SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2010-08-16** | Period of Report: **2010-06-30**
SEC Accession No. 0001144204-10-044689

(HTML Version on secdatabase.com)

FILER

RINO International CORP

CIK:**1394220**| IRS No.: **411508112** | State of Incorp.:**NV** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-34402** | Film No.: **101020253**
SIC: **3569** General industrial machinery & equipment, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010.

☐ 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: 0-52549

RINO International Corporation
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA	**41-1508112**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION	(I.R.S. EMPLOYER IDENTIFICATION NO.)

11 Youquan Road, Zhanqian Street, Jinzhou District
Dalian, People's Republic of China 116100
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: **+86-411-87661222**

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 Date 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). 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 ☒

The number of shares of Common Stock of the Registrant, par value $.0001 per share, outstanding on August 13, 2010 was 28,605,321.

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RINO INTERNATIONAL CORPORATION

INDEX TO JUNE 30, 2010 FORM 10-Q

	Page Number
Part I - Financial Information	3
Item 1 - Financial Statements	3
Consolidated Balance Sheets as of June 30, 2010 (unaudited) and December 31, 2009	3
Consolidated Statements of Income and Other Comprehensive Income for the Three Months and the Six Months ended June 30, 2010 and 2009 (unaudited)	4
Consolidated Statement of Shareholders' Equity (unaudited)	5
Consolidated Statements of Cash Flows for the Six Months ended June 30, 2010 and 2009 (unaudited)	6
Notes to the Consolidated Financial Statements (unaudited)	7
Item 2 - Management's Discussion and Analysis of Results of Operations and Financial Condition	30
Item 4 - Controls and Procedures	50
Part II - Other Information	51
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	54
Item 5 - Other Information	
Item 6 - Exhibits	54
Signature Page	55

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RINO INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 AND DECEMBER 31, 2009

	2010 (UNAUDITED)	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 88,036,608	$134,487,611
Restricted cash	3,388,392	-
Notes receivable	469,960	440,100
Due from shareholders	-	3,005,386
Accounts receivable, trade, net of allowance for doubtful accounts of $562,822 and $273,446 as of June 30, 2010 and December 31, 2009, respectively	68,389,279	57,811,171
Costs and estimated earnings in excess of billings on uncompleted contracts	38,902,971	3,258,806
Inventories	4,401,228	5,405,866
Advances for inventory purchases	64,425,996	34,056,231
Other current assets and prepaid expenses	879,076	629,506
Total current assets	268,893,510	239,094,677
PLANT AND EQUIPMENT, NET	13,020,836	12,265,389
OTHER ASSETS		
Investment in unconsolidated affiliate	441,900	-
Advances for non current assets	9,492,531	6,570,378
Intangible assets, net	9,026,114	1,144,796
Total other assets	18,960,545	7,715,174
Total assets	$ 300,874,891	$259,075,240
LIABILITIES AND SHARE HOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 7,202,192	$4,281,353
Short term bank loans	3,682,500	1,467,000
Notes payable	3,388,392	-
Billings in excess of costs and estimated earnings on uncompleted contracts	3,385,163	-
Customer deposits	351,630	4,984,801
Deferred revenue	1,333,127	-
Liquidated damages payable	20,147	20,147
Due to shareholders	535,895	-
Taxes payable	3,261,799	4,003,709
Other payables and accrued liabilities	508,564	496,411
Total current liabilities	23,669,409	15,253,421
Long-term loan	8,101,500	-
Warrant Liabilities	97,798	15,172,712
REDEEMABLE COMMON STOCK ($0.0001 par value, 5,464,357 shares issued with conditions for redemption outside the control of the company)	24,480,319	24,480,319
COMMITMENTS AND CONTINGENCIES		

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SHAREHOLDERS' EQUITY		
Preferred Stock ($0.0001 par value, 50,000,000 shares authorized, none issued and outstanding)	-	-
Common Stock ($0.0001 par value, 100,000,000 shares authorized, 28,605,321 and 28,603,321 shares issued and outstanding as of June 30, 2010 and December 31, 2009)	2,860	2,860
Additional paid-in capital	107,201,125	107,135,593
Retained earnings	115,517,443	78,983,794
Statutory reserves	14,314,417	11,755,312
Accumulated other comprehensive income	7,490,020	6,291,229
Total shareholders' equity	244,525,865	204,168,788
Total liabilities and shareholders' equity	$ 300,874,891	$259,075,240

The accompanying notes are an integral part of these consolidated statements.

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RINO INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
REVENUES				
Contracts	$64,496,123	$40,469,182	$112,263,690	$75,835,318
Services	887,545	253,068	979,225	495,051
	65,383,668	40,722,250	113,242,915	76,330,369
COST OF SALES				
Contracts	41,638,121	26,123,509	72,613,173	45,249,005
Services	494,649	268,912	494,649	592,830
Depreciation	170,767	162,260	355,442	370,327
	42,303,537	26,554,681	73,463,264	46,212,162
GROSS PROFIT	23,080,131	14,167,569	39,779,651	30,118,207
OPERATING EXPENSES				
Selling, general and administrative expenses	4,958,664	4,146,294	11,771,338	7,517,018
Stock compensation expense	46,036	9,263	65,532	9,263
TOTAL OPERATING EXPENSES	5,004,700	4,155,557	11,836,870	7,526,281
INCOME FROM OPERATIONS	18,075,431	10,012,012	27,942,781	22,591,926
OTHER INCOME (EXPENSES), NET				
Other expense, net	(110,664)	3,871	(113,879)	(5,779)
Change in fair value of warrants	4,889,118	(1,833,745)	15,074,914	(1,810,134)
Interest income (expense), net	70,162	(72,974)	140,444	(191,933)
Gain on liquidated damage settlement	-	1,746,120	-	1,746,120
TOTAL OTHER INCOME (EXPENSES), NET	4,848,616	(156,728)	15,101,479	(261,726)
INCOME BEFORE PROVISION FOR INCOME TAXES	22,924,047	9,855,284	43,044,260	22,330,200
PROVISION FOR INCOME TAXES	2,487,799	-	3,951,506	-
NET INCOME	20,436,248	9,855,284	39,092,754	22,330,200
OTHER COMPREHENSIVE INCOME (LOSS):				
Foreign currency translation adjustment	1,065,043	(10,019)	1,198,791	(137,639)
COMPREHENSIVE INCOME	$21,501,291	$9,845,265	$40,291,545	$22,192,561
WEIGHTED AVERAGE NUMBER OF SHARES:				
Basic	28,603,517	25,070,356	28,603,431	25,055,668
Diluted	28,609,452	25,070,940	28,610,245	25,055,668
EARNINGS PER SHARE:				
Basic	$0.71	$0.39	$1.37	$0.89
Diluted	$0.71	$0.39	$1.37	$0.89

The accompanying notes are an integral part of these consolidated statements.

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RINO INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock Par Value $0.0001		Additional	Retained Earnings		Accumulated other	
	Number of shares	Common stock	Paid-in capital	Unrestricted earnings	Statutory reserve	comprehensive income	Totals
BALANCE, January 31, 2009	25,040,000	$ 2,504	$ 25,924,007	$ 28,570,948	$ 6,196,478	$ 6,221,943	$ 66,915,880
Cumulative effect of reclassification of warrants			(1,058,702)	(420,070)			(1,478,772)
Shares issued to settle liquidated damage payable	48,438	5	216,999				217,004
Stock issued for service	2,000	-	8,960				8,960
Imputed interest on advances from a shareholder			13,557				13,557
Net income				22,330,200			22,330,200
Allocation to statutory reserve				(2,477,427)	2,477,427		-
Foreign currency translation gain						(137,639)	(137,639)
BALANCE, June 30, 2009 (Unaudited)	25,090,438	$ 2,509	$ 25,104,821	$ 48,003,651	$ 8,673,905	$ 6,084,304	$ 87,869,190
Stock compensation expense			38,425				38,425
Non cash exercise of warrant at $5.38	260,851	26	5,881,081				5,881,107
Stock issuance for cash for $30.75	3,252,032	325	76,111,266				76,111,591
Net income				34,061,550			34,061,550
Allocation to statutory reserve				(3,081,407)	3,081,407		-
Foreign currency translation gain						206,925	206,925
BALANCE, December 31, 2009	28,603,321	$ 2,860	$ 107,135,593	$ 78,983,794	$ 11,755,312	$ 6,291,229	$ 204,168,788
Stock compensation expense	2,000	-	65,532				65,532
Net income				39,092,754			39,092,754
Allocation to statutory reserve				(2,559,105)	2,559,105		-
Foreign currency translation gain						1,198,791	1,198,791
BALANCE, June 30, 2010 (Unaudited)	28,605,321	2,860	107,201,125	115,517,443	14,314,417	7,490,020	244,525,865

The accompanying notes are an integral part of these consolidated statements.

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RINO INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$39,092,754	$22,330,200
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Depreciation	466,837	478,251
Amortization	86,273	33,377
Allowance for bad debt	287,064	205,687
Imputed interest on advances from shareholders	-	13,556
Amortization of long term prepaid expenses	39,166	7,329
Stock issued for services	-	9,263
Stock compensation expense and shares placed in escrow	65,532	-
Gain (expense) on Liquidated damage settlement	-	(1,746,120)
Change in fair value of warrants	(15,074,914)	1,810,134
Changes in operating assets and liabilities:		
Notes receivable	(27,944)	806,516
Accounts receivable	(10,585,899)	(21,802,792)
Costs and estimated earnings in excess of billings on uncompleted contracts	(35,483,281)	-
Inventories	1,022,495	81,194
Advances for inventory purchases	(30,105,286)	6,308,955
Other current assets and prepaid expenses	(246,017)	(131,544)
Accounts payable	2,891,305	(823,508)
Customer deposits	(4,634,288)	(3,549,925)
Billings in excess of costs and estimated earnings on uncompleted contracts	3,371,144	-
Other payables and accrued liabilities	10,077	(329,915)
Deferred revenue	1,327,607	-
Taxes Payable	(755,144)	6,038,867
Net cash (used in) provided by operating activities	(48,252,519)	9,739,525
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment in unconsolidated affiliate	(440,070)	-
Purchase of equipment	(1,169,547)	(28,051)
Advances for non current assets	(2,922,462)	-
Purchase of intangible assets	(7,930,290)	
Net cash used in investing activities	(12,462,369)	(28,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in restricted cash	(3,374,360)	1,030,317
Proceeds from notes payable - banks	3,374,360	88,382
Proceeds from short term bank loans	3,667,250	21,985,500
Payments on short term bank loans	(1,466,900)	-
Payments on liquidated damage settlement	-	(615,018)
Payment on due to shareholder	(321,810)	(824,808)
Proceeds from shareholder	3,862,842	668,449
Proceeds from long term bank loans	8,067,950	-
Net cash provided by financing activities	13,809,332	22,332,822
EFFECT OF EXCHANGE RATE ON CASH	454,553	(42,094)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(46,451,003)	32,002,202
CASH AND CASH EQUIVALENTS, beginning	134,487,611	19,741,982

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CASH AND CASH EQUIVALENTS, ending	$88,036,608	$51,744,184
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for Interest expense	$206,830	$369,146
Cash paid for income taxes	$2,388,504	$229,848

The accompanying notes are an integral part of these consolidated statements.

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NOTE 1 – NATURE OF BUSINESS

RINO International Corporation (the "Company" or "RINO") was originally incorporated in 1984 in accordance with the laws of the State of Minnesota. On December 27, 2006, the shareholders of the Company approved a proposal to re-domicile the Company from the State of Minnesota to the State of Nevada. The Company through its 100% owned subsidiaries and Variable Interest Entities ("VIEs"), engages in designing, developing, manufacturing, and installation of environmental protection and energy saving industrial equipments in the People's Republic of China (PRC).

Current Development

On March 9, 2010, Dalian Rino Environment Engineering Science and Technology Co., Ltd. ("Dalian RINO") and three other unrelated Chinese based companies formed Dalian Environmental Exchange Center ("DEEC") under the laws of the PRC. Dalian RINO invested approximately $441,900 (RMB 3 million) in cash which is accounted for as its 30% uncontrolling interest of the total registered capital of $1,467,000 (RMB 10 million). The company provides services in environmental protection and energy saving, services in connection with comprehensive trading of the technologies of environmental protection, energy saving, and greenhouse gases (carbon dioxide). DEEC also offers services in project consulting, design planning and project value evaluations, providing management, information and technology for project investments. See Note 8 for investment in unconsolidated affiliate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect the activities of the following subsidiaries and VIEs. All material intercompany transactions and balances have been eliminated in the consolidation.

	Place incorporated	Ownership percentage	
Innomind Group Limited ("Innomind")	BVI	100	%
Dalian Innomind Environment Engineering Co., Ltd. ("Dalian Innomind")	Dalian, China	100	%
Rino Investment (Dalian) Co., Ltd. ("Dalian Investment")	Dalian, China	100	%
Dalian RINO Heavy Industry Co., Ltd. ("Dalian Rino Heavy)	Dalian, China	100	%
Dalian Rino Environment Engineering Science and Technology Co., Ltd. ("Dalian Rino")	Dalian, China	VIE	
Rino Technology Corporation ("Rino Technology)	Nevada, USA	VIE	
Dalian Rino Environmental Engineering Project Design Co., Ltd. ("Dalian Rino Design")	Dalian, China	VIE	
Dalian Rino Environmental Construction & Installation Project Co., Ltd. ("Dalian Rino Installation")	Dalian, China	VIE	

In accordance with the interpretation of Generally Accepted Accounting Principles (GAAP), VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. There is no restriction on the ability of the Company's VIEs and subsidiaries to transfer moneys to the Company.

ASC 810 addresses whether certain types of entities referred to as VIEs, should be consolidated in a Company's consolidated financial statements. Pursuant to an Entrusted Management Agreement by and between Dalian Innomind and Dalian Rino, dated October 3, 2007, Dalian Rino and its shareholders agreed to entrust the operations and management of the Business to Dalian Innomind and Dalian Innomind is entitled to Dalian Rino's net profit as an entrusted management fee. In accordance with the provisions of ASC 810, the Company has determined that Dalian Rino and its 100% owned subsidiaries Dalian Rino Design, Rino Technology and Dalian Rino Installation are VIEs and that the Company is the primary beneficiary, and accordingly, the financial statements of Dalian Rino, Dalian Rino Design, Rino Technology and Dalian Rino Installation are consolidated into the financial statements of the Company.

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The carrying amount of the VIEs' assets and liabilities are as follows:

	June 30, 2010 (Unaudited)	December 31, 2009
Current assets	$ 169,064,701	$ 145,870,479
Plant and equipment	11,048,140	11,270,034
Other noncurrent assets	22,301,543	7,713,576
Total assets	202,414,384	164,854,089
Total liabilities	184,559,081	150,218,805
Net assets	$ 17,855,303	$ 14,635,284

VIE's liabilities as of June 30, 2010 consists of the following:

	June 30, 2010 (Unaudited)
Current liabilities	$
Accounts payable	7,019,623
Short-term bank loan	3,682,500
Payable to Rino International to be eliminated	156,541,384
Billing in excess of costs and estimated earnings on uncompleted contracts	3,385,163
Customer deposits	351,630
Liquidated damages payable	-
Other payable and accrued liabilities	410,144
Notes payable	3,241,092
Due to a stockholder	85,523
Unearned revenue	1,333,127
Tax payable	407,395
	176,457,581
Noncurrent liabilities	
Long-term loan	8,101,500
Warrant liabilities	-
Total liabilities	$184,559,081

The interim unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, for interim financial information and with the instructions to Securities and Exchange Commission, or SEC, Form 10-Q and Article 10 of SEC Regulation S-X and consistent with the accounting policies stated in the Company's 2009 Annual Report on Form 10-K. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2009, included in our Annual Report on Form 10-K filed with the SEC.

The interim consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our consolidated financial position as of June 30, 2010, and our consolidated results of operations and cash flows for the six and three months ended June 30, 2010 and 2009. The results of operations for the six and three months ended June 30, 2010 are not necessarily indicative of the results to be expected for future quarters or the full year.

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures about contingent assets and liabilities. Such estimates and assumptions by management affect accrued expenses, the valuation of accounts receivable, inventories, and long-lived assets, legal contingencies, lives of plant and equipment, lives of intangible assets, calculation of warranty accruals, taxes, share-based compensation and others. Management believes that the estimates used in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Foreign Currency Transactions

The reporting currency of the Company is the US dollar. The functional currency is the Chinese Renminbi ("RMB"). The Company's PRC subsidiaries and VIEs conduct business in RMB, and maintain their accounting records in RMB. Innomind Group Limited, the Company's 100% owned BVI subsidiary headquartered in Hong Kong, maintains its accounting records in its local currency, Hong Kong Dollars.

The financial statements of the Company's PRC subsidiaries and VIEs are translated into US dollars using period-end exchange rates of $0.14730 and $0.1467 at June 30, 2010 and December 31, 2009, respectively as to assets and liabilities and weighted average exchange rates for the periods of $0.14669 and $0.14657 for the six months ended June 30, 2010 and 2009, respectively, as to the income and cash flow statement. The financial statements of the Company's Hong Kong subsidiary are translated into US dollars using period-end exchange rates of $0.12850 and $0.12900 at June 30, 2010 and December 31, 2009, respectively, as to assets and liabilities and weighted average exchange rates of $0.12869 and $0.12899 for the six months ended June 30, 2010 and 2009, respectively. The equity accounts are translated at their historical exchange rates. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income within shareholders' equity. The resulting translation gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Translation adjustments resulting from this process amounted to $1,198,791, and $(137,639) for the six months ended June 30, 2010 and 2009, respectively, and $1,065,043 and $(10,019) for the three months ended June 30, 2010 and 2009, respectively.

GAAP requires cash flows from the Company's operations calculated based upon the local currencies using the weighted average translation rate. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Gains and losses from foreign currency transactions are included in the results of operations for the periods presented. Transaction losses amounted to $108,210 and $108,210 for the six and three months ended June 30, 2010, respectively. No material transaction gains and losses occurred for the six and three months ended June 30, 2009.

Concentration and Risks

Cash in Bank

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents, for cash flow statement purposes. Cash includes cash on hand and demand deposits in accounts maintained with state owned banks within the PRC, Hong Kong and the United States.

The Company maintains balances at financial institutions which, from time to time, may exceed Hong Kong Deposit Protection Board insured limits for the banks located in Hong Kong. Balances at financial institutions or state owned banks within the PRC are not covered by insurance. As of June 30, 2010 and December 31, 2009, the Company has $90,685,727 and $134,070,387 cash balances not covered by FDIC insurance in the United States, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risks on its cash in bank accounts.

Major Customers

During the three months ended June 30, 2010, no customer accounted for more than 10% of the Company's total sales. During the three months ended June 30, 2009, three customers accounted for 44% of the Company's total sales.

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During the six months ended June 30, 2010, two customers accounted for 22% of the Company’s total sales, with each customer individually accounting for 12% and 10%, respectively. Accounts receivable from those four customers totaled $9,184,003 as of June 30, 2010. During the six months ended June 30, 2009, four customers accounted for 44% of the Company’s total sales, with each customer individually accounting for 12%, 11%, 11% and 10%, respectively.

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Major Suppliers

Two major suppliers provided approximately 90% of the Company's purchases of raw materials for the three months ended June 30, 2010, with each supplier individually accounting for 48% and 42%, respectively. Two major suppliers provided approximately 100% of the Company's purchases of raw materials for the three months ended June 30, 2009.

Two major suppliers provided approximately 87% of the Company's purchases of raw materials for the six months ended June 30, 2010, with each supplier individually accounting for 46% and 41%, respectively. Advances to these suppliers as of June 30, 2010 amounted to $61,579,281.Two major suppliers provided approximately 98% of the Company's purchases of raw materials for the six months ended June 30, 2009.

PRC Risks

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the economy in the regions where the Company's customers are located. The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in the North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payment of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses, such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Restricted Cash

The Company records cash deposits in banks or other institutions subject to restrictions on the withdrawal or use of the funds as restricted cash.

Notes Receivable

Notes receivable represent trade accounts receivable due from various customers where the customers' banks have guaranteed the payment of the notes. This amount is non-interest bearing and is normally paid within three to six months. The Company has the ability to submit requests for payment to the customers' bank earlier than the scheduled payment date, but will incur an interest charge and a processing fee when it submits an early payment request. The Company had $469,960 and $440,100 in notes receivable as of June 30, 2010 and December 31, 2009, respectively.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains reserves for potential credit losses on accounts receivable. The Company grants credit to customers without collateral. Accounts receivable balances are considered past due if payment has not been received within the payment terms established on the sales contracts or granted by the Company, typically up to one year. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reverses. The estimated loss rate is based on our historical loss experience and also contemplates current market conditions. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable, and known bad debts are written off against allowance for doubtful accounts when identified. The Company's allowance for doubtful accounts amounted to $562,822 and $273,446 as of June 30, 2010 and December 31, 2009, respectively.

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Cost and Estimated Earnings in Excess of Billings on Uncompleted Contracts

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed pursuant to the percentage-of-completion method used to recognize contract revenue.

Billings in Excess of Cost and Estimated Earnings on Uncompleted Contracts

Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized pursuant to the percentage-of-completion method.

Inventories

Inventories consist of raw materials and low cost consumption supplies used in the manufacturing process and work in process. Inventories are valued at the lower of cost or market, as determined on a first-in, first-out basis, using the weighted average cost method. Management reviews its inventories periodically to determine if any reserves are necessary for potential obsolescence or if write downs are necessary due to the carrying value exceeding its net realizable value. Based upon managements' review, there were no provisions for obsolete or slow moving inventories as of June 30, 2010.

Plant and Equipment

Plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of plant and equipment is provided using the straight-line method for substantially all assets with estimated lives as follows:

Buildings	30 Years
Equipment and machinery	15 Years
Motor vehicles	10 Years
Furniture and office equipment	5 Years

Construction in progress represents direct costs of construction as well as acquisition and design fees and interest expense incurred. Interest incurred during construction is capitalized into construction in progress. All other interest is expensed as incurred. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until construction is completed and the asset is ready for its intended use. Maintenance, repairs and minor renewals are charged directly to expense as incurred. Major additions and betterments to buildings and equipment are capitalized.

The Company recognizes an impairment loss when estimated cash flows generated by those assets are less than the carrying amounts of the asset. Based on management review, the Company believes that there were no impairments as of June 30, 2010.

Investment in Unconsolidated Affiliate

Equity method investments are recorded at original cost and adjusted to recognize the Company's proportionate share of the investee's net income or losses and additional contributions made and distributions received. The Company recognizes a loss if it is determined that other than temporary decline in the value of the investment exists. A subsidiary in which the Company has the ability to exercise significant influence, but does not have a controlling interest is accounted for using the equity method. Significant influence is generally considered to exist when the Company has an ownership interest in the voting stock between 20% and 50%, and other factors, such as representation on the Board of Directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate.

Intangible Assets

Intangible assets consist of land use rights and patents. Land use rights are stated at cost, less accumulated amortization and are amortized over the term of the relevant rights of 50 years from the date of acquisition. Patent A and patent B are stated at cost, less accumulated amortization and are amortized over patent terms of 15 and 10 years, respectively.

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Certain identifiable intangible assets are reviewed for impairment, at least annually whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As of June 30, 2010, the Company expected all of its intangible assets to be fully recoverable.

Accounting for Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We assess the recoverability of the assets based on the undiscounted future cash flow the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flow expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When we identify an impairment, we reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. As of June 30, 2010, management believes there were no impairments on the Company's long-lived assets.

