Co., Limited (www.chinarunji.com), a private company located in Anhui Province in China, was established in December 2003 with registered capital of 60 million RMB. The Company started production in October 2005 and specializes in cement production and sales. The main cement varieties produced are ordinary silicate cement P.O52.5, P.O42.5, P.O32.5 and P.C32.5. At present, the Company has one cement production line and one cement clinker production line. The production capacity of each line amounts to 2,500 tons per day and one million tons per year.

The Company obtained its production license in 2005. Presently, the Company mainly focuses production on Runji Brand cement P.II52.5, P.O42.5, P.O32.5 P.C32.5 as well as cement clinker. P.II52.5 is a high grade, high strength cement that is made for Anhui and Jiangsu Provinces and the region north of the Changjiang River and is used in large infrastructure projects. The cement clinker is the semi-finished ingredient of cement, which is able to be processed into different categories of cement products.

The Company produces cement through the advanced dry production process, an energy efficient and environmentally friendly cement production technique, as only 60% of the total output in the region is produced by dry process. The Company has a rigorous quality control system and received ISO9001 quality system certification and international accreditation in March 2006. In addition, our Company passed the national GB/T 19001-2000 standard authentication. The Company's pollution control exceeds the national standard and received "green building material" certification in 2007.

The Company has an abundant supply of high quality raw materials. The Company has obtained a 30 year mining right for 87 million tons of limestone reserve, which can supply two cement clinker production lines with a daily output of 2,500 tons for 40 years.

Presently, the Company is one of the largest cement producers and distributors in the north Changjiang region of Anhui, with a 12% market share within a 100 mile radius of its facility. The Company is the only producer of P.II52.5 cement (the highest quality cement) in the north Changjiang region of Anhui and Jiangsu Provinces, with 70% market share within a 100 miles radius of its facility. The Company's main market is in Hefei and Pukou (Nanjing), with total sales of 600,000 tons in the area, representing 60% of our total annual production of one million tons. An additional 30% of total annual production is sold in the cities surrounding Hefei and Pukou, with another 10% being sold in Liu'an and Dingyuan in Anhui and Jiangsu.

The Company's net sales to customers for the three months ended May 31, 2009 and 2008, were \$15,487,487 and \$11,681,719, respectively.

Anhui Runji's Plan of Operation

- We plan to raise adequate capital over the next five years for expansion and growth.
- We have invested over USD\$50 million to build up one cement production line with daily production of 2,500 tons and one cement clinker production line with daily production of 2,500 tons. The newly invested cement clinker production line was put into production in October 2008.
- We plan to complete the investment of USD\$10 million to establish a waste heat power generator system to convert waste heat into electricity in early 2010, which is expected to save about USD\$4.6 million per year in electricity costs. After the completion of the generator system, we will significantly improve our margins and reduce reliance on outside power sources.
- We plan to construct a third production line in late 2009, which will have a daily cement clinker production capacity of 5,000 tons or 1.5 million tons annually, respectively. Upon completion, our total cement production capacity will

reach 3.6 million tons per year, and cement clinker production will reach 3 million tons per year, controlling 30% of the market share within a 100 miles radius of our production facility.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2009 AND 2008

The following discussion should be read in conjunction with the financial statements included in this report and is qualified in its entirety by the foregoing.

FORWARD LOOKING STATEMENTS

Certain statements in this report, including statements of our expectations, intentions, plans and beliefs, including those contained in or implied by "Management's Discussion and Analysis" and the Notes to Financial Statements, are "forward-looking statements", within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are subject to certain events, risks and uncertainties that may be outside our control. The words "believe", "expect", "anticipate", "optimistic", "intend", "will", and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update or revise any forward-looking statements. These forward-looking statements include statements of management's plans and objectives for our future operations and statements of future economic performance, information regarding our expansion and possible results from expansion, our expected growth, our capital budget and future capital requirements, the availability of funds and our ability to meet future capital needs, the realization of our deferred tax assets, and the assumptions described in this report underlying such forward-looking statements. Actual results and developments could differ materially from those expressed in or implied by such statements due to a number of factors, including, without limitation, those described in the context of such forward-looking statements.

Revenues

We generated all of our revenue by selling primarily cement products.

	For the Three Months Ended			For the Nine Months Ended		
	May 31, 2009 (Unaudited)	May 31, 2008 (Unaudited)	Difference	May 31, 2009 (Unaudited)	May 31, 2008 (Unaudited)	Difference
Revenue	\$ 15,487,487	\$ 11,681,719	\$ 3,805,768	\$ 40,528,647	\$ 27,901,832	\$ 12,626,815
cement	7,374,466	9,452,639	(2,078,173)	24,777,907	22,577,665	2,200,242
cement clinker	8,113,021	2,229,080	5,883,941	15,750,740	5,324,167	10,426,573

Revenues increased by \$3,805,768 or 33% to \$15,487,487 for the three months ended May 31, 2009 from \$11,681,719 for the same corresponding period in 2008. The sales revenue of the cement clinker increased \$5,883,941, which is primarily the result of increased sales volume from cement clinker produced by the second production line.

