

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 70579 / September 30, 2013

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3504 / September 30, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15544

In the Matter of

**CHINA RUITAI
INTERNATIONAL
HOLDINGS CO., LTD.,
DIAN MIN MA, GANG
MA, AND JIN TIAN,**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS AND
NOTICE OF HEARING PURSUANT
TO SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF
1934 AND RULE 102(E) OF THE
COMMISSION'S RULES OF
PRACTICE**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 4C¹ and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(iii) of the Commission's Rules of Practice²

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

against China Ruitai International Holdings Co., Ltd. (“China Ruitai”), Dian Min Ma, Gang Ma, Jin Tian (collectively “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Respondent China Ruitai, incorporated in Delaware in 1955 and located in the People’s Republic of China (“PRC”), is a manufacturer of deeply processed chemicals used primarily in the production of PVC, cosmetics, foods, and paints. At all relevant times, China Ruitai’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and is quoted on OTC Link operated by OTC Markets Group, Inc. and formerly known as the Pink Sheets (“OTC Link”) under the ticker symbol “CRUI.”

2. Respondent Dian Min Ma, age 46, resides in the PRC and has been a Director and Chief Executive Officer (“CEO”) of China Ruitai since 2007. Dian Min Ma, along with Xing Fu Lu, the President of China Ruitai, owns 100% of the capital stock of Shandong Ruitai Chemical Co., Ltd., a related party to China Ruitai. Dian Min Ma also serves as the Finance Manager for Taian Ruitai Cellulose Co., Ltd., a majority-owned (99%) subsidiary of China Ruitai.

3. Respondent Gang Ma, age 40, resides in the PRC and has been Chief Financial Officer (“CFO”) of China Ruitai since 2007. Gang Ma is also the Director of the Financial Department for Taian Ruitai Cellulose Co., Ltd.

4. Respondent Jin Tian, age 38, resides in the PRC and has been a Director and Chief Accounting Officer (“CAO”) of China Ruitai since 2007. Jin Tian is also an accountant for Taian Ruitai Cellulose Co., Ltd.

B. RELATED ENTITIES

1. Taian Ruitai Cellulose Co., Ltd. (“Taian Ruitai”), located in the PRC, is a majority-owned (99%) subsidiary of China Ruitai and is the operational subsidiary of China Ruitai.

2. Shandong Ruitai Chemical Co., Ltd. (“Shandong Ruitai”), located in the PRC, is a related party to China Ruitai and holds 1% of the capital stock of Taian Ruitai. Shandong Ruitai is 100% owned by Dian Min Ma and Xing Fu Lu, the President of China Ruitai. Shandong Ruitai is a dealer of hot steam, which it sells to Taian Ruitai.

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

C. FRAUDULENT AND ILLEGAL ACTIVITY

1. From approximately January to December 2011, Respondents orchestrated a scheme to fraudulently obtain up to \$40 million in bank financing using falsified documents. China Ruitai, through its subsidiary, Taian Ruitai, falsified purchase orders to purchase steam from Shandong Ruitai. Aided by the cooperation of Shandong Ruitai, Taian Ruitai obtained invoices from Shandong Ruitai for the fake purchase orders. Taian Ruitai then presented the fake invoices and purchase orders to various banks to obtain bank acceptance notes. Per the terms of the acceptance notes, China Ruitai deposited between 30% and 100% of the invoice amount with the bank, and the bank paid the stated invoice amount to Shandong Ruitai. The amounts that China Ruitai placed on deposit with the banks were held in reserve until China Ruitai repaid the bank acceptance notes.

2. After Shandong Ruitai received funds from the banks, Shandong Ruitai typically provided the funds to Taian Ruitai to be used as operating capital. At other times, Shandong Ruitai retained a portion of the funds for its own operational needs. In either scenario, the scheme was effectuated by the efforts of China Ruitai as the creditor with the banks and the originator of the purchase orders.

3. During the time period of the scheme, China Ruitai filed Forms 10-Q for the periods ended March 31, 2011, June 30, 2011, and September 30, 2011, and a Form 10-Q/A for the period ended June 30, 2011. In each of the Forms 10-Q and Form 10-Q/A, China Ruitai failed to make the disclosures of China Ruitai's obligations to the banks, the scheme China Ruitai was utilizing to provide working capital, and the risks associated with the ongoing scheme. As a result of the scheme, China Ruitai's related party obligations to Shandong Ruitai increased over 1600% from December 31, 2010 to December 31, 2011. As of September 30, 2011, these obligations represented over 36% of China Ruitai's liabilities. The failure to disclose the obligations to the bank and the nature of the activity to obtain bank financing materially misrepresented the actual operations, obligations, solvency, and liquidity of China Ruitai. The misstatements made it appear that China Ruitai was meeting its working capital requirements with cash flows generated from business activities, rather than financing from banks. In its footnotes to the financial statements, China Ruitai described the resulting obligations as only related party notes payable that were "non-interest bearing for the purpose of financing the Company's operations due to a lack of working capital and have no fixed terms of repayment." These statements were false and materially misleading because they failed to disclose the nature and terms of the obligations to the banks. Furthermore, the loans could result in undisclosed risk to the company, especially if the illegal nature of the loans was challenged or exposed by the banks, regulators, or others.