Fair Value of Financial Instruments

On January 1, 2008, the Company began recording financial assets and liabilities subject to recurring fair value measurement at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. On January 1, 2009 the Company began recording non-recurring financial as well as all non-financial assets and liabilities subject to fair value measurement under the same principles. These fair value principles prioritize valuation inputs across three broad levels. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Effective January 1, 2009, warrants to purchase 382,500 shares of the Company's common stock previously treated as equity pursuant to the derivative treatment exemption are no longer afforded equity treatment because the strike price of the warrants is denominated in the U.S. dollar, a currency other than the Company's functional currency, the Chinese Renminbi. As a result, the warrants are not considered indexed to the Company's own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such time as the warrants are exercised or expired.

As such, effective January 1, 2009, the Company reclassified the fair value of these warrants from equity to a liability, as if these warrants were treated as a derivative liability since their issuance in October, 2007 ("2007 Warrants"). On January 1, 2009, the Company reclassified $1,058,702 from additional paid-in capital, as a cumulative effect adjustment, $420,070 from beginning retained earnings and $1,478,772 to warrant liabilities to recognize the fair value of such warrants. The fair value of the warrants was $3,288,906 on June 30, 2009. Therefore, the Company recognized a $1,833,746 loss and $1,801,134 loss from the change in fair value of these warrants for the three and six months ended June 30, 2009. In July, August and October of 2009, warrants to purchase 382,500 shares of the Company's common stock were exercised through cashless conversion.

On December 7, 2009, the Company sold 3,252,032 shares of its common stock; Series A Common Stock Warrants, which are exercisable within six months of the closing date; to purchase up to an aggregate of 1,138,211 shares of Common Stock at an exercise price of $34.50 per Warrant (the "2009 Series A Warrants"); and Series B Common Stock Warrants, which are exercisable beginning on the six month one day anniversary of the closing date until the one year one day anniversary of the closing date, to purchase up to an aggregate of 1,138,211 shares of Common Stock at an exercise price of $34.50 per Warrant (the "2009 Series B Warrants"). These warrants were treated as a derivative liability because the strike price of the warrants is denominated in the U.S. dollar, a currency other than the Company's functional currency, the Chinese Renminbi. As a result, the warrants are not considered indexed to the Company's own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such time as the warrants are exercised or expired. All of the 2009 Series A Warrants expired on June 7, 2010. The outstanding warrants at the grant date, as of December 31, 2009 and June 30, 2010 totaled 2,276,422, and 1,138,211, respectively. The fair value of the warrants on grant date, December 31, 2009 and June 30, 2010 amounted to $15,172,712 and $97,798, respectively. The company recognized $4,889,118 and $15,074,914 gains from the change in fair value of warrants for the three and six months ended June 30, 2010 , respectively.

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Warrants referred to in the preceding paragraphs do not trade in an active securities market, and as such, the Company estimates the fair value of these warrants using the Black-Scholes option pricing model using the following assumptions:

2009 Series A Warrants	June 30, 2010 (Unaudited)		Issuance Date	
Annual dividend yield	-		-	
Expected life (years)	-		0.50	
Risk-free interest rate	-	%	0.16	%
Expected volatility	-	%	68.56	%

2009 Series B Warrants	June 30, 2010 (Unaudited)		Issuance Date	
Annual dividend yield	-		-	
Expected life (years)	0.44		1.00	
Risk-free interest rate	0.30	%	0.55	%
Expected volatility	76.11	%	131.16	%

Expected volatility is based on the Company's historical stock pricing data (adjusting for stock splits and dividends), which is a Level 3 inputs as historical volatility typically does not represent current market participant expectations about future volatility. The Company-specific volatility is computed annually by taking the base-10 logarithm of each daily stock closing price divided by the previous stock closing price (adjusted for stock splits and dividends). The logarithm smoothes the daily results so that percentage differences are computed and tailed. Each annual volatility calculation is weighted along with the other (non-excluded) annual volatility result to produce the average historical volatility for the selected period. The Company believes this method produces an estimate that is representative of the Company's expectations of future volatility over the expected term of these warrants. The expected life is based on the remaining term of the warrants. The risk-free interest rate is based on U.S. Treasury securities according to the remaining term of the warrants.

The following table sets forth by level within the fair value hierarchy of the Company's financial assets and liabilities that was accounted for at fair value on a recurring basis as of June 30, 2010.

	Carrying Value at June 30, 2010 (Unaudited)	Fair Value Measurement at June 30, 2010		
		Level 1	Level 2	Level 3
Warrant liability	$ 97,798	-		$ 97,798

The Company did not identify any other non-recurring assets and liabilities that are required to be presented on the balance sheet at fair value.

Revenue Recognition

Contracts. The Company enters into long-term fixed-price contracts with customers to manufacture and install industrial equipment. Revenue on long-term fixed-price contracts is recognized under the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage-of-completion based upon costs incurred to date as a percentage of the total estimated costs to the customer. When total cost estimates exceed revenues, the Company accrues for the estimated losses immediately. The use of the percentage-of-completion method requires significant judgment in estimating total contract revenues and costs, including assumptions relative concerning the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated costs. Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and costs are subject to revision as the contract progresses. When revisions in estimated contract revenues and costs are determined, such adjustments are recorded in the period in which they are first identified.

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Services. In addition to the Company's specialty equipment sales, the Company uses heavy machining equipment to perform machining services for third parties. These engagements, numbering several hundred per year, are essentially piecework and are completed in usually less than one month. Each machining engagement is governed by a separate contract, indicating existence of an arrangement. Revenue is recognized when service is performed, which is usually concurrent with delivery to the customer, the contract price is set by contract, and collectability is reasonably assured.

The Company also provides technical professional services to its customers based on a fixed-price time contract. The Company recognizes services-based revenue from all of its contracts when the services have been performed, the customers have approved the completion of the services and invoices have been issued and collectability is reasonably assured.

BOT Contracts. Starting from 2010, the Company enters into long-term "build-operate-transfer" contracts (the "BOT" contracts) with customers to manufacture and install, operate and maintain the industrial equipments. The revenue and costs relating to construction or upgrade services are recognized under the cost recovery method as the collection of the receivable cannot be reasonably predicted. Under the cost recovery method, no gross profit is recognized until the Company collected the cost of the revenue, or until such time that the company considers the collections to be probable and estimable and begins to recognize income based on the accrual method. A BOT service contract has an indeterminable number of acts to be performed over a specific period of time. As such, revenue from a BOT service contract is recognized on a straight-line basis unless it is possible to estimate the stage of completion by some other method more reliably. When in a series of acts to be performed in rendering a service, a specific act is much more significant than other acts, and then the recognition of income is postponed until the significant acts are performed.

Enterprise Wide Disclosure

The Company's chief operating decision-makers (i.e. chief executive officer and his direct reports) review financial information presented on a consolidated basis, accompanied by disaggregated information about revenues by business lines for purposes of allocating resources and evaluating financial performance. The Company is engaged in designing, developing, manufacturing, and installing environmental protection and energy saving equipment for the Chinese iron and steel industry and no other business segment. There are no segment managers who are held accountable for operations, operating results and plans for levels or components below the consolidated unit level. Based on qualitative and quantitative criteria established by "Disclosures about Segments of an Enterprise and Related Information," the Company considers itself to be operating within one reportable segment.

Government Grant

The Dalian municipal government approved grants to the Company to encourage high-technology industry research and development. The grants are netted with research and development expenses upon receipt from the local government. The Company received government grants in the amount of $184,829 and $43,971 during the three months ended June 30, 2010 and 2009, respectively. The Company received government grants in the amount of $184,829 and $43,971 during the six months ended June 30, 2010 and 2009, respectively.

Research and Development Costs

Research and development ("R&D") expenses include salaries, material, contract and other outside service fees, facilities and overhead costs. Under the guidance of GAAP, the Company expenses the costs associated with the R&D activities when incurred. R&D expenses of $146,690 and $73,786 incurred during the six months ended June 30, 2010 and 2009, respectively. All of the R&D expenses were incurred in the second quarter of 2010 and 2009.

Shipping and Handling

Shipping and handling for raw materials purchased are included in cost of goods sold. Shipping and handling costs incurred for shipping of finished products to customers are included in selling expenses. Shipping and handling expenses included in selling expense for the three months ended June 30, 2010 and 2009, amounted to $65,072 and $15,730, respectively. Shipping and handling expenses included in selling expense for the six months ended June 30, 2010 and 2009, amounted to $70,787 and $148,013, respectively.

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Stock-based Compensation

We are required to estimate the fair value of share-based awards on the date of grant. The value of the award is principally recognized as expenses ratably over the requisite service periods. The fair value of our restricted stock units is based on the closing market price of our common stock on the date of grant. We have estimated the fair value of stock options and stock purchase rights as of the date of grant or assumption using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes model considers, among other factors, the expected life of the award and the expected volatility of our stock price. We evaluate the assumptions used to value stock options and stock purchase rights on a quarterly basis. The fair values generated by the Black-Scholes model may not be indicative of the actual fair values of our equity awards, as it does not consider other factors important to those awards to employees, such as continued employment, periodic vesting requirements and limited transferability.

The Company is required to measure the cost of the equity instruments issued in exchange for the receipt of goods or services from other than employees at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably determinable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services.

Stock compensation expense is recognized based on awards expected to vest. GAAP requires forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates. There were no estimated forfeitures as the Company has a short history of issuing options.

Income Taxes

The Company reports income taxes pursuant to FASB's accounting standard for income taxes. Under the asset and liability method of accounting for income taxes as required by this accounting standard, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. FASB's accounting standard for accounting for uncertainty in income taxes requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. As of January 1, 2007, income tax positions must meet a more-likely-than-not recognition threshold to be recognized. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. No material deferred tax amounts were recorded at June 30, 2010 and December 31, 2009. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the year incurred. No significant penalties or interest relating to income taxes have been incurred during the six and three months ended June 30, 2010 and 2009. GAAP also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The charge for taxation is based on the results for the reporting period 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.

The Company and its VIE Rino Technology were incorporated in the United States and has incurred net operating losses for income tax purposes for the six and three months ended June 30, 2010 and 2009. The Company had estimated loss carry forwards of approximately $2.35 million and $1.51 million as of June 30, 2010 and December 31, 2009, respectively, for U.S. income tax purposes, available for offset against future taxable U.S. income expiring in 2028. Management believes that the realization of the benefits from the loss carry forward appears uncertain due to the Company's historical operating income and continuing losses. Accordingly, a 100% valuation allowance has been provided and no deferred tax asset benefit has been recorded. The valuation allowance at June 30, 2010 and December 31, 2009 was approximately $801,559 and $505,000, respectively. The net change in the valuation allowance was an increase of approximately $269,559.

The Company has cumulative undistributed earnings of foreign subsidiaries and VIE's of approximately $129,486,543 as of June 30, 2010 which is included in consolidated retained earnings and will continue to be indefinitely reinvested in international operations. Accordingly, no

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provision has been made for U.S. deferred taxes related to future repatriation of these earnings, nor is it practicable to estimate the amount of income taxes that would have to be provided if we concluded that such earnings will be remitted in the future.

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US Income Taxes

The Company and its VIE Rino Technology are incorporated in the State of Nevada in the U.S., and are subject to a gradual U.S. federal corporate income tax of 15% to 35%. The State of Nevada does not impose any corporate state income tax.

Hong Kong Income Taxes

The Company's subsidiary, Innomind is incorporated in BVI and its office is located in Hong Kong. Innomind did not earn any income that was derived in Hong Kong for the six and three months ended June 30, 20010 and 2009 and therefore was not subject to Hong Kong Profit Tax.

China Income Taxes

The Company conducts all its operating business through its operating subsidiaries and VIEs, Dalian Innomind, Dalian Rino, Dalian Rino Design, Dalian Rino Installation, Dalian Rino Heavy and Dalian Investment in China. The operating subsidiaries and VIEs are governed by the income tax laws of the PRC and do not have any deferred tax assets or deferred tax liabilities under the income tax laws of the PRC because there are no temporary differences between financial statement carrying amounts and the tax bases of existing assets and liabilities.

The Company's subsidiaries and VIEs are governed by the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws.

Starting January 1, 2008, under new EIT law, Dalian Rino was subject to the new standard EIT rate of 25%. On December 10, 2008, Dalian Rino was approved for a reduced tax rate at 15% for being qualified as an entity operating with high technology.

Dalian Innomind is in the environmental protection industry, and is qualified for a tax exemption for two years and a 50% reduction for the following three years. As a result, Dalian Innomind enjoys a 100% tax exemption for the years 2008 through 2009 and a 50% income tax reduction for the years 2010 through 2012.

Pursuant to an Entrusted Management Agreement by and between Dalian Innomind and Dalian Rino, dated October 3, 2007, Dalian Rino and its shareholders agreed to entrust the operations and management of the Business to Dalian Innomind and Dalian Innomind is entitled to Dalian Rino's net profit as an entrusted management fee, which resulted in no income tax provision for Dalian Rino.

Dalian Investment, Dalian Rino Heavy, Dalian Rino Installation and Dalian Rino Design are subject to an income tax rate of 25%.

The Company's subsidiaries and VIEs were paying the following tax rate for the six and three months ended June 30:

	2010		2009	
Subsidiaries and VIEs	Income Tax Exemption	Effective Income Tax Rate	Income Tax Exemption	Effective Income Tax Rate
Dalian Innomind	12.5%	12.5%	25%	0%
Dalian Investment	0%	25%	n/a	n/a
Dalian Rino Heavy	0%	25%	n/a	n/a
Dalian Rino	10%	15%	10%	15%
Dalian Rino Installation	0%	25%	0%	25%
Dalian Rino Design	0%	25%	0%	25%

The provision for income taxes differs from the amount computed by applying the statutory United States federal income tax rate to income before income taxes. The following table reconciles the statutory rates to the Company's effective tax rate for the three months ended June 30, 2010 and 2009:

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	2010	2009
U.S. Statutory rate	34.0%	34.0%
Foreign income not recognized in U.S.	(34.0)	(34.0)
China income taxes	25.0	25.0
China income tax exemption	(12.1)	(25.0)
Other items (a)	(2.0)	-
Effective income tax rate	10.9%	0.0%

(a) The (2.0)% represents the $4,111,557 of income and expenses incurred by the Company that are not subject to income tax for the three months ended June 30, 2010.

The following table reconciles the statutory rates to the Company's effective tax rate for the six months ended June 30, 2010 and 2009:

	2010	2009
U.S. Statutory rate	34.0%	34.0%
Foreign income not recognized in U.S.	(34.0)	(34.0)
China income taxes	25.0	25.0
China income tax exemption	(11.6)	(25.0)
Other items (a)	(4.2)	-
Effective income tax rate	9.2%	0.0%

(a) The (4.2)% represents the $14,034,964 of income and expenses incurred by the Company that are not subject to income tax for the six months ended June 30, 2010.

The estimated tax savings for the three months ended June 30, 2010 amounted to $2,355,172. The net effect on earnings per share had the income tax been applied would decrease basic and diluted earnings per share from $0.71 to $0.63 in 2010.

The estimated tax savings for the six months ended June 30, 2010 amounted to $3,440,666. The net effect on earnings per share had the income tax been applied would decrease basic and diluted earnings per share from $1.37 to $1.25 in 2010.

No provision for income tax was made for six and three months ended June 30, 2009.

Value Added Tax

Enterprises or individuals who sell commodities, engage in repair and maintenance or import and export goods in the PRC are subject to a value added tax, or VAT, in accordance with Chinese laws. The VAT standard rate is 17% of the gross sales price. A credit is available whereby VAT paid on the purchases of semi-finished products or raw materials used in the production of the Company's finished products can be used to offset the VAT due on sales of the finished product.

VAT on sales and VAT on purchased accounted to $14,284,498 and $9,433,065 for three months ended June 30, 2010, respectively. VAT on sales and VAT on purchased accounted to $12,376,832 and $9,948,262 for three months ended June 30, 2010, respectively.
VAT on sales and VAT on purchases amounted to $25,873,640 and $17,070,255 for the six months ended June 30, 2010, respectively. VAT on sales and VAT on purchases amounted to $23,938,124 and $18,807,298 for the six months ended June 30, 2009, respectively. Sales and purchases are recorded net of VAT collected and paid as the Company acts as an agent because the VAT taxes are not impacted by the income tax holiday. As of June 30, 2010 and December 31, 2009, the VAT payable amounted to $191,823 and $3,260,613, respectively.

Comprehensive income

GAAP establishes standards for reporting and display of comprehensive income and its components in financial statements. It requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in financial statements that are displayed with the same prominence as other financial statements.

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Earnings Per Share

GAAP requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock using the treasury method.

Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method, at either the beginning of the respective period presented or the date of issuance, whichever is later, and only if the common stock equivalents are considered dilutive based upon the Company's net income (loss) position at the calculation date.

Recently Adopted Accounting Standards

In January 2010, FASB issued ASU No. 2010-01– Accounting for Distributions to Shareholders with Components of Stock and Cash. The amendments in this Update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share). The amendments in this update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this ASU did not have impact on the Company’s consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-02 – Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification. The amendments in this Update affect accounting and reporting by an entity that experiences a decrease in ownership in a subsidiary that is a business or nonprofit activity. The amendments also affect accounting and reporting by an entity that exchanges a group of assets that constitutes a business or nonprofit activity for an equity interest in another entity. The amendments in this update are effective beginning in the period that an entity adopts SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51.” If an entity has previously adopted SFAS No. 160 as of the date the amendments in this update are included in the Accounting Standards Codification, the amendments in this update are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in this update should be applied retrospectively to the first period that an entity adopted SFAS No. 160. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-06 – Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. These disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU, however, the Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2010, FASB issued ASU No. 2010-9 –Amendments to Certain Recognition and Disclosure Requirements. This update addresses certain implementation issues related to an entity’s requirement to perform and disclose subsequent-events procedures, removes the requirement that public companies disclose the date of their financial statements in both issued and revised financial statements. According to the FASB, the revised statements include those that have been changed to correct an error or conform to a retrospective application of U.S. GAAP. The amendment is effective for interim and annual reporting periods in fiscal year ending after June 15, 2010. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

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In March 2010, FASB issued ASU No. 2010-10 –Amendments for Certain Investment Funds. This update defers the effective date of the amendments to the consolidation requirements made by FASB Statement 167 to a reporting entity's interest in certain types of entities. The deferral will mainly impact the evaluation of reporting enterprises' interests in mutual funds, private equity funds, hedge funds, real estate investment entities that measure their investment at fair value, real estate investment trusts, and venture capital funds. The ASU also clarifies guidance in Statement 167 that addresses whether fee arrangements represent a variable interest for all service providers and decision makers. The ASU is effective for interim and annual reporting periods in fiscal year beginning after November 15, 2009. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In March 2010, FASB issued ASU No. 2010-11 –Scope Exception Related to Embedded Credit Derivatives. Embedded credit-derivative features related only to the transfer of credit risk in the form of subordination of one financial instrument to another are not subject to potential bifurcation and separate accounting as clarified by recently issued FASB guidance. Other embedded credit-derivative features are required to be analyzed to determine whether they must be accounted for separately. This update provides guidance on whether embedded credit-derivative features in financial instruments issued by structures such as collateralized debt obligations (CDOs) and synthetic CDOs are subject to bifurcation and separate accounting. The guidance is effective at the beginning of a company's first fiscal quarter beginning after June 15, 2010. The Company does not expect the adoption of this ASU to have a material impact on the Company's consolidated financial statements.

In April 2010, the FASB issued Accounting Standards Update 2010-13, "Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades," or ASU 2010-13. This Update provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in currency of a market in which a substantial porting of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect the adoption of ASU 2010-17 to have a significant impact on its consolidated financial statements.

In April 2010, the FASB issued Accounting Standard Update 20-10-17, "Revenue Recognition—Milestone Method (Topic 605): Milestone Method of Revenue Recognition" or ASU 2010-17. This Update provides guidance on the recognition of revenue under the milestone method, which allows a vendor to adopt an accounting policy to recognize all of the arrangement consideration that is contingent on the achievement of a substantive milestone (milestone consideration) in the period the milestone is achieved. The pronouncement is effective on a prospective basis for milestones achieved in fiscal years and interim periods within those years, beginning on or after June 15, 2010. The adoption of ASU 2010-17 does not have a significant impact on its consolidated financial statements.

In July 2010, the FASB issued Accounting Standards Update 2010-20, Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit losses. This ASU will increase disclosure made about the credit quality of loans and the allowances for credit losses. The disclosures will provide additional information about the nature of credit risk inherent in First Financial loans, how credit risk is analyzed and assessed, and the reasons for the change in the allowance for loan losses. The requirements will be effective for first fiscal year ended December 31, 2010. The Company is evaluating the potential impact to its consolidated financial statements from the adoption of this ASU.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications have no effect on net income or cash flows.

Note 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Accounts receivable	$ 68,952,101	$ 58,084,617
Less: allowance for bad debts	(562,822)	(273,446)
Accounts receivable, net	$ 68,389,279	$ 57,811,171

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The following table consists of allowance for doubtful accounts:

Allowance for doubtful accounts at January 1, 2009	$-
Additional reserves	205,687
Accounts receivable write off	-
Effect of foreign currency translation	(99)
Allowance for doubtful accounts at June 30, 2009 (Unaudited)	205,588
Additional reserves	67,591
Accounts receivable write off	-
Effect of foreign currency translation	267
Allowance for doubtful accounts at December 31, 2009	273,446
Additional reserves	287,064
Accounts receivable write off	-
Effect of foreign currency translation	2,312
Allowance for doubtful accounts at June 30, 2010 (Unaudited)	$562,822

NOTE 4 – COST AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed pursuant to the percentage-of-completion method used to recognize contract revenue including the construction of the BOT projects. As of June 30, 2010 and December 31, 2009, the Company had $38,902,971 and $3,258,806 of cost and estimated earnings in excess of billings, respectively. The cost and estimated earnings incurred for the BOT contracts are amounted to $13,214,022 for 6 month period ended June 30, 2010.

Costs and estimated earnings in excess of billings consist of the following:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Cost incurred on uncompleted contracts	$ 48,023,266	$ 3,173,870
Estimated earnings	22,625,831	2,090,778
Contract costs incurred plus estimated earnings to date	70,649,097	5,264,648
Less: progress billings	(31,746,126)	(2,005,842)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 38,902,971	$ 3,258,806

NOTE 5 – INVENTORIES

Inventories consisted of the following raw material, work-in-process and supplies:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Raw material	$ 247,401	$ 246,798
Work-in-process	4,096,186	5,101,685
Low cost consumption supplies	57,641	57,383
Total	$ 4,401,228	$ 5,405,866

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For the three and six months ended June 30, 2010 and 2009, no provision for obsolete inventories was recorded by the Company.

NOTE 6 – ADVANCES FOR INVENTORY PURCHASES

The Company makes advances to certain suppliers for inventory purchases and subcontracting fees. Most of the Company's vendors require advances to them as a guarantee that the Company will receive their purchase on a timely basis. The advances on inventory purchases amounted to $64,425,996 and $34,056,231 as of June 30, 2010 and December 31, 2009, respectively.

NOTE 7 – PLANT AND EQUIPMENT

The following is a summary of plant and equipment at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Buildings	$ 3,952,876	$ 3,936,775
Equipment and machinery	9,584,898	9,508,465
Motor vehicles	1,838,763	1,647,515
Furniture and office equipment	457,176	447,229
Construction in progress	950,664	6,768
Total	16,784,377	15,546,752
Less: accumulated depreciation	(3,763,541)	(3,281,363)
Plant and equipment, net	$ 13,020,836	$ 12,265,389

Depreciation expense for the three months ended June 30, 2010 and 2009 was $240,069 and $221,917, respectively. Depreciation expense for the six months ended June 30, 2010 and 2009 was $466,837 and $478,251, respectively. For the six months ended June 30, 2010 and 2009, no interest was capitalized into construction in progress.

NOTE 8 – INVESTMENT IN UNCONSOLIDATED AFFILIATE

On March 9, 2010, the Company invested $441,900 (RMB 3,000,000) for 30% noncontrolling interests in DEEC, for which the Company neither has substantive control over the ventures nor is the primary beneficiary. Therefore, the Company does not consolidate the results of operations and financial position of these entities, but rather accounts for its noncontrolling ownership interest as equity method investments.