Revenues increased by \$12,626,815 or 45% to \$40,528,647 for the nine months ended May 31, 2009 from \$27,901,832 for the same corresponding period in 2008, in which the sales revenue of cement clinker increased \$10,426,573, which is mainly the result of increased cement clinker production from the second production line, since the sales revenue of cement clinker increased along with cement sales.

Cost of Goods Sold

	For the Three Months Ended			For the Nine Months Ended		
	May 31, 2009 (Unaudited)	May 31, 2008 (Unaudited)	Difference	May 31, 2008 (Unaudited)	May 31, 2009 (Unaudited)	Difference
Cost of goods sold	\$ 15,292,572	\$ 8,819,531	\$ 6,473,041	\$ 38,555,892	\$ 21,584,102	\$ 16,971,790
cement	7,859,346	6,392,404	1,466,942	22,717,675	16,061,888	6,655,787
cement clinker	7,433,226	2,427,127	5,006,099	15,838,217	5,522,214	10,316,003

Our cost of goods sold for the three months ended May 31, 2009 was \$15,292,572, compared to \$8,819,531 for the same corresponding period in 2008, an increase of \$6,473,041 or approximately 73%. Our cost of goods sold for the nine months ended May 31, 2009 was \$38,555,892, compared to \$21,584,102 for the same corresponding period in 2008, an increase of \$16,971,790 or approximately 79%. For the nine months ended May 31, 2009, our cost of goods increased 78.7% when the sales revenue increased 45%, which is mainly the result of the increased costs after the second production line was put into production, the heavy rainfall in An Hui province in January 2009 that influenced our normal production, production equipment maintenance, and insufficient production capacity with fixed costs unchanged, which resulted in increased unit costs.

Gross Profit

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	For the Three Months Ended			For the Nine Months Ended		
	May 31, 2009	May 31, 2008	Difference	May 31, 2009	May 31, 2008	Difference
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Gross Profit	\$ 194,915	\$ 2,862,188	\$ (2,667,273)	\$ 1,972,755	\$ 6,317,730	\$ (4,344,975)
cement	(484,880)	3,060,235	(3,545,115)	2,060,232	6,515,777	(4,455,545)
cement clinker	679,795	(198,047)	877,842	(87,477)	(198,047)	110,570

Our gross profit decreased by \$2,667,273 to \$194,915 for the three months ended May 31, 2009 from \$2,862,188 for the same period in 2008. Our gross profit decreased by \$4,344,975 to \$1,972,755 for the nine months ended May 31, 2009 from \$6,317,730 for the same period in 2008, which is mainly the result of the adjustment and testing costs of the second production line and increased depreciation in unit production cost because of running under full production capacity. Furthermore, intense market pricing competition forced us to decrease prices to maintain existing clients and market share.

Operating Expenses

Total operating expenses for the three months ended May 31, 2009 was \$470,332, compared to \$433,265 for the same period in 2008, an increase of \$37,067 or approximately 9%.

Total operating expenses for the nine months ended May 31, 2009 was \$1,592,185, compared to \$1,161,510 for the same period in 2008, an increase of \$430,675 or approximately 37%.

The increase was mainly the result of the operation of the second production line and higher marketing expenses.

Interest Expenses

Our interest expense for the three months ended May 31, 2009 and 2008 was \$72,834 and \$11,569. Our interest expense for the nine months ended May 31, 2009 and May 31, 2008 was \$108,469 and \$35,733, respectively, which is mainly the result of increased interest from the short term loan of \$4,679,680 and long term loan of \$1,138,189 in this quarter.

Government Subsidies Income and Other Income (Expenses)

The government subsidies income and other income (expenses) increased by \$1,801,434 to \$3,213,947 for the nine months ended May 31, 2009 from \$1,412,513 for the same period in 2008. The increase in other income was mainly the result of a tax refund from the Chinese government in 2009.

Liquidity and Capital Resources

Net cash flows provided by operating activities for the nine months ended May 31, 2009 and May 31, 2008 were \$5,268,680 and \$1,876,938, respectively, which is mainly the result of decreased receivables and increased payables.

Net cash flows used in investing activities for the nine months ended May 31, 2009 and May 31, 2008 were \$(3,700,390) and \$(9,810,190), which is mainly the result of a reduction in the purchase of fixed assets.

Net cash flows provided by (used in) financing activities for the nine months ended May 31, 2009 and May 31, 2008 were \$(1,370,593) and \$7,308,815, respectively, which is mainly the result of the repayment of a loan from a related party.

Overall, we have funded most of our cash needs from inception through May 31, 2009 with operating activities and loans from related parties.