4. Dian Min Ma and Gang Ma each signed China Ruitai's periodic reports filed with the Commission for the first three quarters of 2011. In addition, Dian Min Ma and Gang Ma each signed certifications for the quarterly reports. Those filings incorrectly state that the reports did not "contain any untrue statement of a material fact or

omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.” The statements and representations in China Ruitai’s filings were materially misleading.

5. Dian Min Ma, Gang Ma, and Jin Tian facilitated China Ruitai’s violations by perpetuating the illegal scheme and directly and indirectly filing or causing to be filed with the Commission quarterly reports on Form 10-Q and Form 10-Q/A that were inaccurate and materially misleading. CEO, Dian Min Ma, and CFO, Gang Ma signed certifications for those reports and attested to their accuracy. These were blatant misrepresentations because Dian Min Ma, Gang Ma, and Jin Tian knew or were reckless in not knowing that the bank financing transactions were illegal and that China Ruitai failed to disclose its obligations to the banks. China Ruitai could not have continued its scheme without the substantial assistance of the officers. The officers’ fraudulent conduct is imputable to China Ruitai.

6. During fiscal year 2011, China Ruitai retained the independent registered public accounting firm of Marcum Bernstein & Pinchuk LLP (“Marcum”), a New York CPA firm with offices in the PRC. Marcum performed the review procedures for each of the first three quarters of 2011. In each of these quarters, China Ruitai provided to Marcum management representation letters signed by Dian Min Ma, Gang Ma, and Jin Tian. The representation letters included materially misleading statements that: (1) management had no knowledge of any fraud; (2) all related party transactions had been properly disclosed; and (3) there had been no violations of laws. These statements were materially misleading because China Ruitai’s scheme was a violation of PRC laws, and the description of the related party obligations misrepresented the true nature of the activity. Because of their management positions as CEO, CFO, and CAO respectively, Dian Min Ma, Gang Ma, and Jin Tian knew or were reckless in not knowing the true nature of the transactions and that the financing was obtained fraudulently and illegally. They knew or were reckless in not knowing that the material misrepresentations would be incorporated into China Ruitai’s public filings and that the public filings materially misrepresented the true nature of the transactions.

7. Marcum also performed audit procedures for fiscal year end in preparation for filing of China Ruitai’s Form 10-K. As part of these audit procedures, Marcum performed substantive and analytical procedures on the related party balances between Taian Ruitai and Shandong Ruitai. Marcum made repeated inquiries regarding the related party balances from employees of China Ruitai, but the employees were uncooperative. Despite the lack of cooperation, Marcum identified at least \$66.7 million in potentially fake purchase orders. When confronted with this information, Gang Ma admitted that the purchase orders and corresponding invoices between Shandong Ruitai and Taian Ruitai were fictitious.

8. As a result of its discovery, Marcum demanded that China Ruitai obtain a legal opinion regarding the legality of the above-described conduct in relation to PRC law. China Ruitai obtained a legal opinion, dated April 12, 2012, which concluded

that the conduct violated Article 10 of the Negotiable Instruments Law. Marcum obtained a separate legal opinion, which came to the same conclusion.

9. As a result of its discovery and the legal opinions it obtained, Marcum reported the matter to China Ruitai's Board of Directors on May 21, 2012, pursuant to Section 10A(b)(1) of the Exchange Act, which requires the auditor to inform management that it has information indicating an illegal act has or may have occurred. Dian Min Ma, Gang Ma, and Jin Tian all received the letter. China Ruitai failed to take any remedial action in response to the letter.

10. On July 25, 2012, Marcum issued a notice to China Ruitai, pursuant to Section 10A(b)(2) of the Exchange Act, indicating an illegal act had occurred and that failure of the company to take remedial action would warrant resignation of Marcum as the independent registered public accountants of China Ruitai. Furthermore, the notice informed China Ruitai that China Ruitai was required to notify the Commission no later than one business day after it received Marcum's report, pursuant to Section 10A(b)(3) of the Exchange Act.

11. China Ruitai failed to report the matter to the Commission. Therefore, on July 27, 2012, Marcum issued a letter pursuant to Section 10A(b)(3) of the Exchange Act to both China Ruitai and the Commission. That letter provided notice to company management that Marcum was resigning from the audit engagement, effective immediately. The July 27, 2012 notice also informed China Ruitai that Marcum no longer wished to be associated with the Forms 10-Q for the periods ended March 31, 2011, June 30, 2011, and September 30, 2011. The letter further requested that the company file a Form 8-K disclosing to the SEC and users of the quarterly reports that Marcum should no longer be associated with the quarterly reports, and that such financial statements were "not reviewed."