The following tables represent summarized combined financial information of the Company's unconsolidated affiliates accounted for under the equity method:

	Three and Six Months Ended June 30,	
	2010	**2009**
	(Unaudited)	(Unaudited)
Net revenue	$-	$n/a
Income from operations	$-	$n/a
Net income	$-	$n/a

	June 30, 2010	**December 31, 2009**
	(Unaudited)	(Unaudited)
Current assets	$1,055,013	$n/a
Long-term assets	$424,459	$n/a
Current liabilities	$6,471	$n/a
Long-term liabilities	$-	$n/a

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NOTE 9 – ADVANCES ON NON CURRENT ASSETS

Advances to Suppliers

The Company makes advances to certain suppliers for construction projects. The advances on equipment and construction were $8,851,355 and $5,550,966 as of June 30, 2010 and December 31, 2009, respectively.

Prepayment for Land Use Right

As of June 30, 2010 and December 31, 2009, the Company prepaid $460,166 and $799,965, respectively, for purchase of land use rights, but had not obtained the title to the land use right. Therefore, as of June 30, 2010 and December 31, 2009, the amount has been recorded as a prepayment for land use right in other assets.

Long term prepaid expenses

As of June 30, 2010 and December 31, 2009, the Company prepaid $181,010 and $219,447 for more than one year expenses. The Company amortizes the prepayment based on the terms, for the three months ended June 30, 2010 and 2009, amortization expense for long term prepayment amounted to $19,609 and $3,666, respectively. For the six months ended June 30, 2010 and 2009, amortization expense for long term prepayment amounted to $39,166 and $7,329, respectively.

For the period ended June 30, amortization schedule for the following period amounted to:

2011	78,338
2012	78,338
2013	24,334
2014	-
Thereafter	-
Total	181,010

NOTE 10 – INTANGIBLE ASSETS

The following is a summary of intangible assets:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Land use rights	$ 8,617,066	$ 651,136
Patents and licenses	736,500	733,500
Total intangible assets	9,353,566	1,384,636
Less: accumulated amortization	(327,452)	(239,840)
Total intangible assets, net	$ 9,026,114	$ 1,144,796

Amortization expense for the three months ended June 30, 2010 and 2009, amounted to $73,240 and $16,695, respectively.
Amortization expense for the six months ended June 30, 2010 and 2009, amounted to $86,273 and $33,377, respectively.

NOTE 11 – BILLINGS IN EXCESS OF COST AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Billings in excess of costs and estimated earnings on uncompleted contracts represent amounts billed in excess of revenues recognized pursuant to the percentage-of-completion method used to recognize contract revenue. As of June 30, 2010 and December 31, 2009, the Company had $3,385,163 and $0 of cost and estimated earnings in excess of billings, respectively.

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Billings in excess of costs and estimated earnings consist of the following:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Progress billings	$ 17,093,152	$ -
Less: cost incurred on uncompleted contracts	(9,633,506)	-
Less: estimated earnings	(4,074,483)	-
Billings in excess of costs and estimated earnings on uncompleted contracts	$ 3,385,163	$ -

NOTE 12 –DEFERRED REVENUE

Construction portion of BOT arrangements are accounted for under cost recovery method. Deferred revenue represent estimated earnings related to the BOT contracts, and are deferred to until collected the cost of the revenue, or until such time that the company considers the collections to be probable and estimable. As of June 30, 2010 the company had $1,333,127 of deferred revenue.

NOTE 13 –BANK LOANS

Short term bank loans consisted of the following:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Due to Shanghai Pudong Development Bank, interest at 5.31%, due in November 2010, secured by certain equipments	$ 1,473,000	$ 1,467,000
Due to Shanghai Pudong Development Bank interest at 5.841%, due in February 2011, secured by certain equipments and guaranteed by shareholder	2,209,500	-
Total short term bank loans	$ 3,682,500	$ 1,467,000

Long term bank loans consisted of the following:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Due to Shanghai Pudong Development Bank, interest at 6.912%, due in installments from March 2012 to March 2014, secured by manufacturing plants and office buildings	$ 8,101,500	$ -
Total long term bank loans	$ 8,101,500	$ -

Total interest expense on the bank loans for the three months ended June 30, 2010 and 2009, amounted to $187,362 and $253,729, respectively. Total interest expense on the bank loans for the six months ended June 30, 2010 and 2009, amounted to $206,830 and $369,146, respectively.

The above loans are secured by the Company's equipment, buildings and land use rights located within PRC, with carrying net value as follows:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Equipment & Machinery in Dalian, China	$ 8,373,413	$ 6,965,057
Buildings in Dalian, China	3,390,031	-
Land use rights in Dalian, China	563,297	-
Total assets pledged as collateral for bank loans	$ 12,326,741	$ 6,965,057

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NOTE 14 –TAXES PAYABLE

Taxes Payable consisted of the following at:

	June 30, 2010	December 31, 2009
	(Unaudited)	
Income taxes payable	$2,862,036	$716,795
VAT payable	191,823	3,260,613
Other miscellaneous taxes	207,940	26,301
Total taxes payable	$3,261,799	$4,003,709

NOTE 15 – RELATED PARTY TRANSACTIONS

Loan to shareholders

On December 7, 2009, the Company provided a loan to the major shareholders in the amount of $3.5 million. The loan is short term and due on May 10, 2010, which has an annual interest rate of 5.25%. Principal and interest are due in full on maturity date. On May 7, 2010, the Company received principal of $3,200,000 from the shareholders for the payment of the loan, on May 10, 2010, the Company received the remaining principle and interest amounted to $377,527.

As of June 30, 2010 and December 31, 2009, the Company's major shareholder advanced $535,895 and $494,614, respectively, to the Company for operational purposes. These advances are unsecured, noninterest bearing and payable on demand.

NOTE 16 – REDEEMABLE COMMON STOCK

On October 5, 2007, the Company received $24,480,319 (or $21,253,722 net proceeds after deducting the offering expenses) from a group of accredited investors and issued 5,464,357 shares of restricted common stock at $4.48 per share. The Securities Purchase Agreement contained a transferrable provision such that if any governmental agency in the PRC takes action that adversely affects the Restructuring Agreements or the Share Exchange Agreement entered into in connection with the Securities Purchase Agreement and the Company doesn't mitigate the adverse effect to the investors' reasonable satisfaction within 60 days of the PRC action, then the Company is required to pay liquidated damages in an amount equal to the initial investment without interest and the shareholder must return the shares acquired under the Securities Purchase Agreement. Consequently, the total amount of the gross proceeds has been excluded from permanent equity and recorded as redeemable common stock in accordance with Rule 5-02.28 of Regulation S-X and Section 211 of the Codification of Financial Reporting Policies. Although there is no fixed redemption requirement in any of the next five years, the entire amount of $24,480,319 could become redeemable in any of the next five years. These shares are included as outstanding common stock for purposes of earnings per share.

NOTE 17 – COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY

Statutory Reserves

The Company is required to make appropriations to the statutory surplus reserve based on the after-tax net income determined in accordance with the laws and regulations of the PRC. Prior to January 1, 2006 the appropriation to the statutory surplus reserve should be at least 10% of the after tax net income determined in accordance with the laws and regulations of the PRC until the reserve is equal to 50% of the entities' registered capital. Appropriations to the statutory public welfare fund are at 5% to 10% of the after tax net income determined by the Board of Directors. Effective January 1, 2006, the Company is only required to contribute to one statutory reserve fund at 10 % of net income after tax per annum, such contributions not to exceed 50% of the respective company's registered capital. As of June 30, 2010 and December 31, 2009, the remaining reserve needed to fulfill the 50% registered capital requirement totaled $84.9 million and $84.5 million, respectively.

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The statutory reserve funds are restricted for use to offset against prior period losses, expansion of production and operation, or for the increase in the registered capital of the Company. These reserves are not transferable to the Company in the form of cash dividends, loans or advances. These reserves are therefore not available for distribution except in liquidation.

Common Stock and Warrants

Issuance of Common Stock

On June 21, 2010, the Company issued 2,000 shares of common stock to the chairman of the Audit Committee for his services provided based upon the agreement dated April 4, 2008. The shares were valued at $13.27, yielding an aggregate fair value of total $26,540. This expense was recorded as stock based compensation expense.

On December 7, 2009, the Company closed sales of 3,252,032 shares of its common stock; Series A Common Stock Warrants, which are exercisable within six months of the closing date; to purchase up to an aggregate of 1,138,211 shares of Common Stock at an exercise price of $34.50 per Warrant (the "2009 Series A Warrants"); and Series B Common Stock Warrants, which are exercisable beginning on the six month one day anniversary of the closing date until the one year one day anniversary of the closing date, to purchase up to an aggregate of 1,138,211 shares of Common Stock at an exercise price of $34.50 per Warrant (the "2009 Series B Warrants"). These warrants were treated as a derivative liability because the strike price of the warrants is denominated in the U.S. dollar, a currency other than the Company's functional currency, the Chinese Renminbi. As a result, the warrants are not considered indexed to the Company's own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such time as the warrants are exercised or expired. The purchase price for each common share together with Series A Warrants exercisable into 0.35 of a common share and Series B Warrants exercisable into 0.35 of a common share is $30.75, and the gross proceeds of the sale were $99,999,984. The following table represents the allocation of the fair value of warrants and also common stock on issuance date:

Total Proceeds	$ 9 9,999,984
Direct expenses	(5,144,531)
Fair value of warrants	(18,743,862)
Allocation to common stock and APIC	$ 7 6,111,591

On October 5, 2007, in connection with the Private Financing and pursuant to the Engagement Agreement Providing for Investment Banking Services, by and between the Company and a placement agent for the Private Financing, as amended, the placement agent received the following compensation: (i) $80,000 cash as an engagement and documentation fee; (ii) $1,750,000 as a placement commission; (iii) 875,000 shares of Common Stock, and (iv) warrants to purchase 382,500 shares of Common Stock at an exercise price of $5.376 per share, exercisable within 6 years of the date of issuance. The exercise price of the warrants is subject to adjustment under certain circumstances and the warrants permit cashless exercise by the holders. This expense is recorded as additional paid-in capital in the accompanying financial statements.

The warrants issued to the placement agent, initially qualify as permanent equity, the value of such warrants has created offsetting debit and credit entries to additional paid-in capital.

Effective January 1, 2009, 382,500 warrants previously treated as equity pursuant to the derivative treatment exemption are no longer afforded equity treatment because the strike price of the warrants is denominated in the U.S. dollar, a currency other than the Company's functional currency, the Chinese Renminbi. As a result, the warrants are not considered indexed to the Company's own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such time as the warrants are exercised or expired.

In connection with the Private Financing, 250,000 shares of the Company's common stock were issued to a consultant for advisory services. This expense is recorded as additional paid-in capital in the accompanying financial statements.

A discussion of the valuation techniques used to measure fair value for the warrant liabilities listed above and activity for these liabilities for the three months ended March 31, 2010 is provided elsewhere in this footnote and in Note 2.

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Warrants

Following is a summary of the warrant activity:

	Number of Shares
Outstanding as of January 1, 2009	382,500
Granted	-
Forfeited	-
Exercised	-
Outstanding as of June 30, 2009 (Unaudited)	382,500
Granted	2,276,422
Forfeited	-
Exercised	(382,500)
Outstanding as of December 31, 2009	2,276,422
Granted	-
Forfeited/Expired	(1,138,211)
Exercised	-
Outstanding as of June 30, 2010 (Unaudited)	1,138,211

Following is a summary of the status of warrants outstanding at June 30, 2010 (Unaudited):

Outstanding Warrants			Exercisable Warrants		
Exercise Price	Number of Shares	Average Remaining Contractual Life	Average Exercise Price	Number of Shares	Average Remaining Contractual Life
$34.50	1,138,211	0.44 years	$34.50	1,138,211	0.44 years
Total	1,138,211			1,138,211	

Stock Options

On June 30, 2009, pursuant to an Employment Agreement, the Company granted to the former Chief Financial Officer, a non-qualified stock option to purchase 50,000 shares of its Common Stock at an exercise price of $6.15 per share, vesting in 3 equal annual installments beginning on June 30, 2010, with a term life of five years.

The fair values of stock options granted to the executive were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Expected Life	Expected Volatility	Dividend Yield	Risk Free Interest Rate	Grant Date Fair Value
Executives	3.3 yrs	121.7%	0%	1.64%	$ 9.80

Volatility: In light of the Company's thin stock trading history, expected volatility is based on historical stock pricing data (adjusting for stock splits and dividends) of six publicly traded peer companies and the Company's own data. The Company-specific volatility is computed annually by taking the base-10 logarithm of each daily stock closing price divided by the previous stock closing price (adjusted for stock splits and dividends). The logarithm smoothes the daily results so that percentage differences are computed and tailed. Each annual volatility calculation is weighted along with the other (non-excluded) annual volatility result to produce the average historical volatility for the selected period. The Company believes this method produces an estimate that is representative of the Company's expectations of future volatility over the expected term of these warrants.

Dividend Yield: The expected dividend yield is zero. The Company has not paid a cash dividend and does not anticipate paying cash dividends in the foreseeable future.

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Risk Free Rate: Risk-free interest rate of 1.64% was used. The risk-free interest rate was based on U.S. Treasury yields with a remaining term that corresponded to the expected term of the option calculated on the granted date.

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Expected Life: Because the Company has no historical share option exercise experience to estimate future exercise patterns, the expected life was determined using the simplified method as these awards meet the definition of "plain-vanilla" options under the rules prescribed by GAAP.

Stock compensation expense is recognized based on awards expected to vest. There were no estimated forfeitures as the Company has a short history of issuing options. GAAP requires forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates.

On August 12, 2010, pursuant to an Separation Agreement with former CFO, the options to purchase 10,000 shares of the Employer's common stock (the "Shares") at the exercise price $6.15 per share granted to Employee shall vest immediately upon the execution of this Agreement. And the options to purchase 20,000 shares that were to vest on June 30, 2011 and the options to purchase 20,000 shares which were to vest on June 30, 2012 shall be cancelled and be of no further force or effect. Once vested, the foregoing options to purchase 10,000 shares of the Employer's common stock which may be exercised until August 12, 2013, the third anniversary of the Separation Date.

The 10,000 options vested had fair value of approximately $77,417. The Company recognized $38,992 compensation expense in general and administrative expenses for the six months ended June 30, 2010. The Company recognized $19,496 compensation expense in general and administrative expenses for the three months ended June 30, 2010.

The following is a summary of the stock options activity:

	Number of Options Outstanding	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Balance, January 1, 2009	-	$ -	$ -
Granted	50,000	6.15	182,500
Forfeited	-		
Exercised	-		
Balance, June 30, 2009 (Unaudited)	-	$ -	$ -
Granted	-	-	-
Forfeited	-		
Exercised	-		
Balance, December 31, 2009	50,000	$ 6.15	$ 1,075,000
Granted	-		
Forfeited/Cancelled	(40,000)		
Exercised	-		
Balance, June 30, 2010 (Unaudited)	10,000	$ 6.15	$ 63,600

Following is a summary of the status of options outstanding at June 30, 2010 (Unaudited):

Outstanding Options			Exercisable Options		
Exercise Price	Number	Average Remaining Contractual Life	Average Exercise Price	Number	Average Remaining Contractual Life
$6.15	10,000	3.12 yrs	6.15	10,000	3.12
Total	10,000			10,000	

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NOTE 18 - EARNINGS PER SHARE

The following sets forth the calculation of earnings per share for three months ended June 30, 2010 and 2009 (Unaudited):

	2010	2009
Net income	$ 20,436,248	$ 9,855,284
Adjustments for diluted EPS calculation	-	-
Adjusted net income for calculating EPS-diluted	$ 20,436,248	$ 9,855,284
Weighted average number of common stock – Basic	28,603,517	25,070,356
Effect of dilutive securities:		
Warrants	5,935	-
Weighted average number of common stock – Diluted	28,609,452	25,070,940
Earnings per share:		
Basic	$ 0.71	$ 0.39
Diluted	$ 0.71	$ 0.39

The following sets forth the calculation of earnings per share for six months ended June 30, 2010 and 2009 (Unaudited):

	2010	2009
Net income	$ 39,092,754	$ 22,330,200
Adjustments for diluted EPS calculation	-	-
Adjusted net income for calculating EPS-diluted	$ 39,092,754	$ 22,330,200
Weighted average number of common stock – Basic	28,603,431	25,055,668
Effect of dilutive securities:		
Warrants & options	6,814	-
Weighted average number of common stock – Diluted	28,610,245	25,055,668
Earnings per share:		
Basic	$ 1.37	$ 0.89
Diluted	$ 1.37	$ 0.89

All stock options and warrants have been included in the diluted earnings per share calculation for the three and six months ended June 30, 2010 and 2009. All of the outstanding shares of redeemable common stock are included as outstanding common stock for purposes of earnings per share.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

Employee Benefits

The full time employees of the Company are entitled to employee benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a Chinese government mandated multi-employer defined contribution plan. The Company is required to accrue for those benefits based on certain percentages of the employees' salaries and make contributions to the plans out of the amounts accrued for medical and pension benefits. The total provisions and contributions made for such employee benefits were $50,225 and $30,436for the six months ended June 30, 2010 and 2009, respectively, and $90,172 and $57,057 for the three months ended June 30, 2010 and 2009, respectively. The Chinese government is responsible for the medical benefits and the pension liability to be paid to these employees.

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Lease Commitments

The Company recognizes lease expense on a straight-line basis over the term of the lease in accordance to FASB's accounting standard regarding leases. The Company entered into vehicle leases and property leases. The minimum future payment for leases is as follows:

Year ending June 30, 2011	$	23,310
Year ending June 30, 2012		6,660
Year ending June 30, 2013		6,660
Year ending June 30, 2014		2,220
Thereafter		-
Total	$	38,850

Purchase Commitments

As of June 30, 2010 and December 31, 2009, the Company had firm purchase commitments for capital projects in progress of $93 million and $101 million, respectively.

Register Capital Commitments

In December 2009, RINO increased its investment to Dalian Innomind from $20 million to $80 million, Dalian Innomind received $20 million on December 18, 2009, and the remaining $40 million is to be paid by RINO in two years from December 18, 2009.

In November 2009, RINO founded Dalian Investment with registered capital of $98 million. As of June 30, 2010, Dalian Investment received $70 million; the remaining $ 28 million is to be paid by RINO in two years from November 2009.

NOTE 20 – SUBSEQUENT EVENT

In August 2010, the Company received the letter of a loan application approval of $44.2 million (RMB 300 million) from Agricultural Bank of China. The Company will be able to use this amount for Changxing Island Project when there is a need.

The Company has performed an evaluation of subsequent events through the date these consolidated financial statements were issued to determine whether the circumstances warranted recognition and disclosure of those events or transactions.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Disclaimer Regarding Forward-looking Statements

Certain statements made in this report, and other written or oral statements made by or on behalf of RINO International Corporation and its direct and indirect subsidiaries and controlled affiliates (collectively, the "Company"), may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995, which represent the expectations or beliefs of the Company. Such "forward-looking statements" include, but are not limited to, statements concerning the operations, performance, financial condition and growth of the Company. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed forward-looking statements. Without limiting the generality of the foregoing, when used in this report, the word "believes," "expects," "estimates," "intends," "will," "may," "anticipate," "could," "should," "can," or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. Examples of such statements in this report include descriptions of our plans and strategies with respect to developing certain market opportunities, our overall business plan, our plans to develop additional strategic partnerships, our intention to develop our products and platform technologies, our continuing growth and our ability to contain our operating expenses. All forward-looking statements are subject to certain risks and uncertainties that could cause actual events to differ materially from those projected, including those described under Item 1.A. of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and matters described in this report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. You should not place undue reliance on these forward-looking statements.

The following is management's discussion and analysis of certain significant factors that have affected aspects of our financial position and results of operations during the periods included in the accompanying unaudited financial statements. You should read this in conjunction with discussion under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2009 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and the unaudited consolidated financial statements and accompanying notes and the other financial information appearing in Item 1 of this report and elsewhere in this report.

Except as otherwise specifically stated or unless the context otherwise requires, the "Company", "we," "us," "our," and the "Registrant" refer to, collectively, (i) RINO International Corporation (formerly Jade Mountain Corporation); (ii) Innomind Group Limited ("Innomind"), a wholly-owned subsidiary of RINO International Corporation organized under the laws of the British Virgin Islands; (iii) Rino Investment Co., Ltd., a wholly-owned subsidiary of RINO International Corporation under the laws of the People's Republic of China (the "PRC"); (iv) Dalian Innomind Environment Engineering Co., Ltd. ("Dalian Innomind"), a wholly-owned subsidiary of Innomind organized under the laws of PRC; (v) Dalian RINO Heavy Industries Co., Ltd. ("RINO Heavy Industries"), a wholly-owned subsidiary of RINO Investment, organized under the PRC laws; (vi) Dalian RINO Environment Engineering Science and Technology Co., Ltd., a contractually controlled affiliate of Dalian Innomind organized under the laws of the PRC ("Dalian Rino"); (vii) Dalian Rino's wholly owned subsidiaries, Dalian Rino Environmental Engineering Project Design Co., Ltd., organized under the PRC laws ("Dalian Rino Design"); (viii) Dalian Rino Environmental Construction & Installation Project Co., Ltd., organized under the PRC laws ("Dalian Rino Installation") and (ix) Rino Technology Corporation, a wholly-owned subsidiary of Dalian Rino organized under the laws of the state of Nevada ("Rino Technology").

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Company Overview

We are engaged in designing, developing, manufacturing, installing and servicing proprietary and patented environmental protection and energy saving equipment for large, state-owned iron and steel industry manufacturers in the People's Republic of China. Our business operations are conducted throughout China and we do not rely on any particular region for revenues.

On July 13, 2009, our common stock, par value of $0.0001 per share ("Common Stock"), started trading under the symbol "RINO" on the Nasdaq Global Market.

Following the expansion of China's economy and growth in the size of its manufacturing sectors such as its iron and steel industry, the total volumes of waterborne and airborne industrial waste and pollution have grown, and consequently, China's industries face increasingly stringent governmental mandates to reduce or eliminate sulphur dioxide emissions and untreated wastewater discharges. Failure to meet mandated emission and discharge standards can result in financial penalties. On July 31, 2009, the Chinese Ministry of Industry and Information Technology published a formal plan for the implementation of Flue Gas Desulphurization systems in the sintering plants of Chinese steel companies, which is a specific roadmap to accelerate the number of desulphurization projects completed throughout the PRC. During the three months ended June 30, 2010, our revenues reached $65.4 million, representing an increase of 60.6% from the total revenues of $40.7 million for the same period ended June 30, 2009. Our gross profit increased from $14.2 million for the three months ended June 30, 2009 to $23.1 million for the same period in 2010, representing an increase of 63.0%. Our income from operations increased to $18.1 million for the three months ended June 30, 2010 from $10.0 million for the same period ended June 30, 2009, representing an increase of 80.5%. Our net income for the three months period ended June 30, 2010 grew to $20.4 million from $9.9 million for the same period ended June 30, 2009, representing an increase of 107.4%.

Principal Products

We have three principal products and product lines: the "Lamella Inclined Tube Settler Waste Water Treatment System," the "Flue Gas Desulphurization System," and the "High Temperature Dynamic Anti-Oxidation System for Hot Rolled Steel." In addition, we also provide machining services for industrial enterprises.