On May 31, 2009, we had cash and cash equivalents of \$602,937 on hand. We anticipate raising funds through an equity or debt offering or with a strategic partner in the coming year.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Company's financial condition presented in this section are based upon the unaudited consolidated financial statements of China Runji Cement Inc., which have been prepared in accordance with the generally accepted accounting principles in the United States. During the preparation of the financial statements China Runji Cement Inc. is required to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, China Runji Cement Inc. evaluates its estimates and judgments, including those related to sales, returns, pricing

concessions, bad debts, inventories, investments, fixed assets, intangible assets, income taxes and other contingencies. China Runji Cement Inc. bases its estimates on historical experience and on various other assumptions that it believes are reasonable under current conditions. Actual results may differ from these estimates under different assumptions or conditions.

In response to the SEC's Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policy," China Runji Cement Inc. identified the most critical accounting principles upon which its financial status depends. China Runji Cement Inc. determined that those critical accounting principles are related to the use of estimates, inventory valuation, revenue recognition, income tax and impairment of intangibles and other long-lived assets. China Runji Cement Inc. presents these accounting policies in the relevant sections in this management's discussion and analysis, including the Recently Issued Accounting Pronouncements discussed below.

Revenue Recognition. China Runji Cement Inc. recognizes sales when the revenue is realized or realizable, and has been earned, in accordance with SEC Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements". China Runji Cement Inc.' sales are related to sales of product. Revenue for product sales is recognized as risk and title to the product transfer to the customer, which usually occurs at the time shipment is made. Substantially all of China Runji Cement Inc.' products are sold FOB ("free on board") shipping point. Title to the product passes when the product is delivered to the freight carrier.

Sales revenue represents the invoiced value of goods, net of a value-added tax (VAT). All of China Runji Cement Inc.'s products that are sold in the China are subject to a Chinese value-added tax at a rate of 17% of the gross sales price or at a rate approved by the Chinese local government. This VAT may be offset by VAT paid by China Runji Cement Inc. on raw materials and other materials included in the cost of producing their finished product.

Accounts Receivable, Trade and Allowance for Doubtful Accounts. China Runji Cement Inc.' business operations are conducted in the People's Republic of China. During the normal course of business, China Runji Cement Inc. extends unsecured credit to its customers. Management reviews accounts receivable on a regular basis to determine if the allowance for doubtful accounts is adequate. An estimate for doubtful accounts is recorded when collection of the full amount is no longer probable.

Inventories. Inventories are stated at the lower of cost or market using the weighted average method. China Runji Cement Inc. reviews its inventory on a regular basis for possible obsolete goods or to determine if any reserves are necessary for potential obsolescence.

Government Subsidies. A government subsidy is recognized only when there is reasonable assurance that the enterprise will comply with any conditions attached to the grant and the grant will be received. The Company is entitled to receive treasury subsidy of local government in accordance with the "Regulations of facilitating investment in industrial enterprises" (Article 17 of Han Order [2002]) which is promulgated on Oct. 28, 2002 by the Communist Party Commission of Han Shan County, Anhui Province and Han San County government of Anhui Province. According to this regulation, the first 3 years of tax payable by the Company after it commenced production to the local government will be returned to the Company for the purpose of increasing production. The application of the Company was approved.

Income Taxes. China Runji Cement Inc. has adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consist of taxes currently due plus deferred taxes. Since China Runji Cement Inc. had no operations within the United States there is no provision for US income taxes and there are no deferred tax amounts at December 31, 2006 and 2005. The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probably that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the Company intends to settle current tax assets and liabilities on a net basis.

Recently Issued Accounting Pronouncements

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("FAS 165"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. FAS 165 is effective for interim and annual periods ending after June 15, 2009 and will be effective for the Company beginning with its annual period ending August 31, 2009. Since FAS 165 at most requires additional disclosures, the Company does not expect the adoption to have a material impact on its

consolidated financial position, results of operations or cash flows.

In June 2009, the FASB approved the "FASB Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP to be launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is effective for the Company in the interim period ending November 30, 2009 and it does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, operations of the Company are exposed to fluctuations in interest rates. These fluctuations can vary the costs of financing and investing yields. In view of the financing arrangements during the third three months of its 2009 fiscal year, the Company is not currently subject to significant market risk.

ITEM 4 - CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer (the principal executive officer and principal financial officer, respectively) of the Company have concluded, based on their evaluation as of May 31, 2009, that the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) are effective to ensure that information required to be disclosed in the reports filed or submitted by the Company under the Exchange Act is accumulated, recorded, processed, summarized and reported to the management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding whether or not disclosure is required.

During the quarter ended May 31, 2009, there were no changes in the internal controls of the Company over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the internal controls of the Company over financial reporting.

ITEM 4T – INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934

31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934

32.1 Certification of the Company's Chief Executive Officer Pursuant to 18 U.S.C. SS. 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. SS. 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA RUNJI CEMENT INC.

Date: July 15, 2009

By: /s/ Shouren Zhao
Shouren Zhao
Chairman and Chief Executive
Officer