12. To this date, China Ruitai has not complied with its obligation to report the matter to the Commission pursuant to Section 10A(b)(3) of the Exchange Act. China Ruitai failed to respond to Marcum's requests and cut off contact with Marcum. In addition, China Ruitai did not file a Form 8-K to announce the resignation of its auditor, as required by Section 13(a) of the Exchange Act and Item 4.01 to Form 8-K

13. Since Marcum resigned as China Ruitai's auditor, China Ruitai has failed to file its required periodic reports. China Ruitai's last filing was a Form NT 10-K, filed on March 30, 2012. China Ruitai's last periodic report filed with the Commission was for the period ending September 30, 2011 and was filed on November 14, 2011. As a result, China Ruitai is delinquent with at least its 2011 and 2012 Forms 10-K, as well as Forms 10-Q for 2012 and 2013.

D. VIOLATIONS

1. As a result of the conduct described above, China Ruitai and Dian Min Ma violated, and Gang Ma willfully violated, Section 10(b) of the Exchange Act and

Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

2. As a result of the conduct described above, Jin Tian willfully violated Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) thereunder and aided and abetted and caused China Ruitai's violations of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder.

3. As a result of the conduct described above, China Ruitai violated Section 10(b) of the Exchange Act and Rules 10b-5 and 12b-20 thereunder by including materially false and misleading information in filings that misrepresented the true nature of obligations to banks and by misrepresenting that the obligations were related party transactions in its quarterly reports on Forms 10-Q and Form 10-Q/A for the first three quarters of 2011.

4. As a result of the conduct described above, China Ruitai violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, which require that an issuer with securities registered under Section 12 of the Exchange Act file annual, quarterly, and current reports with the Commission.

5. As a result of the conduct described above, Dian Min Ma caused, and Gang Ma and Jin Tian willfully aided and abetted and caused China Ruitai's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

6. As a result of the conduct described above, Dian Min Ma violated, and Gang Ma willfully violated Exchange Act Rule 13a-14, which requires that the principal executive and principal financial officers of an issuer with securities registered under Section 12 of the Exchange Act sign a certification that, based on their knowledge, the annual and quarterly reports filed with the Commission do not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

7. As a result of the conduct described above, China Ruitai violated Section 13(b)(2)(A) of the Exchange Act, which requires that an issuer with securities registered under Section 12 of the Exchange Act make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

8. As a result of the conduct described above, Dian Min Ma caused, and Gang Ma and Jin Tian willfully aided and abetted and caused China Ruitai's violations of Section 13(b)(2)(A) of the Exchange Act, and Dian Min Ma violated, and Gang Ma and Jin Tian willfully violated Exchange Act Rule 13b2-1, which prohibits a person from directly or indirectly, falsifying or causing to be falsified, any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act; and Exchange Act Rule 13b2-2(a),

which prohibits an officer or director of an issuer with securities registered under Section 12 of the Exchange Act to make or cause to be made a materially false or misleading statement to an accountant in connection with the preparation or filing of any document or report required to be filed with the Commission.

9. As a result of the conduct described above, China Ruitai violated Section 10A(b)(3), which requires an issuer with securities registered under Section 12 of the Exchange Act, to notify the Commission that the issuer has received from its auditor a report pursuant to Section 10A(b)(2) of the Exchange Act indicating that illegal acts have been detected within one business day of the receipt of such report.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 21B of the Exchange Act including, but not limited to, disgorgement, prejudgment interest, and civil penalties pursuant to Section 21B of the Exchange Act;

C. Whether, pursuant to Section 21C of the Exchange Act, Respondent China Ruitai should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 10(b), 10A(b)(3), 13(a), and 13(b)(2)(A) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13, thereunder.

D. Whether, pursuant to Section 21C of the Exchange Act, Respondent Dian Min Ma should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 10(b), 13(a), and 13(b)(2)(A) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-14, 13b2-1, and 13b2-2(a)thereunder.

E. Whether, pursuant to Section 21C of the Exchange Act, Respondent Gang Ma should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 10(b), 13(a), and 13(b)(2)(A) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-14, 13b2-1, and 13b2-2(a) thereunder.

G. Whether, pursuant to Section 21C of the Exchange Act, Respondent Jin Tian should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 10(b), 13(a), and 13(b)(2)(A) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13b2-1, and 13b2-2(a) thereunder.

H. Whether, pursuant to Section 21C(f) of the Exchange Act, Respondents Dian Min Ma, Gang Ma, and Jin Tian should be prohibited, conditionally or unconditionally, and permanently or for such period of time as it shall determine, from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

I. Whether, pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice, Respondents Gang Ma and Jin Tian should be denied, temporarily or permanently, the privilege of appearing or practicing before the Commission as an accountant.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail or in accordance with the Hague Service Convention.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter,

except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary