

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.
Form 10KSB
April 15, 2008

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

Form 10-KSB

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED: **December 31, 2007**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	000-04494 (Commission File Number)	13-5661446 (IRS Employer Identification Number)
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Wenyang Town

Feicheng City

Shandong, China 271603

(Address of principal executive offices)

Registrant's telephone number, including area code: **86 538 3850 703**

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$0.001

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State issuer's revenues for its most recent fiscal year: \$38,407,800

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)
As of April 14, 2008 \$11,276,150

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of April 14, 2008, the Company had 26,000,000 shares issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes ____; No X

PART I

ITEM 1.

DESCRIPTION OF BUSINESS.

Business Development

China RuiTai International Holdings Co., Ltd. (hereinafter referred to as we, us, our, the Company, or the Registrant) was organized under the laws of the State of Delaware on November 15, 1955, under the name "Inland Mineral Resources Corp." We were formed for the purpose of engaging in all lawful businesses. Our initial authorized capital consisted of 2,000,000 shares of \$0.01 par value common voting stock.

Currently, the Registrant, through its wholly-owned subsidiary, Pacific Capital Group Co., Ltd., (Pacific Capital Group) a corporation incorporated under the laws of the Republic of Vanuatu and its majority-owned subsidiary, TaiAn RuiTai Cellulose Co., Ltd., (TaiAn) a Chinese limited liability company, is engaged in the production, sales, and exportation of deeply processed chemicals, with a primary focus on non-ionic cellulose ether products in the Peoples Republic of China (PRC).

Charter Amendments and Re-capitalizations

The following amendments and/or re-capitalizations were effected by us in accordance with the Delaware General Corporations Code:

- * On May 8, 1968 our authorized shares were increased to 5,000,000 shares of \$0.01 par value common voting stock.
- * On April 25, 1969, our name was changed to "Parker-Levitt Corporation," and we also increased our authorized capital to 20,000,000 shares, comprised of 15,000,000 shares of \$0.01 par value common voting stock, and 5,000,000 shares of \$0.01 par value preferred stock.
- * On November 19, 1976, we changed our name to "Commercial Property Corp."
- * On December 13, 1976, our name was changed back to "Parker-Levitt Corporation."
- * On June 23, 1977, we changed our name to "Commercial Property Corporation."
- * On October 18, 1982, our authorized capital was reduced to 3,000,000 shares of \$0.01 par value common voting stock only.
- * On April 1, 1998 the Registrant effected a 1-for-100 reverse stock split of the Registrant's outstanding common stock. The Board of Directors determined that no shareholder should have their share holdings reduced to less than 50

shares; therefore, an additional 56,632 shares of common stock were issued in conjunction with the reverse stock split.

* On December 23, 2004, we filed Amended and Restated Articles of Incorporation with the State of Delaware to: (i) authorize 10,000,000 shares of preferred stock with \$0.001 par value; (ii) authorize 50,000,000 shares of common stock with \$0.001 par value; (iii) change the common stock par value from \$0.01 par value to \$0.001; (iv) allow for forward and reverse pro rata stock splits without stockholder approval; (v) allow the Board of Directors to change our name without stockholder approval; and (vi) to opt out of Delaware corporate law control share acquisition provisions.

* In March 2005, the Registrant effected a two for one dividend with a mandatory exchange of stock

certificates resulting in a two for one forward stock split while retaining our authorized capital and par value, with appropriate adjustments in our stated capital and capital surplus accounts.

* On November 15, 2006, as reported on the Form 8-K Current Report filed with the Securities and Exchange Commission on November 20, 2006, we changed our name from Commercial Property Corporation to Shandong Ruitai Chemical Co. Ltd. The change of the name was made pursuant to Section 253 of the Delaware General Corporation Law after the wholly-owned subsidiary of the Registrant merged with and into the Registrant with the Registrant surviving the merger.

* Effective, March 12, 2007, pursuant to Amended and Restated Articles of Incorporation filed with the State of Delaware, the Registrant changed its name from Shandong RuiTai Chemical Co. Ltd. to China RuiTai International Holdings Co., Ltd.