1) Lamella Inclined Tube Settler Waste Water Treatment System

Our core product for waste water treatment, the Lamella Inclined Tube Settler Waste Water Treatment System (the "Waste Water System"), is a highly efficient wastewater treatment system that incorporates our proprietary and patented "Lamella Inclined Tube Settler" technology. We believe that our Waste Water System is among the most technologically advanced wastewater treatment systems presently in use in China's iron and steel industry. It includes an industrial wastewater treatment system, highly efficient solid and liquid abstraction dewatering equipment and coal gas dust removal and cleaning equipment. The technology has received numerous regional and national design awards, and has been successfully installed and used at some of the largest steel mills in China, including Jinan Iron & Steel Group Co., Ltd., Benxi Iron & Steel (Group) Co., Ltd., Handan Iron & Steel Group Co., Ltd., Tianjin Tiangang Group Co., Ltd., Shijiazhuang Iron & Steel Group Co., Ltd., Panzhihua Iron & Steel Group Co., Ltd., Anyang Iron & Steel Group Co., Ltd., Nanchang Changli Steel Co., Ltd., Shaogang Steel Co., Ltd., Linggang Steel Co., Ltd. Weifang Steel Group Co.,Ltd and Puyang Steel Co., Ltd.

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Our combination of proprietary system design and patented technology allows wastewater to flow through the system in layers while at the same time settling particulate matter without disturbing the water flow. Operating results of the above Lamella Wastewater System installations show that our technology improves the stability of the settling sedimentation, increases the available settling area, shortens the settling distance for particles, reduces the settling time, and results in particle removal efficiency rates of up to 99%. After treatment with our technology and system, coal gas wastewater and wastewater containing iron mineral powder can be reused and returned to the production process without further treatment. This reduces the industrial water usage for the enterprises utilizing our technology, reduces the output of solid industrial waste and improves the efficient use of resources.

Compared with alternative inclined plate technology, the Lamella Wastewater Treatment System has several important advantages as shown in the following table:

Normal Inclined Plate Settling Pool	Lamella Inclined Tube Settler
Water power staying time 30 minutes, surface load $3m^3/m^2 \cdot h$, small hydraulic coefficient, short waterpower process (with short current in winter).	Water power staying time 45 minutes with surface load $8m^3/m^2 \cdot h$, large hydraulic coefficient, long water power process.
One-time precipitation, is not fit for a wide range wave of floats, affected by the stability and effect of the water outlet.	Three-time precipitation (with sludge abstraction collection system in every layer), anti-pump load, no interference between water inlet and sludge outlet, water outlet stable.
Water inlet float content: SS3,000 ~ 5,000mg/L, water outlet float content: SS100 ~ 200 mg/L, low treatment efficiency.	Water inlet float content: SS3,000 ~ 16,000mg/L water outlet float content: SS50 ~ 80 mg/L, high treatment efficiency.
Inclined plate, inclining angle 60 degree, small settling sedimentation area.	Inclined plate, inclined tube inclining angle 45 degree, under the same volume condition, largely enlarge the settling sedimentation area.
Small sludge abstraction area, low sludge water abstraction efficiency, short life cycle of the sludge outlet, high and unstable water content of sludge, adds difficulty to the next sludge treatment process.	With sludge water abstraction area and dust collection transmission device, long sludge outlet circle, special sludge disposal equipment sludge outlet, lower water content of sludge, convenient for new process to recycle.
The low carbon steel structures - such as pool surface frame - exposed to humidity and high temperature, easily corrode, which greatly reduces the life of equipment.	Lamella Inclined Tube Settler system is enclosed, the high humidity of the tank will not cause corrosion of the equipment.
Occupies large area - large footprint, strict requirement for placement.	Occupying small area - small footprint - equipment can save over 30% area to treat same amount of water and is flexible for installation.
Complicated system technique, complicated equipment configuration, high maintenance, inconvenient for use with automated control, often creates secondary pollution.	Short technical process, simple equipment, low failure rate - high MTBF, easy maintenance, highly automated, low operational cost, closed-end circulating treatment, without secondary pollution.

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2) Flue Gas Desulphurization Systems

In China, sulphur dioxide emitted from the sintering process of manufacturing iron and steel is a major component of environmental pollution as a result of China's industrial expansion. Sintering is part of steel-making process; removing sulphur dioxide from a steel mill's hot flue gas emissions is, therefore, a principal way of controlling acid rain. During this process, the sulphur content is separated and emitted with flue gas while being heated.

We have two principal desulphurization technologies: Circulating-Fluidized Bed-Flue Gas Desulphurization System ("CFB-FGD System") and Ammonia-based Desulphurization system (the "DXT-FGD System").

CFB-FGD System

The CFB-FGD System is a highly effective system that removes sulphur dioxide from flue gas emissions generated by the sintering process in the production of iron and steel (a process in which sulphur and other impurities are removed from iron ore by heating, without melting, pulverized iron ore), so that the discharge will meet all relevant air pollution standards in China. Without such treatment, flue gas emitted from sintering with high sulphur dioxide content will react with atmospheric water and oxygen and therefore produce sulphuric acid that precipitates as "acid rain." As illustrated below, the CFB-FGD System is comprised of a desulphurization agent inlet system, a circulating fluidized bed desulphurization reactor, a dust removal system, a desulphurization dust removal treatment system, a desulphurization wind pump system, a monitoring system, an electrical control system and a smoke flue system.

The CFB-FGD System utilizes proprietary technology jointly developed by Dalian RINO and the Chinese Academy of Sciences. We have the right to acquire certain related technology from the Chinese Academy of Sciences for RMB 1 million pursuant to a technology transfer agreement dated May 18, 2007.

Compared with other semi-dry desulphurization technologies, our proprietary technology has the following advantages:

1. Our equipment has a smaller footprint;
2. Shorter circulation process and lower calcium sulphur ratio;
3. Lower cost of operating the system; and
4. Higher desulphurization rates.

In addition, our desulphurization process does not generate wastewater. After the treatment, sulphur and dust content in flue gas satisfy the national standard in China. In addition, the costs for the manufacturing and installation of the equipment are relatively affordable to the targeted iron and steel mills.

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DXT-FGD System

The DXT System or the DXT Flue Gas Desulphurization process uses ammonia (which is extracted from the onsite coke oven gas process and stored in tanks) as desulphurization agent to reacts with SO_2 and form an "ammonium sulfate" solution without lowering the flue gas temperature, After removing heavy metals and other harmful substances, the ammonium sulfate can be used to produce agricultural fertilizers, whose quality meets the Chinese national quality standards. In early September 2009, we commenced installation of our new proprietary DXT System on a 280 m^2 sinter system at Hunan Lianyuan Iron and Steel Company. The total contract value is approximately $10.3 million, with the installation and testing completed during the second quarter of 2010.

To effectively utilize this synthetic ammonia extracted from coke oven gas, which is later introduced to the flue gas via an injection grid, the DXT System utilizes a component technology, the ammonia scrubbing technology, licensed from Baosteel Group Co., Ltd. (“Baosteel”). Baosteel is China's largest steel producer, which has been successfully applying this technology to its manufacturing process for 10 years. The ammonia scrubbing technology was initiated in the 1960s at the TVA fertilizer center in the U.S., and was later commercialized by German, U.S. and Japanese companies in the 1970’s. However, until now, technical issues have limited the wide-scale adoption of ammonia scrubbing within the flue gas desulphurization process. Those technical issues include, among other things, the safe and proper transportation and storage of ammonia; the effective filtration of heavy metals from the ammonium sulfate by-product; and the release of unreacted ammonia during the process, so called "ammonia slip".

After four years of research and development, we have solved those technical problems by introducing the DXT System, which to our knowledge, is the only truly effective ammonia scrubbing desulphurization system in China's iron and steel industry. We believe, that in addition to our commitment to remove up to 99% of the harmful SO_2 , the DXT System also utilizes less energy, decreases operating and maintenance costs, and creates a sustainable revenue stream through the production of high quality ammonia sulfate fertilizers for agricultural use. The Chinese government strongly supports technologies which are both environmentally friendly and economical.

Economically, The key reason is the attractive price of ammonium sulfate fertilizer. Converting coke oven gas to fertilizer is obviously made more economical by the available free ammonia. Presently, the purchase price of ammonia is less than 25% of that of ammonium sulfate. Sinter plants, especially those located close to Chinese fertilizer market, could very profitably produce ammonium sulfate fertilizer.

3) High Temperature Dynamic Anti-Oxidation System for Hot Rolled Steel

Our High Temperature Anti-Oxidation System for Hot Rolled Steel (the “Anti-Oxidation System”) is a set of products and a mechanized system that substantially reduces oxidation-related output losses in the production process of continuous casting and hot steel rolling. In the process of continuous casting and hot steel rolling, oxidation-related output loss ranges from 2% to 5% on average, while our Anti-Oxidation System reduces such loss by over 60%. In addition, oxidation process in high-temperature steel production not only causes waste of water and energy but also generates pollutants. In the United States, Japan and Europe, technology has been developed to solve this problem, but the cost of the coating used in such technology and the inability of the equipment to be utilized in high-temperature environments limit its application to the manufacturing of specialty steel products such as stainless steel, silicon and carbide steel products.

Our Anti-Oxidation System is specifically designed to work effectively with hot rolled steel products in a high-temperature environment. As illustrated below, our system operates at significantly higher product temperatures than its competitors, thereby increasing its general utility and its range of steel product applications. We believe that in design and technology, our Anti-Oxidation System is the only anti-oxidation process available for the iron and steel industry (both in the PRC and internationally) that can be applied in a high-temperature environment, and is a unique solution to the loss of steel production output due to high-temperature oxidation, which has been a long-standing problem in the world-wide iron and steel industry.

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The technology utilized in the Anti-Oxidation System is jointly developed by Dalian RINO and the Chinese Academy of Sciences. In March 2006, Dalian Rino acquired the technology from the Chinese Academy of Sciences under an agreement that provides for the co-ownership of the intellectual property rights to the formula for the anti-oxidizing paint used in the system and to the spray system for applying the paint, co-ownership of any patents granted, and the transfer to Dalian Rino of all commercialization rights.

Contract Machining Services

In addition to the environmental remediation and protection systems that described above, since late 2005 we have also being using our slight capacity surplus of mainframe equipment processing to perform contract machining services for third-party industrial enterprises and this is reported as “Service Revenue”.

The specialized heavy machinery and equipment that we use to produce our Lamella Wastewater System, Flue Gas Desulphurization Systems and Anti-Oxidation System also provide us with a substantial capacity to undertake large, specialized and high-precision parts machining. To this end, Dalian Rino establishes and maintains strategic cooperation relationships with companies such as China First Heavy Industries, with which we contracted to provide access to our heavy machine tools, and Dongfang Electric Machinery, for which we provide hydropower equipment parts.

We expect that as sales of our own products increase, we will reduce or eliminate contracting the use of our machines and equipment to third parties.

Customers

Our customers are mainly large iron and steel companies in China. Generally, our projects involve manufacturing, installation and testing of the equipment we sell, and the contract prices vary with products and technical conditions. Due to the size of our projects, we generally work on a limited number of projects with a limited number of customers at any given period of time. Due to the size of our projects and the length of time (on average in 6 - 8 months) to complete, it appears that our revenues are generated from a limited number of customers at any given period of time. However, we do not rely on a limited number of customers for revenue generation over time, as our customers constantly change. There are approximately 34 iron and steel companies in China of a size and with annual production levels that make our products feasible for sale and installation. In order to expand our sales, we plan to capture increasing numbers of these potential customers for primary product sales and aggressively cross-sell our products to each customer. During the years ended December 31, 2009 and 2008, no customer accounted for more than 10% of the Company’s total sales. For the quarter ended June 30, 2010, no customer accounted for more than 10% of the Company’s total sales also. Our biggest contract with Baotou Iron and Steel Group accounted for 9.1% of our total revenue. Sales to the other three major customers, Zhongtian Iron and Steel Co., Ltd., Jiangsu Yonggang Group Co., Ltd., Chengde Iron and Steel Group contributed approximately 8.7%, 7.3% and 6.1% of our revenue, respectively, in the second quarter of 2010.

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All of our products are customized to our customers' specific requirements. We enter into fixed-price equipment sales contracts with our customers that are performed in engineering, manufacturing, construction and installation phases. Generally, we fulfill our contractual obligations within twelve months.

Our project-based revenue is affected directly by our customers' capital budgets and their needs to build new plants. Because most of our customers are state-owned-enterprises, their budgeting decisions are influenced by the Chinese central government's environmental protection and pollution control policies, which presently are favorable to our business and products. We believe that such policy emphasis will continue in the foreseeable future. The cost of revenues for our products includes direct materials, direct labor, outsourcing costs and manufacturing overhead.

Competition

Lamella Wastewater System

Prior to Dalian Rino's introduction of its Lamella Wastewater technology, the typical industrial wastewater treatment technology used in China relied on an inclined "plate settling pool" process which is still generally available in China. Our advanced technology results in the following competitive advantages: large hydraulic coefficient, long water power process, high treatment efficiency, etc. We know of no comparable technology presently available in China.

Desulphurization System

Presently in China, major domestic companies engaged in the desulphurization equipment market include: Beijing Guodian Longyuan Environmental Company, Zhejiang Feida Company, Fujian Longjing Environmental Company, Wuhan Kaidi Electric Power Company, Jiulong Electric Power Company, Qinghua Tongfang, University of Science & Technology, Beijing ZHTD Technology, Talroad Company, Yonker Environmental Protection Group, and China City Environment Protection Engineering. To the best of our knowledge, among them, University of Science & Technology, Beijing ZHTD Technology Co., Talroad Company, Yonker Environmental Protection Group, China City Environment Protection Engineering Ltd. Co. and Fujian Longjing Co., Ltd have entered into the desulphurization market of the iron and steel industry; and the rest are mainly servicing the desulphurization market of China's power industry. We consider Fujian Longjing as our major potential competitor in the desulphurization market, but it is more focused on power industry.

Major international companies in the desulphurization market include: Voestalpine AG and Mitsubishi, each of which has won one business contract in Taiyuan and Anhui in China, respectively. We believe we have strong competitive advantages over these international players in terms of project investments and operating costs. We don't believe they will become our strong competitors in the near future.

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Anti-Oxidation System

We believe our High Temperature Anti-Oxidation System is unique and virtually no competition in China. We know of no other entity that is engaged in developing or supplying anti-oxidation technology that can operate on-line at the high temperatures (600 – 1000 °C) involved in hot rolled steel production, which represents 90% of China's steel output. A number of anti-oxidation technologies are available internationally, suppliers of those include: Advanced Technical Products Company, ATP Metallurgical Coatings, Duffy Company, Condursal and Berktekt. However, the high costs of the anti-oxidizing coatings these technologies rely on, and especially their ineffectiveness at high temperatures, have limited their market to specialty steels. We believe that in design and technology our Anti-Oxidation System is the only anti-oxidation process available for the iron and steel industry (both in the PRC and internationally) that can be applied in high temperature environments, and is a unique solution to the loss of production output due to high-temperature oxidation, which is a long-standing problem in the world-wide iron and steel industry.

Recent Developments

BOT Projects

Build-Operate-Transfer ("BOT") projects are highly encouraged by the Chinese government in environmental protection industry. For example, Ministry of Industry and Information (MII) promotes the BOT projects in metallurgy industry by alleviating the financing burden of such enterprises, so that they can make the best use of funds from society. This will incur a higher entry barrier for smaller players which do not have advanced technology and solid capital support. Also, commercial banks are highly encouraged by the Chinese government to provide loans to BOT projects in metallurgy industry. Several major banks in China have expressed their willingness of providing loans to our BOT projects. Usually, BOT projects require investments during the initial 4 years and start generating profits thereafter.

On March 1, 2010, we secured an $8.1 million project loan for the construction phase of our BOT project with Shougang Jingtang Iron & Steel Co., Ltd., which covers the design, construction and installation of two Semi-Dry Flue Gas Desulphurization ("FGD") units. The project loan, provided by Pudong Development Bank of Shanghai, has a four-year term which commenced on March 1, 2010. Interest on the outstanding principal of the loan is payable quarterly starting from June 1, 2010. The interest rate, initially set at 6.9%, is based upon the Chinese Central Bank Rate plus a fixed margin, and can be adjusted only once annually to reflect changes in the underlying Chinese Central Bank Rate. Additionally, the loan carries no prepayment penalties. Upon construction completion and final customer approval, we will commence the 10-year operating contract of this BOT project. The commencement date of operating stage is expected to be in the fourth quarter of 2010.

Sludge Treatment System

In November 2008, Dalian University of Technology ("DUT") successfully developed a new sludge treatment system with our cooperation. This can be used to treat sludge generated by the municipal wastewater, industrial sludge generated by chemical and oil industry. Based on our estimation, this market is approximately $30 billion in China. To treat the sludge, the first and most critical step is to remove water from the sludge through a dehydration process, which will reduce the quantity of the sludge and make it easier to be incinerated and vaporized. Depending on the heavy metal content of the desiccated sludge, the final product can be used as agricultural fertilizer if the heavy metal content is low, or, after further processing, as a component in various construction materials if the heavy metal content is high.

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We believe the current best sludge treatment technology available in the PRC market (provided by third parties) can make the sludge moisture content reach 70%, whereas our technology, using superheated steam to dehydrate sludge, can make the moisture content at a 50 – 60% level. In addition, our system costs approximately 30% less than imported ones and the costs of daily operation are approximately 45% less. The Chinese government recently promulgated a new regulation requiring at least 60% of municipal wastewater be treated by 2010, the implementation of which is expected to significantly increase the amount of sludge generated by the wastewater treatment process in China in the next several years. We estimate the profits to process one ton of sludge generated by municipal wastewater treatment process vary between $12 and $19, depending on different steam sources. Currently, approximately 40 million tons of sludge is being generated by the wastewater treatment process annually with a water content of approximately 80%.

We believe Northeastern China, where Dalian Rino is located, is the oil industry center and this region generates approximately 2 million tons of oil sludge annually. Although our new sludge treatment system has not yet generated any revenue, we estimate the profit to process one ton of oil sludge averages $30. DUT has made a patent application for this technology in China. Pursuant to our agreement with DUT, we will pay an ongoing royalty of approximately 5% of sales to DUT.

Our BOT project with Dalian Development Zone is our first sludge treatment project. The start time delayed several months because:

1. The district divisions of Dalian City has been through changes and modifications
2. the selected site for sludge treatment plant wasn’t approved by local land-planning bureau and it was settled only till recently
3. The environmental assessment from government officials caused some delay

We expect the commencement of the operating stage to be in the fourth quarter of 2010.

CFO Employment and Compensatory Arrangements

Effective April 27, 2010, the Board of Directors appointed Mr. Ben Wang to serve as the Chief Financial Officer of the Company. On August 12, 2010, the Company and Mr. Wang entered into an Employment Agreement (the “Employment Agreement”), pursuant to which Mr. Wang shall serve as the Company’s CFO for a term of 3 years, which commenced on April 27, 2010. Mr. Wang’s base salary is RMB 1,000,000 per annum after tax, or RMB 83,333 per month, payable monthly in arrears on the 10th day of each month. Pursuant to the Employment Agreement, the Company also entered into a Non-Qualified Stock Option Agreement with Mr. Wang, where Mr. Wang was granted 150,000 options to purchase the Common Stock at an exercise price of $20 per share, vesting in 3 equal annual installments beginning on April 19, 2011. Each installment of options, once vested, will expire on the fifth anniversary of its vesting date.

On August 12, 2010, the Company entered into a Separation Agreement with Yi (Jenny) Liu (the “Separation Agreement”), who resigned as the Company’s former CFO on April 27, 2010. The Separation Agreement, which amended Section 5(B) of her original employment agreement with the Company dated June 30, 2009, provided that Ms. Liu shall receive option to purchase 10,000 shares of the Common Stock at the exercise price of $6.15 per share, vesting immediately upon the execution of the Separation Agreement. Such option to purchase 10,000 shares of Common Stock will expire in three years from the vesting date.

Changxing Island Project

On March 2, 2010, Rino Heavy Industry entered into a Purchase Agreement for Land Use Right of State-Owned Construction Site (the “Agreement”) with Dalian City Land Resources and Housing Bureau of Liaoning Province of PRC (the “Seller”) for the land located at Enterprise District, Lingang Industrial District, Changxing Island, Dalian (the “Changxing Island Land”). The purchase price for the land use right is in an aggregate amount of RMB 51,239,320 (or approximately $7,516,808) (the “Purchase Price”). For more details of the Agreement, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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The Changxing Island Industrial Project is intended for plant expansion purpose to meet the Company's expanding client base and service scope. The estimated total investment amount is around $107 million. Aside from using $50 million of the proceeds that we raised from the financing in December 2009, the remaining $57 million will be funded by Chinese local commercial banks.

By the end of June 30, 2010, we had already invested $12.3 million in the Changxin Island Project, which includes infrastructure construction, land acquisition, equipment prepayment, taxes and other miscellaneous costs. We started the construction of the Changxing Island Project on April 20, 2010, and we anticipated it to be finished by July 2011 which is around two months later than expected earlier due to the authorities' delay and weather conditions. Once it launched, our capacity and profit margin will be greatly enhanced, as currently we have to outsource some of our products to outside constructors since we have reached the maximum production capacity. Recently, the State Council of China named Changxin Island Industrial Zone as "National Level Development Zone", which may attract more investments and then drive up the land value thereafter.

New Approval of bank loan

In August 2010, we received the letter of approval from Agricultural Bank of China for a loan of the principal amount of $ 44.2 million (RMB 300 million) for fixed assets purpose. We will be able to use this amount for our Changxing Island Project when we see there is a need.

Backlog

Backlog, defined as unfinished projects including not started projects, as of June 30, 2010 was $104.7 million and the breakdown associated with the backlog is set forth in the following table. The Company expects that approximately 50% of this backlog amount will turn into revenue by the end of the third quarter of 2010.

Product Segment	**Amount ($ millions)**
1. Desulphurization Systems	70.8
2. Wastewater Treatment	14.6
3. Anti-oxidation Systems	0.4
4. Municipal Sludge Treatment	18.9
Total	**104.7**

Results of Operations

Three Months Ended June 30, 2010 and June 30, 2009.

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Revenue

Total revenue increased by approximately $24.7 million to $65.4 million or an increase of 60.6% for the three months ended June 30, 2010, as compared to the total revenue $40.7 million for the three months ended June 30, 2009. Revenue growth was driven by demand for RINO's three major product lines as the Company continued to execute on new and existing project installations. The breakdown of the revenue growth is as follows:

	For the three months ended June 30,				
	2010		2009		
	Revenue(in thousands)	As a % of total revenue	Revenue(in thousands)	As a % of total revenue	% of Increase
Flue gas desulphurization	$ 42,426	64.8%	30,083	73.9%	41.0%
Wastewater treatment equipment	14,968	22.9%	9,258	22.7%	61.7%
Anti-oxidation equipment and coatings	7,102	10.9%	1,128	2.8%	529.6%
Machining services	888	1.4%	253	0.6%	250.8%
Total revenue	$ 65,384	100%	40,722	100.0%	60.6%

For the three months ended June 30, 2010, we have been working on 13 desulphurization projects, 5 waste water projects, and 3 anti-oxidation projects.

Our Desulphurization System, which we introduced in late 2006, utilizes proprietary technology we jointly developed with the Research Institute of the Chinese Academy of Sciences, and can reduce flue gas sulphur dioxide levels by 90-99%. Our increase in the flue gas desulphurization sales were mainly due to the increased demand from the iron and steel industry for this solution.. For the three months ended June 30, 2010, we recorded revenues of $42.4 million, as compared to revenues of $30.1 million for the three months ended June 30, 2009, representing an increase of 41.0%.

Demand for our Lamella Wastewater System, increased 61.7% to $15.0 million for the three months ended June 30, 2010, as compared with $9.3 million for the three months ended June 30, 2009. Our increase in the waste water system sales was mainly due to the increased demand from the iron and steel industry for our solutions.

Our Anti-Oxidation System, which we introduced in January 2007, reduces oxidation loss in the production of hot rolled steel plates. For the three months ended June 30, 2010, we recorded revenues of $7.1 million anti-oxidation equipment and related coatings sales, as compared to revenues of $1.1 million for the three months ended June 30, 2009, representing an increase of $6.0 million or 529.6%. The increase in revenues largely reflects our increased demand as the value of our anti-oxidation technology has been proven in commercial practice. However, going forward, we decide to gradually reduce the production and sales of our Anti-Oxidation System and withdraw from the Anti-Oxidation market. The turnaround time of completing Anti-Oxidation system projects in general is much longer than our other projects because Anti-Oxidation projects can only commence when the customer steelmakers conduct inspection and repair. It is therefore more time consuming to realize any revenues from Anti-Oxidation projects.

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In addition to the foregoing, we provide machining services to third parties, utilizing our heavy machine tools' idle time to generate contract manufacturing revenue. The revenue generated from our machining services fluctuates based on the level of our using our heavy machining equipment to produce more of our own products rather than for third-party contract work. For the three months ended June 30, 2010, revenues accounted for 1.4% of the total revenue as compared to 0.6 % for the corresponding period in 2009, reflecting a higher demand on services provided to third parties. This machining service, as percentage of total revenue within the range of 0.5% to 2%, will fluctuate from quarter to quarter with no pattern as most of the services are of one time nature.

Cost of Sales

The cost of sales for the three months ended June 30, 2010 increased by $15.7 million to $42.3 million from $26.6 million for the three months ended June 30, 2009, representing an increase of 59.3%. The increase in our cost of sales resulted directly from the increased number of projects during the period.
We did not experience a significant change in cost of revenue as a percentage of sales for the second quarter in 2010 comparing to the same period last year. As a percentage of sales, the cost of sales was 64.7% for the three months ended June 30, 2010 compared to 65.2% for the same period in 2009. The breakdown of the cost of sales is as follows:

	For the three months ended June 30,			
	2010		2009	
	Total (in thousands)	% of sales	Total (in thousands)	% of sales
Revenues				
Contracts	$ 64,496		$ 40,469	
Machining Services	888		253	
Cost of Sales				
Contracts	$ 41,809	64.8%	$ 26,286	65.0%
Machining Services	495	55.7%	269	106.3%
Gross Profit	$ 23,080	35.3%	$ 14,167	34.8%

Our cost of sales primarily consists of costs for raw materials, direct labor, outsourcing and overhead allocation. As a result of the growth in our business, our capacity has directly impacted how we operate and how much we can charge from period to period, depending on demand level, production efficiency and location of the contracts. Initially, we had to try to fully utilize our own manpower on the contracted projects. However, when we reached our maximum production capacity, we have to outsource some of our products to outside constructors.

Our gross profit for the three months ended June 30, 2010 grew by $ 8.9 million or 63.0 %, to $23.1 million from $14.2 million for the same period in 2009. The increase in gross profit was in line with our growth in revenue as we received and completed more projects in 2010, due to the high demand of our products and the Chinese government regulations on environmental protection, such as Ministry of information and Industry's policy on flue gas desulphurization on iron and steel industry in July 2009, which has significantly increased demand for our products. Our gross margin of second quarter in 2010 is slightly higher compared to the same period last year, this is mainly due to the increased sales of our anti-oxidation products which had higher gross margin.

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Operating Expense

Operating expenses for the three months ended June 30, 2010 were $5.0 million, an increase of $0.8 million or 20.4%, compared to operating expenses of $4.2 million for the same period ended June 30, 2009. Our operating expenses were consistent with growth in revenue and during this quarter, we experienced modest increase in our operating expense as we paid more sales commission compared to the same period in 2009, which is a major component of the operating expenses. Our Company's sales commission is usually determined based on the execution of a signed contract. The Company agreed to pay 4-8% sales commission upon the receipt of first payment from its customers.

Other Income, Net

Other income, for the three months ended June 30, 2010 increased $5.0 million to $4.8 million from other expense, of $ 156,728 during same period of 2009. The increase in other income, net, was mainly due to the $4.9 million decrease of the fair value of the warrants. The expiration of 1.1 million shares of Series A warrants on June 7, 2010 contributed to the decrease in the fair value of the warrants mostly.

Total interest expense on the bank loans for the three months ended June 30, 2010 and 2009, amounted to $187,362 and $253,729, respectively.

Six Months Ended June 30, 2010 and June 30, 2009.

Revenue

The total revenue increased by approximately $36.9 million to $113.2 million or an increase of 48.4% for the six months ended June 30, 2010, as compared to the total revenue $76.3 million for the six months ended June 30, 2009. The revenue growth was driven by the demand for RINO's three major product lines as the Company continued to execute on new and existing project installations. The breakdown of the revenue growth is as follows:

	For the six months ended June 30,					
	2010			2009		
	Revenue(in thousands)		As a % of total revenue	Revenue(in thousands)	As a % of total revenue	% of Increase
Flue gas desulphurization	$	76,365	67.4%	55,787	73.1%	36.9%
Wastewater treatment equipment		25,760	22.7%	16,496	21.6%	56.2%
Anti-oxidation equipment and coatings		10,139	9.0%	3,552	4.7%	185.4%
Machining services		979	0.9%	495	0.6%	97.80%
Total revenue	$	113,243	100%	76,330	100.0%	48.4 %

Our Desulphurization System, which we introduced in late 2006, utilizes proprietary technology we jointly developed with the Research Institute of the Chinese Academy of Sciences, and can reduce flue gas sulphur dioxide levels by 90-99%. Our increase in the flue gas desulphurization sales were mainly due to the increased demand from the iron and steel industry for the solutions. For the six months ended June 30, 2010, we recorded revenues of $76.4 million, as compared to revenues of $55.8 million for the six months ended June 30, 2009, representing an increase of 36.9%.

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The demand for our Lamella Wastewater System, increased 56.2% to $25.8 million for the six months ended June 30, 2010, as compared with $16.5 million for the six months ended June 30, 2009. Our increase in the waste water system sales was mainly due to the increased demand from the iron and steel industry for our solutions.

Our Anti-Oxidation System, which we introduced in January 2007, reduces oxidation loss in the production of hot rolled steel plates. For the six months ended June 30, 2010, we recorded revenues of $10.1 million anti-oxidation equipment and related coatings sales, as compared to revenues of $3.6 million for the six months ended June 30, 2009, representing an increase of $6.6 million or 185.4%. The increase in revenues largely reflects the fact that the value of our anti-oxidation technology has been proven in commercial practice.

In addition to the foregoing, we provide machining services to third parties, utilizing our heavy machine tools' idle time to generate contract manufacturing revenue. The revenue generated from our machining services fluctuates based on the level of our using our heavy machining equipment to produce more of our own products rather than for third-party contract work. For the six months ended June 30, 2010, revenues accounted for 0.9% of the total revenue as compared to 0.6 % for the corresponding period in 2009, reflecting a higher demand on services provided to third parties. This service, as percentage of total revenue within the range of 0.5% to 2%, will fluctuate from quarter to quarter with no pattern as most of the services are of one time nature.

Cost of Sales

The cost of sales for the six months ended June 30, 2010 increased by $27.3 million to $73.5 million from $46.2 million for the six months ended June 30, 2009, representing an increase of 59.0%. The increase in our cost of sales resulted directly from the increased number of projects during the period.
As a percentage of sales, the cost of sales was 64.9% for the six months ended June 30, 2010 compared to 60.5% for the same period in 2009. The breakdown of the cost of sales is as follows:

	For the six months ended June 30,			
	2010		2009	
	Total (in thousands)	% of sales	Total (in thousands)	% of sales
Revenues				
Contracts	$ 112,263		$ 75,835	
Machining Services	979		495	
Cost of Sales				
Contracts	$ 72,968	65.0%	$ 45,619	60.2%
Machining Services	494	50.5%	592	119.8%
Gross Profit	$ 39,780	35.1%	$ 30,118	39.5%

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Our cost of sales primarily consists of costs for raw materials, direct labor, outsourcing and overhead allocation. As a result of the growth in our business, our capacity has directly impacted how we operate and how much we can charge from period to period, depending on demand level, production efficiency and location of the contracts. Initially, we had to try to fully utilize our own manpower on the contracted projects. However, when we reached our maximum production capacity, we have to outsource some of our products to outside constructors, and consequently resulted in higher cost and lower profit margin. During the six months ended June 30, 2010, the outsourcing was the main cause for 4.8% increase in cost of contract sales as percentage of total contract sales.

Our gross profit for the six months ended June 30, 2010 grew by $ 9.7 million or 32.1 %, to $39.8 million from $30.1 million for the same period in 2009. The increase in gross profit was in line with the increase in revenue for the six months of 2010, and was mainly because we received and completed more projects in 2010, due to the high demand for our products and the Chinese government regulation on environmental protection, such as Ministry of Information and Industry's policy on flue gas desulfuration on iron and steel industry in July 2009, which has significantly increased the demand for our products.

Operating Expense

Operating expenses for the six months ended June 30, 2010 were $11.8 million, an increase of $4.3 million or 57.3%, compared to operating expenses of $7.5 million for the same period ended June 30, 2009. The increase was mainly resulted from the increase of sales commission from $4.7 million in 2009 to $7.1 million in 2010, which is consistent with the growth in revenue. Our Company's sales commission is usually determined based on the execution of a signed contract. The Company agreed to pay 4-8% sales commission upon the receipt of first payment from its customers.

Other Income, Net

Other income, net, for six months ended June 30, 2010 increased $15.4 million to $ 15.1 million from other expense, net, of $261,726 during same period of 2009. The increase in other income, net, was mainly due to the decrease of fair value on warrants we issued in the amount of $15.1 million, which is a direct result of stock price drop.

Liquidity and Capital Resources

Cash and Cash Equivalents

As of June 30, 2010, we have cash and cash equivalents of $88.0 million. Our liquidity position remains strong. We have historically funded our working capital needs from operations, advance payments from customers, bank borrowings, and capital from shareholders. Our working capital requirements are influenced by the level of our operations, the numerical and dollar volume of our project contracts, the progress of our contract execution, and the timing of accounts receivable collections.
We believe that our cash position is adequate to meet future short-term and mid-term liquidity requirements, as well as our obligation to satisfy the PRC's statutory reserves requirement.

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The following tables present our net cash flows for the six months ended June 30, 2010 and for the same period ended June 30, 2009.

US$ (in thousands)	For the six months ended June 30, 2010	2009
Cash (used in) provided by operating activities	$ (48,253)	$ 9,740
Cash used in investing activities	$ (12,462)	$ (28)
Cash provided by financing activities	$ 13,809	$ 22,333

Cash flow from operating activities

Cash used in operations totaled $48.2 million in the six months ended June 30, 2010, representing a decrease of 595.4 % as compared to $9.7 million cash provided by operations in the same period ended June 30, 2009. The major components of cash used in operations were related to the increased operating net earnings and offset by non-cash gain of the fair value of the warrants, increase in cost and estimated earnings in excess of progress billing for uncompleted projects and increase in advances for inventory purchases. Cash provided by operations decreased by $58.0 million in the six months ended June 30, 2010 as compared to the same period of 2009.

Accounts Receivable

Our accounts receivable at June 30, 2010 increased to $68.4 million from $57.8 million at December 31, 2009, representing an increase of 18.3%. The increase in our accounts receivable was inline with our growth in revenue. Days sales outstanding for the six months ended June 30, 2010 was 102 days compared with 124 days for same period 2009. Usually our customers require 5-10% retainage for a 12-month period and our retainage receivable is short term in nature based on the term of our contract.

As the billing cycle for our construction projects was relatively long, our accounts receivable used a great deal of our cash as a result of the rapid growth of our company.

Costs and estimated earnings in excess of billings on uncompleted contracts

Costs and estimated earnings in excess of billings on uncompleted contracts increased to $38.9 million from $3.3 million on December 31, 2009. The increase was mainly due to the fact that there were only two contracts uncompleted as of December 31, 2009. However, as of June 30, 2010, fourteen contracts remained open, which resulted in increase of unbilled projects.

Progress billing may not be the same as construction stage under our percentage-of-completion income recognition method, unbilled revenue which is reported as costs and estimated earnings in excess of billings on uncompleted contracts utilized another part of our cash.

Advances for inventory purchase

Advances for inventory purchases are required to ensure timely delivery of raw materials needed to execute existing production contracts as well as to expand the business. Our advances for inventory purchases increased to $64.4 million on June 30, 2010, an increase of $30.3 million or 89.2%, from the $34.1 million recorded on December 31, 2009. The increase was largely related to the increased prepayment for raw materials in order to secure timely delivery, which is consistent with our business expansion.

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Cash used in investing activities

For the six months ended June 30, 2010, net cash used in investing activities increased to $ 12.5 million as compared to $ 28,051 used for the same period ended June 30, 2009, representing an increase of $12.4 million. This increase in cash used in investing activities primarily resulted from the $7.9 million increase in purchase of intangible asset and $2.9 million in advances for non-current assets for the six months ended June 30, 2010, as compared to none made in the same period of 2009.

Cash provided by financing activities

For the six months ended June 30, 2010, net cash provided by financing activities was $ 13.8 million as compared to cash provided by financing of $22.3 million for the same period ended June 30, 2009, representing a decrease of 38.2%. The decrease was primarily due to the decrease of $18.3 million in proceeds from short term bank loans and partially offset by an increase of $8.1 million in proceeds from long term bank loan. for the six months ended June 30, 2010 compared with same period of 2009.

Related Party Transactions

The Company owed $535,895 and $ 494,614 to Mr. Dejun Zou, our CEO and director, as of June 30, 2010 and December 31, 2009, respectively, for advances made on an unsecured basis, payable on demand and interest free. Imputed interest is charged per annum on the amount with loan in nature due at 0% and 5.24 % for the six months periods ended June 30, 2010 and 2009, respectively. Total imputed interest recorded as additional paid-in capital amounted to $0 and $13,557 for the six months ended June 30, 2010 and 2009, respectively.

On December 7, 2009, the Company entered into a loan agreement with Mr. Dejun Zou and Ms. Jianping Qiu evidencing the terms of a loan made to them in a principal sum of $3.5 million at an annual interest rate of 5.25%. Pursuant to the Loan Agreement, Mr. Zou and Ms. Qiu also issued a secured promissory note to the Company due on May 10, 2010 (the "Secured Promissory Note"). Mr. Zou and Ms. Qiu are directors and officers of the Company. The Loan, with principal and accrued interest totaling approximately $3.577 million, was fully repaid on May 10, 2010.

Seasonality

Our sales are not significantly affected by seasonality.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, require significant judgments and estimates on the part of management. Our critical accounting policies and estimates present an analysis of the uncertainties involved in applying a principle, while the accounting policies note to the financial statements (Note 2) describe the method used to apply the accounting principle.

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Fair Value of Financial Instruments

On January 1, 2008, the Company began recording financial assets and liabilities subject to recurring fair value measurement at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. On January 1, 2009 the Company began recording non-recurring financial as well as all non-financial assets and liabilities subject to fair value measurement under the same principles. These fair value principles prioritize valuation inputs across three broad levels. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Effective January 1, 2009, warrants previously treated as equity pursuant to the derivative treatment exemption are no longer afforded equity treatment because the strike price of the warrants is denominated in the U.S. dollar, a currency other than the Company's functional currency, the Chinese Renminbi (RMB). As a result, the warrants are not considered indexed to the Company's own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such time as the warrants are exercised or expired.

Revenue Recognition

Contracts. The Company enters into long-term fixed-price contracts with customers to manufacture and install industrial equipment. Revenue on long-term fixed-price contracts is recognized under the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage-of-completion based upon costs incurred to date as a percentage of the total estimated costs to the customer. When total cost estimates exceed revenues, the Company accrues for the estimated losses immediately. The use of the percentage-of-completion method requires significant judgment in estimating total contract revenues and costs, including assumptions relative concerning the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated costs. Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and costs are subject to revision as the contract progresses. When revisions in estimated contract revenues and costs are determined, such adjustments are recorded in the period in which they are first identified.

Services. In addition to the Company's specialty equipment sales, the Company uses heavy machining equipment to perform machining services for third parties. These engagements, numbering several hundred per year, are essentially piecework and are completed in usually less than one month. Each machining engagement is governed by a separate contract, indicating existence of an arrangement. Revenue is recognized when service is performed, which is usually concurrent with delivery to the customer, the contract price is set by contract, and collectability is reasonably assured.

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The Company also provides technical professional services to its customers based on a fixed-price time contract. The Company recognizes services-based revenue from all of its contracts when the services have been performed, the customers have approved the completion of the services and invoices have been issued and collectability is reasonably assured.

BOT Contracts. Starting from 2010, the Company started entering into long-term "build-operate-transfer" contracts (the "BOT" contracts) with customers to manufacture and install, operate and maintain the industrial equipments. The revenue and costs relating to construction or upgrade services is recognized under the cost recovery method as the collection of the receivable cannot be reasonably predicted. Under the cost recovery method, no gross profit is recognized until the Company collected the cost of the revenue, or until such time that the company considers the collections to be probable and estimable and begins to recognize income based on the accrual method. A BOT service contract has an indeterminable number of acts to be performed over a specific period of time. As such, revenue from a BOT service contract is recognized on a straight-line basis unless it is possible to estimate the stage of completion by some other method more reliably. When in a series of acts to be performed in rendering a service, a specific act is much more significant than other acts, and then the recognition of income is postponed until the significant acts are performed.

Recently Issued Accounting Pronouncements and Adopted Accounting

In January 2010, FASB issued ASU No. 2010-01- Accounting for Distributions to Shareholders with Components of Stock and Cash. The amendments in this Update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share). The amendments in this update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this ASU did not have impact on the Company's consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-02 – Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification. The amendments in this Update affect accounting and reporting by an entity that experiences a decrease in ownership in a subsidiary that is a business or nonprofit activity. The amendments also affect accounting and reporting by an entity that exchanges a group of assets that constitutes a business or nonprofit activity for an equity interest in another entity. The amendments in this update are effective beginning in the period that an entity adopts SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51." If an entity has previously adopted SFAS No. 160 as of the date the amendments in this update are included in the Accounting Standards Codification, the amendments in this update are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in this update should be applied retrospectively to the first period that an entity adopted SFAS No. 160. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

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In January 2010, FASB issued ASU No. 2010-06 – Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. These disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU, however, the Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2010, FASB issued ASU No. 2010-9 – Amendments to Certain Recognition and Disclosure Requirements. This update addresses certain implementation issues related to an entity's requirement to perform and disclose subsequent-events procedures, removes the requirement that public companies disclose the date of their financial statements in both issued and revised financial statements. According to the FASB, the revised statements include those that have been changed to correct an error or conform to a retrospective application of U.S. GAAP. The amendment is effective for interim and annual reporting periods in fiscal year ending after June 15, 2010. The Company does not expect the adoption of this ASU to have a material impact on the Company's consolidated financial statements.

In March 2010, FASB issued ASU No. 2010-10 – Amendments for Certain Investment Funds. This update defers the effective date of the amendments to the consolidation requirements made by FASB Statement 167 to a reporting entity's interest in certain types of entities. The deferral will mainly impact the evaluation of reporting enterprises' interests in mutual funds, private equity funds, hedge funds, real estate investment entities that measure their investment at fair value, real estate investment trusts, and venture capital funds. The ASU also clarifies guidance in Statement 167 that addresses whether fee arrangements represent a variable interest for all service providers and decision makers. The ASU is effective for interim and annual reporting periods in fiscal year beginning after November 15, 2009. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In March 2010, FASB issued ASU No. 2010-11 – Scope Exception Related to Embedded Credit Derivatives. Embedded credit-derivative features related only to the transfer of credit risk in the form of subordination of one financial instrument to another are not subject to potential bifurcation and separate accounting as clarified by recently issued FASB guidance. Other embedded credit-derivative features are required to be analyzed to determine whether they must be accounted for separately. This update provides guidance on whether embedded credit-derivative features in financial instruments issued by structures such as collateralized debt obligations (CDOs) and synthetic CDOs are subject to bifurcation and separate accounting. The guidance is effective at the beginning of a company's first fiscal quarter beginning after June 15, 2010. The Company does not expect the adoption of this ASU to have a material impact on the Company's consolidated financial statements.

In April 2010, the FASB issued Accounting Standards Update 2010-13, "Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades," or ASU 2010-13. This Update provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in currency of a market in which a substantial porting of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect the adoption of ASU 2010-17 to have a significant impact on its consolidated financial statements.

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In April 2010, the FASB issued Accounting Standard Update 20-10-17, "Revenue Recognition—Milestone Method (Topic 605): Milestone Method of Revenue Recognition" or ASU 2010-17. This Update provides guidance on the recognition of revenue under the milestone method, which allows a vendor to adopt an accounting policy to recognize all of the arrangement consideration that is contingent on the achievement of a substantive milestone (milestone consideration) in the period the milestone is achieved. The pronouncement is effective on a prospective basis for milestones achieved in fiscal years and interim periods within those years, beginning on or after June 15, 2010. The Company does not expect the adoption of ASU 2010-17 have a significant impact on its consolidated financial statements.

In July 2010, the FASB issued Accounting Standards Update 2010-20, Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit losses. This ASU will increase disclosure made about the credit quality of loans and the allowances for credit losses. The disclosures will provide additional information about the nature of credit risk inherent in First Financial loans, how credit risk is analyzed and assessed, and the reasons for the change in the allowance for loan losses. The requirements will be effective for first fiscal year ended December 31, 2010. The Company is evaluating the potential impact to its consolidated financial statements from the adoption of this ASU.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

The Company deposits surplus funds with Chinese banks earning daily interest. The Company does not invest in any instruments for trading purposes. All of the Company's outstanding debt instruments carry fixed rates of interest. The Company's operations generally are not directly sensitive to fluctuations in interest rates. The amount of long-term debt outstanding as of June 30, 2010 and December 31, 2009 was $8.1 million and $0.0 million, respectively. A hypothetical 1.0% increase in the annual interest rates for all of our credit facilities under which we had outstanding borrowings at June 30, 2010 would not have any material impact on our net income before provision for income taxes for the quarter. Management monitors the banks' prime rates in conjunction with our cash requirements to determine the appropriate level of debt balances relative to other sources of funds. We have not entered into any hedging transactions in an effort to reduce our exposure to interest rate risk.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase with these increased costs.

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Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company's management, with participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. The term "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by a company in reports, such as this reports, that it files, or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, management concluded that because of the material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of June 30, 2010, to satisfy the objectives for which they are intended.

1) Insufficient controls over related party transactions and cash disbursement management

During the fiscal year ended December 31, 2009, the Company made a loan to certain officers and directors (the "Loan") which created a contingent liability for a possible violation of Section 13(k) of the Exchange Act (Section 402(a) of the Sarbanes-Oxley Act of 2002). Section 13(k) provides that it is unlawful for a company, such as the Company, which has a class of securities registered under Section 12 of the Exchange Act, to directly or indirectly, including through any subsidiary, extend or maintain credit in the form of a personal loan to or for any director or executive officer of the company.

The lack of adequate cash disbursement management by the Company and lack of adequate procedures and controls with respect to related party transactions which allowed for the Loan to occur are material weaknesses in the Company's internal controls.

2) Ineffective controls over accounting for revenues and billing process

We did not design and maintain effective controls over the accounting for assets. Specifically, the controls over our billing system were not designed and operating effectively to ensure the completeness and accuracy of related revenues. As of June 30, 2010, management's evaluation of internal controls revealed that our accounting department was not timely notified about the entry of certain subcontracted projects.

Further, during its evaluation, management determined that a material weakness existed with respect to our process of estimating the allowance for uncollectible accounts at June 30, 2010. The Company's process for determining its allowance for uncollectible accounts focused primarily on evaluating the appropriate percentage of gross revenues to record during a particular period. However, as of June 30, 2010, the Company did not have processes or controls in place that would enable management to appropriately evaluate, document and review the adequacy of the allowance for uncollectible accounts as of a particular period-end.

3) Lack of controls over fixed assets management

We did not maintain effective controls over recording of fixed assets. Specifically, we mistakenly recorded the receipt of certain fixed assets, which resulted in significant adjustment between the fixed assets and the advance to suppliers. The lack of timely reconciliation procedures and deficient recordkeeping controls result in material weakness in this area such that there is a reasonable possibility that due to these control deficiencies a material misstatement will not be prevented or detected on a timely basis.

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4) Lack of internal audit function

We lack qualified resources to perform the internal audit functions properly, and the scope and effectiveness of the internal audit function are yet to be developed. Specifically, the reporting mechanism between the accounting department and the Board of Directors and the CFO was not effective, therefore resulting in the delay of recording, reporting and the failure to comply with the Company's Code of Ethics.

Changes in Internal Control over Financial Reporting

As a result of the foregoing material weaknesses, as of June 30, 2010, the Company's audit committee of its Board of Directors has undertaken to further review internal controls along with management and in cooperation with outside consultants in order to remediate all existing material weaknesses and internal control deficiencies.

Effective April 27, 2010, the Company's Board of Directors approved the appointment of Ben Wang as its Chief Financial Officer.

In addition, the Company hired a new Internal Audit Manager in July 2010 to help the Company develop and perform the internal audit functions more properly and effectively. Specifically, the reporting mechanism between the accounting department and the Board of Directors and the CFO has been established, therefore we expect that the risk of failure to comply with the Company's Code of Ethics is minimized.

Except as described above, there were no other changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management also intends to take the following further specific actions to address the deficiencies that are identified and strengthen our internal control over financial reporting:

- to implement proper procedures of cash disbursement approval-control management under the supervision of the Audit Committee of the Board of Directors
- to create positions in our accounting department to segregate duties of recording, authorizing and testing
- to increase our accounting and financing personnel resources, by retaining more U.S. GAAP knowledgeable financial professionals

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- to allocate sufficient resources to achieve an effective internal audit function
- to establish direct reporting procedures from the Chief Accounting Officer to the Chief Financial Officer to ensure a better overview of the Company's financial reporting system by the CFO
- to reemphasize to all the officers and employees of the Company the Code of Ethics and to ensure all officers and employees' full compliance of the Code of Ethics
- to adopt policies and procedures regarding related party transactions and to ensure Audit Committee's review of all interested transactions

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent or detect 100% of all errors and fraud that may occur. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. And management believes that the steps we are taking are necessary for remediation of the material weaknesses identified above, and we will continue to monitor the effectiveness of these steps and to make any changes that our management deems appropriate.

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PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 21, 2010, Mr. Kennith Johnson received 2,000 shares of Common Stock as the compensation for his service as the Chairman of Company's Audit Committee in year 2009.

Such issuance of the Company's securities described herein were effectuated pursuant to the exemption from the registration requirements of the Securities Act of 1933 (the "Act"), as amended, provided by Section 4(2) of the Act.

Item 5. Other Information.

Effective April 27, 2010, the Board of Directors appointed Mr. Ben Wang to serve as the Chief Financial Officer of the Company. On August 12, 2010, the Company and Mr. Wang entered into an Employment Agreement (the "Employment Agreement"), pursuant to which Mr. Wang shall serve as the Company's CFO for a term of 3 years, which commenced on April 27, 2010. Mr. Wang's base salary is RMB 1,000,000 per annum after tax, or RMB 83,333 per month, payable monthly in arrears on the 10th day of each month. Pursuant to the Employment Agreement, the Company also entered into a Non-Qualified Stock Option Agreement with Mr. Wang, where Mr. Wang was granted 150,000 options to purchase the Common Stock at an exercise price of $20 per share, vesting in 3 equal annual installments beginning on April 19, 2011. Each installment of options, once vested, will expire on the fifth anniversary of its vesting date. Copies of the Employment Agreement and the Non-Qualified Stock Option Agreement with Mr. Wang are filed herewith as Exhibit 10.1 and Exhibit 10.2.

On August 12, 2010, the Company entered into a Separation Agreement with Yi (Jenny) Liu (the "Separation Agreement"), who resigned as the Company's former CFO on April 27, 2010. The Separation Agreement, which amended Section 5(B) of her original employment agreement with the Company dated June 30, 2009, provided that Ms. Liu shall receive option to purchase 10,000 shares of the Common Stock at the exercise price of $6.15 per share, vesting immediately upon the execution of the Separation Agreement. Such option to purchase 10,000 shares of Common Stock will expire in three years from the vesting date. Copies of the Separation Agreement and the Non-Qualified Stock Option Agreement with Ms. Liu are filed herewith as Exhibit 10.3 and Exhibit 10.4.

Item 6. Exhibits

(a) Exhibits

10.1 – Employment Agreement, dated August 12, 2010, between the Company and Ben Wang.

10.2 – Non-Qualified Option Agreement, dated August 12, 2010, between the Company and Ben Wang.

10.3 – Separation Agreement, dated August 12, 2010, between the Company and Yi (Jenny) Liu.

10.4 – Non-Qualified Option Agreement, dated August 12, 2010, between the Company and Yi (Jenny) Liu.

31.1 - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

RINO INTERNATIONAL CORPORATION

Date: August 16, 2010

By: /s/ Zou Dejun

Zou Dejun
Chief Executive Officer

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.1	Employment Agreement, dated August 12, 2010, between the Company and Ben Wang.
10.2	Non-Qualified Option Agreement, dated August 12, 2010, between the Company and Ben Wang.
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32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is made as of August 12, 2010 by and between RINO International Corporation, a Nevada corporation (the "Company"), and Ben Wang ("Employee").

WITNESSETH:

WHEREAS, Employee wishes to be employed by the Company with the duties and responsibilities as hereinafter described, and the Company desires to assure itself of the availability of Employee's services in such capacity.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Company and Employee hereby agree as follows:

1. EMPLOYMENT. The Company hereby agrees to employ Employee, and Employee hereby agrees to serve the Company, upon the terms and conditions hereinafter set forth.

2. TERM. The employment of Employee by the Company pursuant to this Agreement shall be for a thirty-six (36) month period (subject to earlier termination as provided herein) commencing on April 27, 2010 (the "Employment Term").

3. DUTIES. Employee shall, subject to overall direction consistent with the legal authority of the Chief Executive Officer and Chairman of the Board, serve as, and have all power and authority inherent in the offices of Chief Financial Officer of the Company and shall be responsible for those areas in the conduct of the business reasonably assigned to him by the Chief Executive Officer and the Chairman of the Board. Employee shall devote substantially all of his business time and efforts to the business of the Company; provided, however, that it is understood and agreed that, while Employee may devote time to other business matters in which he may have an interest, in the event of a conflict, Employee's first and primary responsibility shall be to the performance of his duties for the Company.

4. RESPONSIBILITIES. The general responsibilities of the chief financial officer ("CFO") include, but are not limited to: (i) overseeing all Company accounting practices, including accounting departments, preparing and reviewing budgets, financial reports, and tax and audit functions; the CFO being responsible for presenting and reporting accurate and timely historical financial information of the Company; (ii) supervising investment and raising of funds for the Company's business, taking into consideration risk and liquidity; (iii) overseeing the capital structure of the Company, including determining the best mix of debt, equity and internal financing; (iv) directing financial strategy, planning and forecasts and conferring with the Chief Executive Officer, Chairman of the Board and other executives of the Company in relation thereto; (v) developing and analyzing business planning (vi) coordinating with the Company's auditors and attorneys to ensure the Company's compliance with its reporting obligations under U.S .securities laws and regulations and other relevant laws and regulations; (vii) leading a team to design and implement the Company's internal control systems so as to be in compliance with Section 404 of the Sarbanes Oxley Act of 2002; and (viii) performing such other tasks and functions assigned to him from time to time by the Chief Executive Officer or the Board of Directors of the Company.

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5. COMPENSATION AND OTHER PROVISIONS. Employee shall be entitled to the compensation and benefits hereinafter described in subparagraphs (A) through (G) (such compensation and benefits being hereinafter referred to as "Compensation Benefits").

A. ANNUAL BASE SALARY. The Company shall pay to Employee a base salary (the "Base Salary") as follows:

An amount of RMB 1,000,000 after tax per annum or RMB 83,333 per month, paid in arrears monthly on the 10th day of each month.

B. EQUITY COMPENSATION. The Company shall grant to Employee options to purchase 150,000 shares of the Company's common stock at the exercise price of twenty U.S. dollars ($20.00) per share. Each installment of options shall expire on the fifth anniversary of its vesting date set forth at the end of the next sentence. Provided that Employee is then employed by the Company, options to purchase the following number of shares of Common Stock shall first become exercisable according to the following schedule:

- options to purchase 50,000 shares will vest on April 19, 2011;
- options to purchase 50,000 shares will vest on April 19, 2012; and
- options to purchase 50,000 shares will vest on April 19, 2013.

The Company and Employee are simultaneously entering into a Non-Qualified Stock Option Agreement relating to the foregoing grant of options to the Employee and containing certain additional terms and conditions.

C. COMPENSATION ADJUSTMENT. The Base Salary and Employee's other compensation will be reviewed by the Board of Directors of the Company (the "Board") at least annually and may be increased (but not decreased) from time to time as the Board may determine.

D. PARTICIPATION IN BENEFIT PLANS. During the Employment Term, Employee shall be eligible to participate in all Employee benefit plans and arrangements now in effect or which may hereafter be established, including, without limitation, all group insurance and medical care plans and all disability, retirement and other Employee benefit plans of the Company. Should the Employee not want to participate in the Company's health plan, with Board approval (which the Company does not ensure will be obtained), the Company may reimburse the Employee for the expense incurred in participating in another plan.

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E. OTHER PROVISIONS. During the Employment Term, Employee shall be entitled to four (4) weeks paid vacation per annum. Employee shall make himself available via email enabled mobile phone during periods in which he is not in the offices of the Company. Subject to providing reasonable written documentation thereof and subject to obtaining advance written approval for any expenditure or series of related expenditures exceeding $500, Employee shall be reimbursed for all reasonable expenses incurred by him in the performance of his duties, including, but not limited to, entertainment, travel and other expenses incurred in connection with such duties.

F. INDEMNIFICATION. The Company shall indemnify and hold harmless Employee to the fullest extent permitted by law for any action or inaction of Employee while serving as an officer and director of the Company or, at the Company's request, as an officer or director of any other entity affiliated with the Company, or as a fiduciary of any benefit plan. The Company shall include the Employee under the Company's directors' and officers' liability insurance in the same amount and to the same extent as the Company covers its other officers and directors both (i) during the Employment Term, and (ii) for a one (1) year period after the Employment Term.

6. TERMINATION. Employee's employment hereunder shall terminate as a result of the occurrence of any one or more of the following events:

A. Employee's death;

B. Employee shall be, in the good faith judgment of the Chief Executive Officer of the Company, unable to perform his duties hereunder by reason of illness, accident or other physical or mental disability for a continuous period of at least three (3) months or an aggregate of nine (9) months during any continuous eighteen (18) month period (" Disability ");

C. Voluntary resignation by Employee;

D. Termination for Good Reason. If any of the following events occurs after the Effective Date, the Employee may resign from his employment for Good Reason by giving written notice of resignation within 60 days following such event:

(i) a material reduction in the scope of the Employee's assigned duties and responsibilities from those in effect under this Agreement on the Effective Date or the assignment of duties or responsibilities that are inconsistent with the Employee's status in the Company;

(ii) the failure by the Company to continue to provide the Employee with benefits substantially similar to those specified in Section 5 of this Agreement, unless, the Company deems it necessary to change such benefits in order to conform to applicable law.

Any written notice of resignation for Good Reason shall describe in reasonable detail the circumstances believed to constitute Good Reason. Notwithstanding Employee's provision of a notice of resignation for Good Reason, the Company has a right to remedy or cure for a period of 30 days following its receipt of such notice the circumstances described by the Employee as constituting Good Reason and Employee's resignation shall become effective on the 31st day following notice to the Company if the Company fails to remedy or cure the circumstances constituting Good Reason within such 30-day period.

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E. Termination by the Company with Cause, where "Cause" shall mean: (i) final non-appealable adjudication that the Employee has committed a felony; or (ii) the determination of the Board that Employee has engaged in intentional misconduct or the gross neglect of his duties;,

F. Termination by the Company for any reason other than Cause.

Any termination pursuant to subparagraph B, C, D, E or F of this Section shall be communicated by a written notice ("Notice of Termination"), such notice to set forth with specificity the grounds for termination if termination is for "Cause". Employee's employment under this Agreement shall be deemed to have terminated as follows: (i) if Employee's employment is terminated pursuant to subparagraph A above, on the date of his death; (ii) if Employee's employment is terminated pursuant to subparagraph B, E or F above, on the date the Notice of Termination is received by Employee; and (iii) if Employee's employment is terminated pursuant to subparagraph C above, thirty (30) days after the date on which the Company receives Notice of Termination from Employee. The date on which termination is deemed to have occurred pursuant to this paragraph is hereinafter referred to as the "Date of Termination" If the Notice of Termination is sent to Employee by Company, then it shall be sent to Employee pursuant to the terms set forth in Section 15 of this Agreement.

7. PAYMENTS ON TERMINATION. In the event that Employee's employment is terminated pursuant to Sections 6 above, the Company shall pay to Employee and or his estate, (i) all of the Compensation Benefits Employee is entitled to through the Date of Termination (ii) all benefits and other compensation, if any, due and owing as of the Date of Termination, and (iii) any Severance Payments that the Employee may be entitled to pursuant to Section 16.

8. LIFE INSURANCE. If requested by the Company, Employee shall submit to such physical examinations and otherwise take such actions and execute and deliver such documents as may be reasonably necessary to enable the Company to obtain life insurance on the life of Employee for the benefit of the Company.

9. REPRESENTATIONS AND WARRANTIES. Employee represents and warrants to the Company that he is under no contractual or other restriction or obligation that would prevent the performance of his duties hereunder or interfere with the rights of the Company hereunder.

10. DISCLOSURE AND PROTECTION OF CONFIDENTIAL INFORMATION.

A. For purposes of this Agreement, "Confidential Information" means knowledge, information and material which is proprietary to the Company, of which Employee may obtain knowledge or access through or as a result of his employment by the Company (including information conceived, originated, discovered or developed in whole or in part by Employee). Confidential Information includes, but is not limited to, (i) technical knowledge, information and material such as trade secrets, processes, formulas, data, know-how, improvements, inventions, computer programs, drawings, patents, and experimental and development work techniques, and (ii) marketing and other information, such as supplier lists, customer lists, marketing and business plans, business or technical needs of customers, consultants, licensees or suppliers and their methods of doing business, arrangements with customers, consultants, licensees or suppliers, manuals and personnel records or data. Confidential Information also includes any information described above which the Company obtains from another party and which the Company treats as proprietary or designates as confidential, whether or not owned or developed by the Company. Notwithstanding the foregoing, any information which is or becomes available to the general public other than by breach of this Section 10 shall not constitute Confidential Information for purposes of this Agreement.

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B. During the period in which the Employee is employed by the Company and for two (2) years thereafter, Employee agrees, to hold in confidence all Confidential Information and not to use such information for Employee's own benefit or to reveal, report, publish, disclose or transfer, directly or indirectly, any Confidential Information to any person or entity, or to utilize any Confidential Information for any purpose, except in the course of Employee's work for the Company or as required by law.

C. Employee will abide by any and all policies and procedures, whether formal or informal, that may from time to time be imposed by the Company for the protection of Confidential Information, and will inform the Company of any defects in, or improvements that could be made to, such policies and procedures.

D. Employee will notify the Company in writing immediately upon receipt of any subpoena, notice to produce, or other compulsory order or process of any court of law or government agency which requires or may require the disclosure or other transfer of Confidential Information.

E. Upon termination of Employee's employment with the Company, Employee will deliver to the Company or destroy (at Employee's election) any and all records and tangible property that contain Confidential Information that are in his possession or under his control.

11. COVENANT NOT TO COMPETE.

A. In consideration for the Company entering into this Agreement, Employee covenants and agrees that during the period in which the Employee is employed by the Company and for one (1) year thereafter, Employee will not, without the express prior written consent of the Company, directly or indirectly, compete with the business of the Company anywhere within the United States of America or the Peoples Republic of China. Employee will not undertake any activities that are competitive with or acquire interests in an entity which is competitive with the business of the Company, whether alone, as a partner, or as an officer, director, Employee, independent contractor, consultant or shareholder holding 5% or more of the outstanding voting stock of any other corporation, or as a trustee, fiduciary or other representative of any other person or entity.

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B. During the period in which the Employee is employed by the Company and for one (1) year thereafter, Employee will not, directly or indirectly, solicit or induce any Employee of the Company or any Employee of a subsidiary of the Company to leave him or his employment, or solicit or induce any consultant or independent contractor to sever that person's relationship with the Company.

C. If any court shall determine that the duration or geographical limit of any covenant contained in this Section 11 is unenforceable, it is the intention of the parties that covenant shall not be terminated but shall be deemed amended to the extent required to render it valid and enforceable, such amendment to apply only in the jurisdiction of the court that has made such adjudication.

D. Employee acknowledges and agrees that (i) the covenants contained in Sections 10 and 11 hereof are of the essence in this Agreement and that such covenants are reasonable and necessary to protect and preserve the interests, properties, and business of the Company, and (ii) irreparable loss and damage will be suffered by the Company should Employee breach any of such covenants.

12. AVAILABILITY OF INJUNCTIVE RELIEF. Employee acknowledges and agrees that any breach by him of the provisions of Sections 10 or 11 hereof will cause the Company irreparable injury and damage for which it cannot be adequately compensated in damages. Employee therefore expressly agrees that the Company shall be entitled to seek injunctive and/or other equitable relief, on a temporary or permanent basis to prevent an anticipatory or continuing breach of this Agreement. Nothing herein shall be construed as a waiver by the Company of any right it may have or hereafter acquired to monetary damages by reason of any injury to its property, business or reputation or otherwise arising out of any wrongful act or omission of it.

13. SURVIVAL. The covenants, agreements, representations and warranties contained in or made pursuant to this Agreement shall survive Employee's termination of employment, irrespective of any investigation made by or on behalf of any party.

14. MODIFICATION. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof, supersedes all existing agreements between them concerning such subject matter, and may be modified only by a written instrument duly executed by each party.

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15. NOTICES. Any notice required or permitted hereunder shall be deemed validly given if delivered by hand, verified overnight delivery, or by first class, certified mail to the following addresses (or to such other address as the addressee shall notify in writing to the other party):

If to Employee — Ben Wang

If to the Company: — 11 Youquan Road, Zhanqian Street, Jinzhou District
Dalian, China 116100

16. SEVERANCE UPON TERMINATION WITHOUT CAUSE OR FOR GOOD REASON. If, during the Term, Company terminates Employee's employment with the Company and its subsidiaries for any reason other than for Cause or Employee's death or disability, or Employee terminates his employment for Good Reason (not including Company's or Employee's non-renewal of the Term) and Employee executes and delivers to the Company a valid and effective release of all claims against the Company and its affiliates in a form and format as prepared and provided by the Company, the Employee shall be entitled to receive (i) a lump sum cash payment in the amount of any accrued and unpaid salary as of his date of termination, (ii) a lump sum cash payment equal to any accrued and unpaid bonus for any prior fiscal year, (iii) a lump sum cash payment equal to the pro rata amount of any bonus payable with respect to the fiscal year in which termination occurs (such pro rata amount determined by multiplying the bonus that would have been paid for the full fiscal year had the Employee continued to render service to the Company as of the last day of the fiscal year multiplied by a ratio, the numerator of which is the number of days since the beginning of the fiscal year until the date of termination and the denominator of which is 365), (iv) an amount equal to the sum of (a) 50% of his then current annual base salary and (b) 50% of the average annual cash bonus payments paid by the Company to the Employee during the current year of the Company, and such sum shall be payable in six (6) substantially equal monthly payments; provided that each payment is intended to constitute a separate payment within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Code"). Further, the Company shall continue the medical and life insurance benefits which Employee was receiving on the date of his termination, with any related costs to be paid by Employee being no more than what Employee had been paying prior to the date of termination, for a period of six (6) months after the date of his termination; provided such continued coverage shall end on the date Employee has commenced employment elsewhere and becomes eligible for participation in a similar type of benefit program of his successor employer.

17. WAIVER. Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. All waivers must be in writing.

18. BINDING EFFECT. The Company’s rights and obligations under this Agreement shall not be transferable by assignment or otherwise, and any attempt to do any of the foregoing shall be void. The provisions of this Agreement shall be binding upon the Employee and his heirs and personal representatives, and shall be binding upon and inure to the benefit of the Company, its successors and assigns.

19. HEADINGS. The headings in this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

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20. GOVERNING LAW.. The validity, construction and enforcement of, and the remedies under, this Agreement shall be governed in accordance with the laws of the State of New York, without giving effect to any choice of laws principles.

21. INVALIDITY. The invalidity or unenforceability of any term of this Agreement shall not invalidate, make unenforceable or otherwise affect any other term of this Agreement, which shall remain in full force and effect.

22. ATTORNEYS' FEES. Except for any disputes arising pursuant to Section 16 of this Agreement, if any dispute or litigation arises hereunder between any of the parties hereto, then the prevailing party shall be entitled to all reasonable costs and expenses incurred by it in connection therewith (including, without limitation, all reasonable attorneys' fees and costs incurred before and at any trial or other proceeding and at all tribunal levels), as well as all other relief granted in any suit or other proceeding. As used herein, a party shall be deemed "prevailing" when it recovers (i) as to a damage claim, an aggregate of more than fifty percent (50%) of the damages which it seeks among its various asserted claims exclusive of interest, attorney's fees, costs incurred and exemplary damages and (ii) as to an equity claim, substantial injunctive or other equitable relief upon its asserted claim. Either of the parties herein shall be entitled to request the trier of fact in any dispute, litigation or arbitration between them, to determine which of the parties is "prevailing".

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WITNESS WHEREOF, the parties have executed this Agreement as of the date first hereinabove written.

RINO International Corporation, a Nevada corporation

Zou Dejun
Name

/s/ Zou Dejun
Signature

Chief Executive Officer
Title

Employee

Ben Wang

Ben Wang
Name

/s/ Ben Wang
Signature

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NON-QUALIFIED STOCK OPTION AGREEMENT

Under The
RINO International Corporation 2009 Stock Incentive Plan

AGREEMENT ("Agreement"), dated as of August 12, 2010 by and between RINO International Corporation, a Nevada corporation (the "Company"), and Ben Wang (the "Optionee").

Preliminary Statement

The Board of Directors of the Company (the "Board") has appointed a committee (the "Committee") to administer the RINO International Corporation 2009 Stock Incentive Plan (the "Plan"), has authorized this grant of a non-qualified stock option (the "Option") on August 12, 2010 (the "Grant Date") to purchase the number of shares of the Company's common stock, par value $0.0001 per share (the "Common Stock") set forth below to the Participant, as a Eligible Employee of the Company or an Affiliate (collectively, the Company and all Subsidiaries and Parents of the Company shall be referred to as the "Company").

Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. For the convenience of the Participant, capitalized terms used but not defined herein and defined in the Plan have been set forth hereto in Schedule A. A copy of the Plan has been delivered to the Participant. By signing and returning this Agreement, the Participant (i) acknowledges having received and read a copy of the Plan and this Agreement, (ii) agrees to comply with the Plan, this Agreement and all applicable laws and regulations, (iii) acknowledges that the Company has not provided any tax advice to the Participant regarding the grant or future exercise of the Option or the subsequent sale or transfer of shares of Common Stock issuable hereunder, and (iv) understands that the Participant should consult with the Participant's personal financial, accounting and tax advisors regarding the same to the extent the Participant deems necessary.

Accordingly, the parties hereto agree as follows:

1. Grant of Option. The Company hereby grants to Optionee, an Option to purchase an aggregate of 150,000 shares ("Shares") of its Common Stock in the manner and subject to the conditions provided hereinafter.

2. Vesting and Exercise. The Shares underlying the Option shall vest at the time of and shall have an exercise price (the "Option Exercise Price") as set forth in Exhibit A attached hereto, which is the Fair Market Value or higher of a share of Common Stock on the Grant Date. The Option shall vest proportionately in the periods prior to each vesting date. To the extent that such portion of the Option has become vested and is exercisable as provided herein, the Option may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein and in accordance with Sections 6.3(c) and 6.3(d) of the Plan, including, without limitation, by the filing of any written form of exercise notice as may be required by the Committee and payment in full of the Option Exercise Price multiplied by the number of shares of Common Stock underlying the portion of the Option exercised. Upon expiration of the Option, the Option shall be canceled and no longer exercisable.

3. Time of Exercise of Option. Any portion of the Option which has vested may be exercised; provided, however, no portion of the Option may be exercised after the fifth anniversary of its respective date of vesting ("Vesting Expiration Date") and any portion of the Option that has not been exercised on or prior to the Vesting Expiration Date shall be automatically forfeited and of no further effect without any action by the Company or the Board (a "Vesting Expiration").

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4. Method of Exercise. All or a portion of the Option may be exercised by payment of the Option Exercise Price in cash, unless another form of payment is authorized by the Board . In the event of payment of the Option Exercise Price by check, the Option shall not be considered exercised until receipt of cleared funds by the Company upon deposit of the check.

5. Restrictions on Exercise and Delivery. Exercise of the Option, or any portion thereof, shall be subject to the conditions set forth below as determined by the Board in its sole and absolute discretion:

(a) the satisfaction of any withholding tax or other withholding liabilities, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of Shares pursuant thereto,

(b) the listing, registration, or qualification of any Shares deliverable upon such exercise is desirable or necessary, under any state or federal law, as a condition of, or in connection with, such exercise or the delivery or purchase of Shares pursuant thereto, or

(c) the consent or approval of any regulatory body is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of any Shares pursuant thereto,

then in any such event, such exercise shall not be effective unless such withholding, listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board . Optionee shall execute such documents and take such other actions as are required by the Board to enable it to effect or obtain such withholding, listing, registration, qualification, consent or approval. Neither the Company nor any officer or director, or member of the Board , shall have any liability with respect to the non-issuance of any portion of the Shares on exercise or failure to sell any Shares as the result of any suspensions of exercisability imposed pursuant to this Section.

6. Expiration of Option. Except as otherwise provided in this Agreement, to the extent not previously exercised, the Option (or the relevant portion thereof) shall terminate upon the first to occur of any of the following events (the "Expiration Date"):

(a) the dissolution or liquidation of the Company;

(b) at the time of a breach by Optionee of any material provision of the Optionee's Employment Agreement with the Company or any other written agreement between the Optionee and the Company; or

(c) any portion of the Option that terminate pursuant to a Vesting Expiration.

7. Termination of Service. If the Optionee's employment terminates, any portion of the Option which has vested shall expire on the earliest of the following occasions (or such later date as the Board may determine):

(a) the Expiration Date;

(b) the date three (3) months after the termination of the Optionee's employment for any reason other than for Cause (including Disability (as defined in Section 22(e)(3) of the Internal Revenue Code), death and retirement);

(c) the date of the Optionee's termination of employment for Cause (as such term is defined in the Optionee's Employment Agreement with the Company).

After the date Optionee's employment terminates, the Optionee (or in the case of the Optionee's death or Disability, the Optionee's representative) may exercise all or any portion of the Option which has vested at any time before its (i) expiration under the preceding sentence or (ii) termination by operation of any of the events in paragraph 5 hereof. When the Optionee's employment terminates, any portion of this Option which has not vested shall expire immediately without any further action by the Board or the Company.

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8. Assignability. This Option may not be sold, pledged, assigned or transferred (except by will or the laws of descent and distribution) unless with the written consent of the Company.

9. Representation Letter. Upon exercise of all or any part of the Option, the Optionee will deliver to the Company the Exercise Representation Letter substantially the same as the one set forth on Exhibit B hereto, as such Exhibit may be amended by the Board from time to time. Optionee also agrees to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

10. Rights as Shareholder. Neither Optionee nor his or her executor, administrator, heirs or legatees, shall be, or have any rights or privileges of a shareholder of the Company in respect of the Shares unless and until certificates representing such Shares shall have been issued in Optionee's name.

11. No Right of Employment. Neither the grant nor exercise of any Option nor anything in the Plan or this Agreement shall impose upon the Company any obligation to employ or continue to employ any Optionee. The right of the Company to terminate any employee shall not be diminished or affected because an Option has been granted to such employee.

12. Mandatory Arbitration. In the event of any dispute between the Company and Optionee regarding this Agreement, the dispute and any issue as to the arbitrability of such dispute, shall be settled to the exclusion of a court of law, by arbitration in New York City, New York by a panel of three arbitrators (each party shall choose one arbitrator and the third shall be chosen by the two arbitrators so selected) in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The decision of a majority of the arbitrators shall be final and binding upon the parties. All costs of the arbitration and the fees of the arbitrators shall be allocated between the parties as determined by a majority of the arbitrators, it being the intention of the parties that the prevailing party in such a proceeding be made whole with respect to its expenses.

13. The Company's Rights. The existence of the Option shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

14. Optionee. Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Board, to apply to the estate, personal representative, beneficiary to whom the Option or Shares may be transferred by will or by the laws of descent and distribution, or another permitted transferee, the word "Optionee" shall be deemed to include such person.

15. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is provided to Optionee with this Agreement as Exhibit C.

16. Section 409A Compliance. To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement (in a manner determined by the Board or Committee in its sole discretion) solely to comply with Section 409A of the Code and the regulations promulgated thereunder, subject to the terms and conditions of the Plan.

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17. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to the Optionee at the address contained in the records of the Company, or addressed to the Board , care of the Company to the attention of its Corporate Secretary at its principal office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Optionee, his heirs and successors, and of the Company, its successors and assigns.

19. Governing Law. This Agreement shall be governed by the laws of the State of New York, without giving effect to principles of conflicts of laws.

20. Descriptive Headings. Titles to Sections are solely for informational purposes.

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IN WITNESS WHEREOF, this Agreement is effective as of, and the date of grant shall be August 12, 2010.

RINO INTERNATIONAL CORPORATION
a Nevada corporation

By: /s/ Dejun Zou
Its: President and Chief Executive Officer

OPTIONEE

/s/ Ben Wang
Ben Wang

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EXHIBIT A

VESTING SCHEDULE AND OPTION EXERCISE PRICE

Number of Shares	Vesting Date	Vesting Expiration Date	Exercise Price per Share
50,000	April 19, 2011	April 19, 2016	$ 20.00
50,000	April 19, 2012	April 19, 2017	$ 20.00
50,000	April 19, 2013	April 19, 2018	$ 20.00

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EXHIBIT B

______________, 20___

RINO International Corporation

Re: Stock Option Exercise

To Whom It May Concern:

I (the "Optionee") hereby exercise my right to purchase ________ shares of common stock (the "Shares") of RINO International Corporation, a Nevada Company (the "Company"), pursuant to, and in accordance with, an option agreement dated as of _________ ______, 20___ (the "Agreement"). As provided in such Agreement, I deliver herewith payment as set forth in the Agreement in the amount of the aggregate option exercise price. Please deliver to me at my address as set forth above stock certificates representing the subject shares registered in my name.

The Optionee hereby represents and agrees as follows:

1. The Optionee acknowledges receipt of a copy of the Agreement. The Optionee has carefully reviewed the Agreement.

2. The Optionee is a resident of __________.

3. The Optionee represents and agrees that if the Optionee is an "affiliate" (as defined in Rule 144 under the Securities Act of 1933) of the Company at the time the Optionee desires to sell any of the Shares, the Optionee will be subject to certain restrictions under, and will comply with all of the requirements of, applicable federal and state securities laws.

The foregoing representations and warranties are given on ________ at ____________________.

___ Optionee encloses a check in the amount of $ ______________ for the payment of the aggregate amount of the Option Exercise Price.

OPTIONEE:

____

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Exhibit C

RINO International 2009 Stock Incentive Plan

SCHEDULE A

The following terms used but not defined in the Agreement and defined in the Plan have been provided below for the convenience of the Participant but are qualified in their entirety by the full text of such terms in the Plan.

A. **"Acquisition Event"** means a merger or consolidation in which the Company is not the surviving entity, any transaction that results in the acquisition of all or substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities acting in concert, or the sale or transfer of all or substantially all of the Company's assets.

B. **"Affiliate"** means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company; (d) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company; and (e) any other entity in which the Company or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee; provided that the Common Stock subject to any Award constitutes "service recipient stock" for purposes of Section 409A of the Code or otherwise does not subject the Award to Section 409A of the Code.

C. **"Appreciation Award"** means any Award under this Plan of any Stock Option, Stock Appreciation Right or Other Stock-Based Award, provided that such Other Stock-Based Award is based on the appreciation in value of a share of Common Stock in excess of an amount equal to at least the Fair Market Value of the Common Stock on the date such Other Stock-Based Award is granted.

D. **"Award"** means any award under this Plan of any Stock Option, Stock Appreciation Right, Restricted Stock, Performance Share, Other Stock-Based Award or Performance-Based Cash Awards. All Awards shall be granted by, confirmed by, and subject to the terms of, a written agreement executed by the Company and the Participant.

E. **"Board"** means the Board of Directors of the Company.

F. **"Cause"** means with respect to a Participant's Termination of Employment or Termination of Consultancy from and after the date hereof, the following: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define "cause" (or words of like import)), termination due to: (i) a Participant's conviction of, or plea of guilty or nolo contendere to, a felony; (ii) perpetration by a Participant of an illegal act, or fraud which could cause significant economic injury to the Company; (iii) continuing willful and deliberate failure by the Participant to perform the Participant's duties in any material respect, provided that the Participant is given notice and an opportunity to effectuate a cure as determined by the Committee; or (iv) a Participant's willful misconduct with regard to the Company that could have a material adverse effect on the Company; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award that defines "cause" (or words of like import), "cause" as defined under such agreement; provided, however, that with regard to any agreement under which the definition of "cause" only applies on occurrence of a change in control, such definition of "cause" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter. With respect to a Participant's Termination of Directorship, "cause" means an act or failure to act that constitutes cause for removal of a director under applicable Nevada law.

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G. **“Change in Control”** has the meaning set forth in Section 13.2 of the Plan.

H. **“Change in Control Price”** has the meaning set forth in Section 13.1 of the Plan.

I. **“Code”** means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any Treasury Regulation promulgated thereunder.

J. **“Committee**” means: (a) with respect to the application of this Plan to Eligible Employees and Consultants, a committee or subcommittee of the Board appointed from time to time by the Board, which committee or subcommittee shall consist of two or more non-employee directors, each of whom shall be (i) a “non-employee director” as defined in Rule 16b-3; (ii) to the extent required by Section 162(m) of the Code, an “outside director” as defined under Section 162(m) of the Code; and (iii) an “independent director” for purposes of the applicable stock exchange rules; and (b) with respect to the application of this Plan to Non-Employee Directors, the Board. To the extent that no Committee exists that has the authority to administer this Plan, the functions of the Committee shall be exercised by the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code, such noncompliance shall not affect the validity of Awards, grants, interpretations or other actions of the Committee.

K. **“Common Stock”** means the common stock, $0.0001 par value per share, of the Company.

L. **“Company”** means RINO International Corporation, a Nevada Corporation, and its successors by operation of law.

M. **“Consultant”** means any individual or entity who provides bona fide consulting or advisory services to the Company or its Affiliates pursuant to a written agreement, which are not in connection with the offer and sale of securities in a capital-raising transaction.

N. **“Disability”** means with respect to a Participant’s Termination, a permanent and total disability as defined in Section 22(e)(3) of the Code. A Disability shall only be deemed to occur at the time of the determination by the Committee of the Disability. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

O. **“Effective Date”** means the effective date of this Plan as defined in Article XVII.

P. **“Eligible Employees”** means each employee of the Company or an Affiliate.

Q. **“Exchange Act”** means the Securities Exchange Act of 1934, as amended. Any references to any section of the Exchange Act shall also be a reference to any successor provision.

R. **“Fair Market Value”** means, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date and except as provided below, the last sales price reported for the Common Stock on the applicable date: (a) as reported on the principal national securities exchange in the United States on which it is then traded, or (b) if the Common Stock is not traded, listed or otherwise reported or quoted, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate taking into account the requirements of Section 409A of the Code. For purposes of the grant of any Award, the applicable date shall be the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or, if not a day on which the applicable market is open, the next day that it is open.

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S. **“Family Member”** means “family member” as defined in Section A.1.(5) of the general instructions of Form S-8.

T. **“GAAP”** has the meaning set forth in Section 11.2(c)(ii).

U. **“Incentive Stock Option”** means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries and its Parent (if any) under this Plan intended to be and designated as an “Incentive Stock Option” within the meaning of Section 422 of the Code.

V. **“Non-Employee Director”** means a director of the Company who is not an active employee of the Company or an Affiliate.

W. **“Non-Qualified Stock Option”** means any Stock Option awarded under this Plan that is not an Incentive Stock Option.

X. **“Other Stock-Based Award”** means an Award under Article X of this Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock, including, without limitation, a restricted stock unit or an Award valued by reference to an Affiliate.

Y. **“Parent”** means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

Z. **“Participant”** means an Eligible Employee, Non-Employee Director or Consultant to whom an Award has been granted pursuant to the Plan.

AA. **“Performance-Based Cash Award”** means a cash Award under Article XI of this Plan that is payable or otherwise based on the attainment of certain pre-established performance goals during a Performance Period.

BB. **“Performance Goals**” mean such performance goals as determined in writing by the Committee.

CC. **“Performance Period”** means the duration of the period during which receipt of an Award is subject to the satisfaction of performance criteria, such period as determined by the Committee in its sole discretion.

DD. **“Performance Share”** means an Award made pursuant to Article IX of this Plan of the right to receive Common Stock or cash of an equivalent value at the end of a specified Performance Period.

EE. **“Person”** means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, incorporated organization, governmental or regulatory or other entity.

FF. **“Plan”** means this RINO International Corporation 2009 Stock Incentive Plan, as amended from time to time.

GG. **“Reference Stock Option”** has the meaning set forth in Section 7.1 of the Plan.

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HH. **"<u>Restricted Stock</u>"** means an Award of shares of Common Stock under this Plan that is subject to restrictions under Article VIII.

II. **"<u>Restriction Period</u>"** has the meaning set forth in Subsection 8.3(a) of the Plan.

JJ. **"<u>Rule 16b-3</u>"** means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provision.

KK. **"<u>Section 162(m) of the Code</u>"** means the exception for performance-based compensation under Section 162(m) of the Code and any applicable Treasury regulations thereunder.

LL. **"<u>Section 409A of the Code</u>"** means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable Treasury regulations thereunder.

MM. **"<u>Securities Act</u>"** means the Securities Act of 1933, as amended and all rules and regulations promulgated thereunder. Any reference to any section of the Securities Act shall also be a reference to any successor provision.

NN. **"<u>Stock Appreciation Right</u>"** means the right pursuant to an Award granted under Article VII. A Tandem Stock Appreciation Right shall mean the right to surrender to the Company all (or a portion) of a Stock Option in exchange for cash or a number of shares of Common Stock (as determined by the Committee, in its sole discretion, on the date of grant) equal to the difference between (a) the Fair Market Value on the date such Stock Option (or such portion thereof) is surrendered, of the Common Stock covered by such Stock Option (or such portion thereof), and (b) the aggregate exercise price of such Stock Option (or such portion thereof). A Non-Tandem Stock Appreciation Right shall mean the right to receive cash or a number of shares of Common Stock (as determined by the Committee, in its sole discretion, on the date of grant) equal to the difference between (i) the Fair Market Value of a share of Common Stock on the date such right is exercised, and (ii) the aggregate exercise price of such right, otherwise than on surrender of a Stock Option.

OO. **"<u>Stock Option</u>"** or **"<u>Option</u>"** means any option to purchase shares of Common Stock granted to Eligible Employees, Non-Employee Directors or Consultants granted pursuant to Article VI of the Plan.

PP. **"<u>Subsidiary</u>"** means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

QQ. **"<u>Ten Percent Stockholder</u>"** means a person owning stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent.

RR. **"<u>Termination</u>"** means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

SS. **"<u>Termination of Consultancy</u>"** means: (a) that the Consultant is no longer acting as a consultant to the Company or an Affiliate; or (b) when an entity which is retaining a Participant as a Consultant ceases to be an Affiliate unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of his or her consultancy, unless otherwise determined by the Committee, in its sole discretion, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Consultancy in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter.

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TT. **"Termination of Directorship"** means that the Non-Employee Director has ceased to be a director of the Company; except that if a Non-Employee Director becomes an Eligible Employee or a Consultant upon the termination of his or her directorship, his or her ceasing to be a director of the Company shall not be treated as a Termination of Directorship unless and until the Participant has a Termination of Employment or Termination of Consultancy, as the case may be.

UU. **"Termination of Employment"** means: (a) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of his or her employment, unless otherwise determined by the Committee, in its sole discretion, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Employment in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter.

VV. **"Transfer"** means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in a Person), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in a Person) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). "Transferred" and "Transferrable" shall have a correlative meaning

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SEPARATION AGREEMENT

This agreement (the "Agreement") effective on the last day executed below, is entered into between YI (JENNY) LIU ("Employee") and RINO INTERNATIONAL CORPORATION, a Nevada corporation ("Employer") relating to Employee's employment and separation from employment with Employer and its subsidiaries.

In consideration of the execution and delivery of the Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Separation From Employment and Severance Rights**.

1.1. Employee resigned as Chief Financial Officer and from any and all other offices or positions Employee may have had with Employer or any of its subsidiaries or affiliated companies effective April 27, 2010 ("Separation Date"), with Employee's Base Salary continuing through April 30, 2010 pursuant to the Employment Agreement defined below.

1.2. Employee's separation from employment with Employer was effective on the Separation Date. Employee will be reimbursed the sum of $1,000 for business expenses incurred by Employee, including the costs of her China and U.S. based cellular phone bill for the period from January 2010 through April 2010 for use of such phone for work on behalf of Employer.

1.3. In exchange for the covenants, warranties and promises which Employee makes in this Agreement below and the Employee's compliance with this Agreement, Section 5(B) of the Employment Agreement, dated June 30, 2009 (the "Employment Agreement") is hereby amended such that the options to purchase 10,000 shares of the Employer's common stock (the "Shares") at the exercise price $6.15 per share granted to Employee shall vest immediately upon the execution of this Agreement.. [and the options to purchase 20,000 shares that were to vest on June 30, 2011 and the options to purchase 20,000 shares which were to vest on June 30, 2012 shall be cancelled and be of no further force or effect]. Once vested, the foregoing options to purchase 10,000 shares of the Employer's common stock which may be exercised until August 12, 2013. None of the options referred to in this Section 1.3 may be exercised on a cashless basis.

1.4. In connection with Employee's receipt of the Shares, Employee represents to the Company as follows

(i) Employee is acquiring the Shares for investment purposes for her own account and without a present intention to distribute the Shares and the Employee will dispose of the Shares only in accordance with the Securities Act of 1933, as amended (the "Securities Act").

(ii) Employee understands that the Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and cannot be resold, except pursuant to Rule 144 or another exemption from the registration requirements of the Securities Act.

(iii) Employee acknowledges that the certificate(s) representing the Shares will include a restrictive legend substantially as follows:

> *The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be sold, transferred or otherwise disposed of in the absence of an effective registration statement under such Act or an opinion of counsel satisfactory to the Company to the effect that such registration is not required.*

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(iv) Employer and its counsel are entitled to rely on this above referenced representation letter in authorizing the Employer's transfer agent to issue certificate(s) for the Shares.

1.5. Employer agrees that if Employee is made a party, is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of the fact that Employee is or was an employee of Employer, or is or was serving at the request of Employer as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to clients of Employer, whether or not the basis of such Proceeding is Employee's alleged action in an official capacity while serving as an employee, agent or consultant, Employee shall be indemnified and held harmless by Employer, to the same extent as the officers and directors of the Employer to the fullest extent permitted by law and to the extent such proceeding is eligible for coverage under Employer's officer and director liability insurance policy then in effect, against all cost, expense, liability, and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or other liabilities or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Employee in connection therewith, and such indemnification shall continue as to Employee even if she has ceased to be an employee or agent of the Employer and shall inure to the benefit of Employee's heirs, executors and administrators. Employer shall pay in cash, as and when due, any and all attorneys' fees and costs incurred by Employee in connection with any dispute or settlement arising from a Proceeding covered under this Section 1.5.

1.6. Employer shall pay in cash, as and when due, any and all attorneys' fees and costs incurred by Employee in connection with any dispute or settlement arising from her affiliation with Employer , as an employee or as a consultant, or as an employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to clients of Employer, whether or not the basis of such proceeding is Employee's alleged action, Employee shall be indemnified and held harmless by Employer, to the same extent as the officers and directors of the Company, to the fullest extent legally permitted.

2. **Covenants of Employee**.

2.1. In exchange for the promises which Employer makes in this Agreement, Employee, her heirs, executors, administrators, successors and assigns (referred to collectively as "Releasors") hereby waive and release Employer and any and all of Employer's past and/or present affiliates, officers, directors, members, agents, employees, employee benefit plans and their fiduciaries and administrators, and all of its and their successors and assigns (referred to collectively as the "Releasees") from all causes of action, suits, debts, dues, liabilities, obligations, costs, expenses, liens, damages, judgments, claims and demands of any kind whatsoever, at law or in equity, whether or not they are presently known to exist, that Releasors has against Releasees arising out of, by reason of, or relating in any way whatsoever to any matter, cause or thing from any time up to the Effective Date of this Agreement..

2.2. The rights and claims which Employee and other Releasors waive and release against Employer and other Releasees include, to every extent allowed by law, those arising under the Employee Retirement Income Security Act of 1974, the Civil Rights Acts of 1866, 1871, 1964 and 1991, the Rehabilitation Act of 1973, the Fair Labor Standards Act, the Equal Pay Act of 1963, the Vietnam Era Veteran's Readjustment Assistance Act of 1974, the Occupational safety and Health Act, the Immigration reform and Control Act of 1986, the Americans with Disabilities Act, the Age Discrimination in Employment Act of 1967, the Older Worker's Benefit Protection Act, the Florida Civil Rights Act, the Americans with Disabilities Act and the Family and Medical Leave Act of 1993, both as amended, and the Labor Law of People's Republic of China, as amended. Employee and other Releasors also agree to release Employer and other Releasors from any other claim of discrimination, harassment or retaliation in employment (whether based on federal, state or local law, statutory or decisional), any claim sounding in tort or contract (express or implied) and any claim for attorneys' fees, costs, disbursements and/or the like. This is not a complete list, and Employee and other Releasors waive and release all similar rights and claims under all other federal, state and local discrimination provisions and all other statutory and common law causes of action relating in any way to Employee's employment or separation from employment with Employer and its subsidiaries and affiliates.

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2.3. Employee agrees that she has waived any damages and other relief available to her (including, without limitation, monetary damages, equitable relief and reinstatement) with respect to any claim or cause of action released in Sections 2.1. and 2.2. above. Therefore, Employee and other Releasors agree and covenant not to file any suit, charge or complaint against Releasees in any court or administrative agency, with regard to any claim, demand, liability or obligation released in Sections 2.1. and 2.2. above. Employee further represents that no claims, complaints, charges, or other proceedings are pending in any court, administrative agency, commission or other forum relating directly or indirectly to her engagement with Employer. Nothing in this Agreement shall be construed to prohibit Employee from filing a charge with or participating in any investigation or proceeding conducted by the United States Equal Employment Opportunity Commission or a comparable state or local agency. Further, nothing in this Agreement shall be construed to prohibit Employee from challenging this Agreement pursuant to the Older Workers' Benefit Protection Act

2.4. Except for the representations and obligations of Employee created by or arising out of this Agreement effective on the Separation Date, Employer, and Employer's subsidiaries and affiliated companies, do hereby release, acquit, satisfy and forever discharge and covenant not to sue Employee or Employee's descendants, heirs, successors and assigns, and each of them, past or present, from any and all manner of action, causes of action, rights, liens, agreements, contracts, covenants, obligations, suits, claims, debts, dues, sums of monies, costs, expenses, attorneys' fees, judgments, orders and liabilities, accounts, covenants, controversies, promises, damages, of whatever kind and nature in law or equity or otherwise whether now known or unknown, including specifically but not limited to, any and all claims arising out of such employment relationship Employee had with Employer and the transactions and relationships described herein.

2.5. Employee agrees not to testify for, appear on behalf of, or otherwise assist in any way any individual, company, or agency in any claim against Employer, except, unless, and only pursuant to a lawful subpoena issued to Employee. If such a subpoena is issued, Employee will immediately notify Employer and provide it with a copy of the subpoena.

2.6. Employee understands and agrees that as of the Separation Date, Employee was and is no longer authorized to incur any expenses or obligations or liabilities on behalf of Employer.

2.7. Employee acknowledges and agrees that, during the period of Employee's employment by Employer, Employee had access to confidential, proprietary, strategic and sensitive information relating to Employer's business and affairs and the business and affairs of its affiliates and clients, including, without limitation, materials used for identifying clients, client information and lists, information concerning ongoing and potential assignments, internal operating procedures, business plans, projections, valuations techniques, financial models and research data. Employee also acknowledges and agrees that such information is special and unique to Employer and its affiliates and clients and Employee has not and will not disclose to any other person or entity such information without Employer's prior written consent, except: (a) as may be required pursuant to a valid subpoena, at the request of a government agency in connection with any investigation it is conducting or as otherwise required by applicable law; and (b) to Employee's financial advisor(s) and/or her attorney, provided that Employee first informs them of the confidentiality of this Agreement and they agree to maintain its confidentiality. Employee hereby agrees and covenants that Employee will not, directly or indirectly, publish, disclose or make accessible to any other person, firm, corporation, organization or entity, including, without limitation, any member of her family, any confidential, proprietary, strategic or sensitive information whatsoever relating, directly or indirectly, to Employer's clients, including, but not limited to, Employer's clients' names, business, or affairs or the business or affairs of any of Employer's affiliates or clients, that Employee may learn or initiate and develop a business relationship with during Employee's employment by Employer, whether or not such information is specifically designated as confidential, proprietary, strategic or sensitive.

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2.8. Employee will not at any time after the Separation Date disclose or use for Employee's own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than Employer and any of its subsidiaries or affiliates, any trade secrets, information, data or other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of Employer, generally, or of any subsidiary or affiliate of Employer, however, that the foregoing shall not apply to information which is not unique to Employer, or which is generally known to the industry or the public other than as a result of Employee's breach of this Agreement. Employee agrees to return to Employer all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom (including electronic media containing such information) in any way relating to the business of Employer and its affiliates, except that Employee may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. Employee further agrees that Employee will not retain or use for Employee's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of Employer or its affiliates.

2.9. Employee hereby certifies that Employee has returned to Employer, all of Employer's property, including computer and office equipment, office keys, supplies, customer and work files and other related materials.

2.10. Employee agrees and acknowledges that this Agreement does not constitute an admission by Employer of any violation of any federal, state, or local statute or regulation, or any violation of any of Employee's rights or of any duty owed by Employer to Employee. Employer agrees and acknowledges that this Agreement does not constitute an admission by Employee of any violation of any federal, state, or local statute or regulation, or any violation of any of Employer's rights or of any duty owed by Employee to Employer.

2.11. Employee hereby agrees to indemnify Employer and its subsidiaries, its affiliates, controlling persons, representatives and agents, for any loss, damage, claim or expense arising out of her breach of the foregoing representations or warranties and covenants. Employee agrees that the payments and the benefits provided in Section 1 of this Agreement are in full discharge of any and all liabilities and obligations of Employer to Employee.

3. **Miscellaneous**.

3.1. Employee agrees that Employee has not made, and shall not make or solicit, any disparaging, denigrating, critical or untrue statements (public or private) about Employer, its management or about any other employee of Employer, its products, customers, clients, or prospects. It is agreed and understood that any breach of this paragraph by Employee would be material.

3.2. Employer agrees that it shall not make any disparaging, denigrating, critical or untrue statements (public or private) about Employee. It is agreed and understood that any breach of this Section 3 by Employer would be material.

3.3. This Agreement shall be interpreted and enforced in accordance with the laws of the State of New York. Each of the parties submits to the jurisdiction of any provincial or federal court sitting in New York, in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined by any such court. Each party also agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.

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3.4. If either party initiates proceedings for the other's breach of this Agreement, the prevailing party shall recover attorneys' fees and costs, including such fees and costs on any enforcement or appeal proceedings.

3.5. If one or more paragraphs of this Agreement are ruled invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of the Agreement, which shall remain in full force and effect.

3.6. This Agreement may be modified only by a writing signed by both parties.

3.7. Both parties agree that, unless required by law or by a court of competent jurisdiction, this Agreement shall remain confidential and will not be used for any purpose other than enforcing its specific terms in any proceeding between the parties. If this document must be filed in any court proceeding, the person seeking to file it will do so only under seal, unless expressly prohibited by the court.

3.8. This Agreement may be executed in two counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same document.

IN WITNESS WHEREOF, Employee and Employer have agreed upon and signed this Agreement as of the date set forth below.

EMPLOYEE:		EMPLOYER:	
		RINO INTERNATIONAL CORPORATION	
Sign	/s/ YI (JENNY) LIU	By:	/s/ Dejun Zou
	YI (JENNY) LIU	Its:	President and Chief Executive Officer
Date:	August 12, 2010	Date:	August 12, 2010

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NON-QUALIFIED STOCK OPTION AGREEMENT

Under The
RINO International Corporation 2009 Stock Incentive Plan

AGREEMENT ("Agreement"), dated August 12, 2010 by and between RINO International Corporation, a Nevada corporation (the "Company"), and Yi (Jenny) Liu (the "Participant").

Preliminary Statement

WHEREAS, the Board of Directors of the Company (the "Board") has appointed a committee (the "Committee") to administer the RINO International Corporation 2009 Stock Incentive Plan (the "Plan"). The Board has authorized this grant of a non-qualified stock option (the "Option") on June 30, 2009 (the "Grant Date") to purchase the number of shares of the Company's common stock, par value $0.0001 per share (the "Common Stock") set forth below to the Participant, as a Eligible Employee of the Company (collectively, the Company and all Subsidiaries and Parents of the Company shall be referred to as the "Company").

Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. For the convenience of the Participant, capitalized terms used but not defined herein and defined in the Plan have been set forth hereto in Schedule A. A copy of the Plan has been delivered to the Participant. By signing and returning this Agreement, the Participant (i) acknowledges having received and read a copy of the Plan and this Agreement, (ii) agrees to comply with the Plan, this Agreement and all applicable laws and regulations, (iii) acknowledges that the Company has not provided any tax advice to the Participant regarding the grant or future exercise of the Option or the subsequent sale or transfer of shares of Common Stock issuable hereunder, and (iv) understands that the Participant should consult with the Participant's personal financial, accounting and tax advisors regarding the same to the extent the Participant deems necessary.

WHEREAS, on August 12, 2010, the Company and the Participant entered into a Separation Agreement, which amended the terms of the Option that was granted on June 30, 2009 (the "Separation Agreement").

NOW THEREFORE BE IT, the parties hereto agree the terms of the Option be amended in entirety as follows:

1. Grant of Option. The Company hereby acknowledges the grant of an Option to Optionee to purchase 10,000 shares ("Shares") of its Common Stock on June 30, 2009 in the manner and subject to the conditions provided hereinafter.

2. Vesting and Exercise.

(a) The Shares underlying the Option shall vest upon the execution of this Agreement and shall have an exercise price of $6.15 per share, which is the Fair Market Value or higher of a share of Common Stock on the Grant Date, or 110% of such Fair Market Value in the case of a Ten Percent Stockholder as provided in Code Section 422 (the "Option Exercise Price"). To the extent that the Option has become vested and is exercisable as provided herein, the Option may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein and in accordance with Sections 6.3(c) and 6.3(d) of the Plan, including, without limitation, by the filing of any written form of exercise notice as may be required by the Committee and payment in full of the Option Exercise Price multiplied by the number of shares of Common Stock underlying the portion of the Option exercised. Upon expiration of the Option, the Option shall be canceled and no longer exercisable.

(b) [Intentionally omitted].

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3. Time of Exercise of Option. Any portion of the Option which has vested may be exercised; provided, however, such Option shall expire and terminate upon the first to occur of any of the following events (the “Expiration Date”):

(a) August 12, 2013;

(b) the dissolution or liquidation of the Company; or

(c) at the time of a breach by Optionee of any material provision of the Optionee’s Separation Agreement with the Company or any other written agreement between the Optionee and the Company.

4. Method of Exercise. All or a portion of the Option may be exercised by payment of the Option Exercise Price in cash by the Optionee, unless another form of payment is authorized by the Committee. In the event of payment of the Option Exercise Price by check, the Option shall not be considered exercised until receipt of cleared funds by the Company upon deposit of the check.

5. Restrictions on Exercise and Delivery. Exercise of the Option, or any portion thereof, shall be subject to the conditions set forth below as determined by the Committee in its sole and absolute discretion:

(a) the satisfaction of any withholding tax or other withholding liabilities, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of Shares pursuant thereto,

(b) the listing, registration, or qualification of any Shares deliverable upon such exercise is desirable or necessary, under any state or federal law, as a condition of, or in connection with, such exercise or the delivery or purchase of Shares pursuant thereto, or

(c) the consent or approval of any regulatory body is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of any Shares pursuant thereto,

then in any such event, such exercise shall not be effective unless such withholding, listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. Optionee shall execute such documents and take such other actions as are required by the Committee to enable it to effect or obtain such withholding, listing, registration, qualification, consent or approval. Neither the Company nor any officer or director, or member of the Committee, shall have any liability with respect to the non-issuance of any portion of the Shares on exercise or failure to sell any Shares as the result of any suspensions of exercisability imposed pursuant to this Section.

6. [Intentionally omitted].

7. [Intentionally omitted].

8. Assignability. This Option may not be sold, pledged, assigned or transferred (except by will or the laws of descent and distribution) unless with the written consent of the Company.

9. Representation Letter. Upon exercise of all or any part of the Option, the Optionee will deliver to the Company the Exercise Representation Letter substantially the same as the one set forth on Exhibit A hereto, as such Exhibit may be amended by the Committee from time to time. Optionee also agrees to make such other representations as are deemed necessary or appropriate by the Company and its counsel.

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10. Rights as Shareholder. Neither Optionee nor his or her executor, administrator, heirs or legatees, shall be, or have any rights or privileges of a shareholder of the Company in respect of the Shares unless and until certificates representing such Shares shall have been issued in Optionee's name.

11. No Right of Employment. Neither the grant nor exercise of any Option nor anything in the Plan or this Agreement shall impose upon the Company any obligation to employ or continue to employ any Optionee. The right of the Company to terminate any employee shall not be diminished or affected because an Option has been granted to such employee.

12. Mandatory Arbitration. In the event of any dispute between the Company and Optionee regarding this Agreement, the dispute and any issue as to the arbitrability of such dispute, shall be settled to the exclusion of a court of law, by arbitration in New York City, New York by a panel of three arbitrators (each party shall choose one arbitrator and the third shall be chosen by the two arbitrators so selected) in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The decision of a majority of the arbitrators shall be final and binding upon the parties. All costs of the arbitration and the fees of the arbitrators shall be allocated between the parties as determined by a majority of the arbitrators, it being the intention of the parties that the prevailing party in such a proceeding be made whole with respect to its expenses.

13. The Company’s Rights. The existence of the Option shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

14. Optionee. Whenever the word “Optionee” is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Committee, to apply to the estate, personal representative, beneficiary to whom the Option or Shares may be transferred by will or by the laws of descent and distribution, or another permitted transferee, the word “Optionee” shall be deemed to include such person.

15. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is provided to Optionee with this Agreement as Exhibit B.

16. Section 409A Compliance. To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement (in a manner determined by the Board or Committee in its sole discretion) solely to comply with Section 409A of the Code and the regulations promulgated thereunder, subject to the terms and conditions of the Plan.

17. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to the Optionee at the address contained in the records of the Company, or addressed to the Committee, care of the Company to the attention of its Corporate Secretary at its principal office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Optionee, his heirs and successors, and of the Company, its successors and assigns.

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19. Governing Law. This Agreement shall be governed by the laws of the State of New York, without giving effect to principles of conflicts of laws.

20. Descriptive Headings. Titles to Sections are solely for informational purposes.

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IN WITNESS WHEREOF, this Agreement is effective as of, and the date of grant shall be August 12, 2010.

RINO INTERNATIONAL CORPORATION
a Nevada corporation

By: /s/ Dejun Zou
Its: President and Chief Executive Officer

OPTIONEE

/s/ Yi (Jenny) Liu
Print Name Yi (Jenny) Liu

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EXHIBIT A

_____________, 20___

RINO International Corporation

Re: Stock Option Exercise

To Whom It May Concern:

I (the "Optionee") hereby exercise my right to purchase ________ shares of common stock (the "Shares") of RINO International Corporation, a Nevada Company (the "Company"), pursuant to, and in accordance with, an option agreement dated _______________, 20__ (the "Agreement"). As provided in such Agreement, I deliver herewith payment as set forth in the Agreement in the amount of the aggregate option exercise price. Please deliver to me at my address as set forth above stock certificates representing the subject shares registered in my name.

The Optionee hereby represents and agrees as follows:

1. The Optionee acknowledges receipt of a copy of the Agreement. The Optionee has carefully reviewed the Agreement.

2. The Optionee is a resident of __________.

3. The Optionee represents and agrees that if the Optionee is an "affiliate" (as defined in Rule 144 under the Securities Act of 1933) of the Company at the time the Optionee desires to sell any of the Shares, the Optionee will be subject to certain restrictions under, and will comply with all of the requirements of, applicable federal and state securities laws.

The foregoing representations and warranties are given on ________ at _____________________.

___ Optionee encloses a check in the amount of $ ______________ for the payment of the aggregate amount of the Option Exercise Price.

___ Optionee elects a Cashless Exercise for __________Option Shares.

OPTIONEE:

____

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Exhibit B

RINO International 2009 Stock Incentive Plan

SCHEDULE A

The following terms used but not defined in the Agreement and defined in the Plan have been provided below for the convenience of the Participant but are qualified in their entirety by the full text of such terms in the Plan.

A. "Acquisition Event" means a merger or consolidation in which the Company is not the surviving entity, any transaction that results in the acquisition of all or substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities acting in concert, or the sale or transfer of all or substantially all of the Company's assets.

B. "Affiliate" means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company; (d) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company; and (e) any other entity in which the Company or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee; provided that the Common Stock subject to any Award constitutes "service recipient stock" for purposes of Section 409A of the Code or otherwise does not subject the Award to Section 409A of the Code.

C. "Appreciation Award" means any Award under this Plan of any Stock Option, Stock Appreciation Right or Other Stock-Based Award, provided that such Other Stock-Based Award is based on the appreciation in value of a share of Common Stock in excess of an amount equal to at least the Fair Market Value of the Common Stock on the date such Other Stock-Based Award is granted.

D. "Award" means any award under this Plan of any Stock Option, Stock Appreciation Right, Restricted Stock, Performance Share, Other Stock-Based Award or Performance-Based Cash Awards. All Awards shall be granted by, confirmed by, and subject to the terms of, a written agreement executed by the Company and the Participant.

E. "Board" means the Board of Directors of the Company.

F. "Cause" means with respect to a Participant's Termination of Employment or Termination of Consultancy from and after the date hereof, the following: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define "cause" (or words of like import)), termination due to: (i) a Participant's conviction of, or plea of guilty or nolo contendere to, a felony; (ii) perpetration by a Participant of an illegal act, or fraud which could cause significant economic injury to the Company; (iii) continuing willful and deliberate failure by the Participant to perform the Participant's duties in any material respect, provided that the Participant is given notice and an opportunity to effectuate a cure as determined by the Committee; or (iv) a Participant's willful misconduct with regard to the Company that could have a material adverse effect on the Company; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award that defines "cause" (or words of like import), "cause" as defined under such agreement; provided, however, that with regard to any agreement under which the definition of "cause" only applies on occurrence of a change in control, such definition of "cause" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter. With respect to a Participant's Termination of Directorship, "cause" means an act or failure to act that constitutes cause for removal of a director under applicable Nevada law.

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G. **"Change in Control"** has the meaning set forth in Section 13.2 of the Plan.

H. **"Change in Control Price"** has the meaning set forth in Section 13.1 of the Plan.

I. **"Code"** means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any Treasury Regulation promulgated thereunder.

J. "**Committee**" means: (a) with respect to the application of this Plan to Eligible Employees and Consultants, a committee or subcommittee of the Board appointed from time to time by the Board, which committee or subcommittee shall consist of two or more non-employee directors, each of whom shall be (i) a "non-employee director" as defined in Rule 16b-3; (ii) to the extent required by Section 162(m) of the Code, an "outside director" as defined under Section 162(m) of the Code; and (iii) an "independent director" for purposes of the applicable stock exchange rules; and (b) with respect to the application of this Plan to Non-Employee Directors, the Board. To the extent that no Committee exists that has the authority to administer this Plan, the functions of the Committee shall be exercised by the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code, such noncompliance shall not affect the validity of Awards, grants, interpretations or other actions of the Committee.

K. **"Common Stock"** means the common stock, $0.0001 par value per share, of the Company.

L. **"Company"** means RINO International Corporation, a Nevada Corporation, and its successors by operation of law.

M. **"Consultant"** means any individual or entity who provides bona fide consulting or advisory services to the Company or its Affiliates pursuant to a written agreement, which are not in connection with the offer and sale of securities in a capital-raising transaction.

N. **"Disability"** means with respect to a Participant's Termination, a permanent and total disability as defined in Section 22(e)(3) of the Code. A Disability shall only be deemed to occur at the time of the determination by the Committee of the Disability. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

O. **"Effective Date"** means the effective date of this Plan as defined in Article XVII.

P. **"Eligible Employees"** means each employee of the Company or an Affiliate.

Q. **"Exchange Act"** means the Securities Exchange Act of 1934, as amended. Any references to any section of the Exchange Act shall also be a reference to any successor provision.

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R. **"Fair Market Value"** means, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date and except as provided below, the last sales price reported for the Common Stock on the applicable date: (a) as reported on the principal national securities exchange in the United States on which it is then traded, or (b) if the Common Stock is not traded, listed or otherwise reported or quoted, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate taking into account the requirements of Section 409A of the Code. For purposes of the grant of any Award, the applicable date shall be the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or, if not a day on which the applicable market is open, the next day that it is open.

S. **"Family Member"** means "family member" as defined in Section A.1.(5) of the general instructions of Form S-8.

T. **"GAAP"** has the meaning set forth in Section 11.2(c)(ii).

U. **"Incentive Stock Option"** means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries and its Parent (if any) under this Plan intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

V. **"Non-Employee Director"** means a director of the Company who is not an active employee of the Company or an Affiliate.

W. **"Non-Qualified Stock Option"** means any Stock Option awarded under this Plan that is not an Incentive Stock Option.

X. **"Other Stock-Based Award"** means an Award under Article X of this Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock, including, without limitation, a restricted stock unit or an Award valued by reference to an Affiliate.

Y. **"Parent"** means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

Z. **"Participant"** means an Eligible Employee, Non-Employee Director or Consultant to whom an Award has been granted pursuant to the Plan.

AA. **"Performance-Based Cash Award"** means a cash Award under Article XI of this Plan that is payable or otherwise based on the attainment of certain pre-established performance goals during a Performance Period.

BB. **"Performance Goals"** mean such performance goals as determined in writing by the Committee.

CC. **"Performance Period"** means the duration of the period during which receipt of an Award is subject to the satisfaction of performance criteria, such period as determined by the Committee in its sole discretion.

DD. **"Performance Share"** means an Award made pursuant to Article IX of this Plan of the right to receive Common Stock or cash of an equivalent value at the end of a specified Performance Period.

EE. **"Person"** means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, incorporated organization, governmental or regulatory or other entity.

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FF. **“Plan”** means this RINO International Corporation 2009 Stock Incentive Plan, as amended from time to time.

GG. **“Reference Stock Option”** has the meaning set forth in Section 7.1 of the Plan.

HH. **“Restricted Stock”** means an Award of shares of Common Stock under this Plan that is subject to restrictions under Article VIII.

II. **“Restriction Period”** has the meaning set forth in Subsection 8.3(a) of the Plan.

JJ. **“Rule 16b-3”** means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provision.

KK. **“Section 162(m) of the Code”** means the exception for performance-based compensation under Section 162(m) of the Code and any applicable Treasury regulations thereunder.

LL. **“Section 409A of the Code”** means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable Treasury regulations thereunder.

MM. **“Securities Act”** means the Securities Act of 1933, as amended and all rules and regulations promulgated thereunder. Any reference to any section of the Securities Act shall also be a reference to any successor provision.

NN. **“Stock Appreciation Right”** means the right pursuant to an Award granted under Article VII. A Tandem Stock Appreciation Right shall mean the right to surrender to the Company all (or a portion) of a Stock Option in exchange for cash or a number of shares of Common Stock (as determined by the Committee, in its sole discretion, on the date of grant) equal to the difference between (a) the Fair Market Value on the date such Stock Option (or such portion thereof) is surrendered, of the Common Stock covered by such Stock Option (or such portion thereof), and (b) the aggregate exercise price of such Stock Option (or such portion thereof). A Non-Tandem Stock Appreciation Right shall mean the right to receive cash or a number of shares of Common Stock (as determined by the Committee, in its sole discretion, on the date of grant) equal to the difference between (i) the Fair Market Value of a share of Common Stock on the date such right is exercised, and (ii) the aggregate exercise price of such right, otherwise than on surrender of a Stock Option.

OO. **“Stock Option”** or **“Option”** means any option to purchase shares of Common Stock granted to Eligible Employees, Non-Employee Directors or Consultants granted pursuant to Article VI of the Plan.

PP. **“Subsidiary”** means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

QQ. **“Ten Percent Stockholder”** means a person owning stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent.

RR. **“Termination”** means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

SS. **“Termination of Consultancy”** means: (a) that the Consultant is no longer acting as a consultant to the Company or an Affiliate; or (b) when an entity which is retaining a Participant as a Consultant ceases to be an Affiliate unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of his or her consultancy, unless otherwise determined by the Committee, in its sole discretion, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Consultancy in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter.

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TT. **“Termination of Directorship”** means that the Non-Employee Director has ceased to be a director of the Company; except that if a Non-Employee Director becomes an Eligible Employee or a Consultant upon the termination of his or her directorship, his or her ceasing to be a director of the Company shall not be treated as a Termination of Directorship unless and until the Participant has a Termination of Employment or Termination of Consultancy, as the case may be.

UU. **“Termination of Employment”** means: (a) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of his or her employment, unless otherwise determined by the Committee, in its sole discretion, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Employment in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter.

VV. **“Transfer”** means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in a Person), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in a Person) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). “Transferred” and “Transferrable” shall have a correlative meaning

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EXHIBIT 31.1

CERTIFICATION

I, Dejun Zou certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2010 of RINO International Corporation;

2. Based on my knowledge, this report does 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;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2010

/s/ Dejun Zou

Dejun Zou
Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION

I, Ben Wang, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2010 of RINO International Corporation;

2. Based on my knowledge, this report does 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;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2010

/s/ Ben Wang

Ben Wang
Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in his or her capacity as an officer of RINO International Corporation (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his or her knowledge:

(1) The Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 16, 2010

/s/ Dejun Zou

Dejun Zou
Chief Executive Officer

/s/ Ben Wang

Ben Wang
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to RINO International Corporation and will be retained by RINO International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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