All computations herein take into account all of the foregoing re-capitalizations.

Historical Business Operations

Subsequent to our inception, we entered into several business acquisitions with subsidiaries and held various limited partnership interests related to real property development. These operations were not successful, and we discontinued the majority of our operations by 1981. We were dormant as the result of the revocation of our corporate charter by the State of Delaware due to our failure to pay the required franchise taxes from 1984 until 1997. In 1997, our corporate charter was reinstated. From 1997 until November 2007 we did not conduct any material business operations.

As disclosed on Forms 8-K filed with the Securities and Exchange Commission on September 5, 2007 and November 9, 2007, on August 29, 2007, the Registrant entered into a Share Exchange Agreement (the Exchange Agreement) with Pacific Capital Group, and the shareholders of Pacific Capital Group (the Shareholders). Pursuant to the terms of the Exchange Agreement, the Shareholders agreed to transfer all of the issued and outstanding shares of common stock in Pacific Capital Group to the Registrant in exchange for the issuance of an aggregate of 22,645,348 shares of the Registrant's common stock to the Shareholders, thereby causing Pacific Capital Group to become a wholly-owned subsidiary of the Registrant (the Share Exchange). Upon closing of the Share Exchange on November 8, 2007, the Shareholders of Pacific Capital Group delivered all of their equity capital in Pacific Capital Group to the Registrant in exchange for 22,645,348 shares of common stock of the Registrant. The Share Exchange resulted in Pacific Capital Group, and Pacific Capital Group's operating subsidiary, TaiAn becoming wholly and majority owned subsidiaries, respectively, of the Registrant.

As a result of the Share Exchange described above, on November 8, 2007, Pacific Capital Group became a wholly-owned subsidiary of the Registrant. Pacific Capital Group was incorporated on November 23, 2006 under the laws of the Republic of Vanuatu as a holding company, for the purposes of seeking and consummating a merger or acquisition with a business entity. On April 26, 2007, following the approval by the relevant governmental authorities in the PRC, Pacific Capital Group acquired a 99% ownership interest in TaiAn, which was formed in the PRC on

November 10, 1999. As a result of the transaction, TaiAn became a majority-owned subsidiary of Pacific Capital Group. Pacific Capital Group, through TaiAn, engages in the development, manufacturing, and distribution of cellulose ether.

Prior to the closing of the Share Exchange, the Registrant was a shell company with no or nominal business operations. As a result of the closing of the Share Exchange, the Registrant succeeded to the business of TaiAn as its sole line of business. TaiAn is based in Feicheng City, Shandong Province, PRC.

The Chart below depicts the corporate structure of the Registrant. As depicted below, the Registrant owns 100% of the capital stock of Pacific Capital Group and has no other subsidiaries. Pacific Capital Group owns 99% of the capital stock of TaiAn and has no other subsidiaries. TaiAn has no subsidiaries.

China RuiTai International Holdings Co., Ltd.

(a Delaware corporation)

100%

Pacific Capital Group Co., Ltd

(a Republic of Vanuatu corporation)

99%

TaiAn RuiTai Cellulose Co., Ltd.

(a PRC Limited Liability Company)

Business of the Issuer

As noted above, the Registrant does not directly carry on business operations. All of the business operations of the Registrant are conducted through its wholly-owned and majority owned subsidiaries. As used in this Form 10-KSB, unless otherwise specifically noted, from this point forward all references to the Company, we, our and us refer to Registrant, and its wholly owned subsidiaries, Pacific Capital Group and TaiAn.

The Registrant, through its wholly-owned subsidiary, Pacific Capital Group and its majority-owned subsidiary, TaiAn, is engaged in the production, sales, and exportation of deeply processed chemicals, with a primary focus on non-ionic cellulose ether products. Cellulose ether is an organic chemical that dissolves in water and other organic solvents.

Due to the surface-active properties of cellulose ether, it acts as a thickener and stabilizer in aqueous solutions, making it a beneficial additive in a wide variety of commercial industries and products, including, but not limited to the pharmaceutical industry, the construction industry, PVC products, food and beverage products, petroleum, and cosmetics. Specific examples of applications in which cellulose ether products are used include: as a stabilizer and thickener in latex paint; in mortar dry mix for building materials; to improve the performance of resin in PVC production; as a membrane reagent, stabilizer, and thickener in pharmaceuticals; and to improve jam, ice cream, toothpaste and lipsticks in the food and cosmetic industries. TaiAn is one of the largest non-ionic cellulose ether producers in China.

Products

TaiAn has twelve major product lines which are marketed under its brand name RuiTai. TaiAn's product lines, which are all focused around and related to cellulose ether, include: 1) Hydroxypropyl Methyl Cellulose (HPMC); 2) Methyl Cellulose (MC); 3) Ethyl Cellulose Aqueous Dispersion (EAD); 4) Ethyl Cellulose (EC); 5) Hydroxyethyl Cellulose (HEC); 6) CMC; 7) Microcrystalline Cellulose (MCC); 8) HEMC; 9) Hypromellose Phthalate (HPMCP); 10) Hydroxypropyl Cellulose (HPC); and 11) Film Coating Pre-Mixed Reagent.

Cellulose ether is an organic chemical that dissolves in water and other organic solvents. Due to the surface-active properties of cellulose ether, it acts as a thickener and stabilizer in aqueous solutions, making it a beneficial additive in a wide variety of commercial industries and products, including, but not limited to the pharmaceutical industry, the construction industry, PVC products, food and beverage products, petroleum, and cosmetics. Specific examples of applications in which TaiAn's products are used include: as a stabilizer and thickener in latex paint; in mortar dry mix for building materials; to improve the performance of resin in PVC production; as a membrane reagent, stabilizer, and thickener in pharmaceuticals; and to improve jam, ice cream, toothpaste and lipsticks in the food and cosmetic industries.

Research and Development and New Products

Research and development of new products and innovation has been emphasized throughout TaiAn's corporate existence. TaiAn has a scientific research center equipped with sophisticated experimental facilities and testing instruments for conducting preliminary and pilot processes for the development of new products. New products that the Company has introduced over the last few years as a result of its research and development include HPMC, MC, HPC, and EAD.

Distribution Methods

TaiAn distributes its products through two primary methods of distribution: 1) directly to end-users who have ordered the product directly from the Company; and 2) through sales agents working at sales offices throughout the PRC. The end-user method of sales and distribution, accounts for 95% of TaiAn's total sales volume. Additionally, TaiAn operates thirty sales offices throughout China. TaiAn currently operates four offices in both Beijing and Shanghai, and operates a single office in each of the following cities: Guangzhou, Qingdao, Nanjing, Chongqing, ChengDu, Shenyang, and Wulumuqi.

Customers and Marketing

Customers

TaiAn's customers include the following companies, Sinopec Qilu Petrochemical, Shanghai Chlor-Alkali Chemical Co., Ltd., Beijing Huaer Co., Ltd., and Guangzhou Baiyunshan Pharmaceutical Co., Ltd. TaiAn is also a designated oil field material supplier for the Xinjiang Kelamayi Oil Field. TaiAn also exports approximately 1,700 tons of ether products, to foreign markets in the United States, Europe, India, the Middle East, and South East Asia.

Marketing

TaiAn employs a sales manager who is in charge of organizing and overseeing the Company's marketing and advertising program which is designed to promote the RuiTai brand through commercial advertisements, sales record tracking, customer consultations, service quality improvements, pricing scheme decisions, and participation at industry conferences, all of which are designed to enhance the Company's brand name recognition and popularity. In addition to the operation of its marketing department, TaiAn also focuses on customer service and has established internal controls and procedures as well as employee training focused on meeting its customers' needs. In an effort to maximize its customer satisfaction, TaiAn maintains user profiles of its customers and compiles and responds to customer requests, suggestions, and complaints. Post-sales support is provided to TaiAn's customers, and if necessary sales representatives will visit customers' businesses to respond to and address any issues relating to the quality of TaiAn's products.

Sources and Availability of Raw Materials

The two major raw materials required for the production of cellulose ether products are: 1) purified cotton; and 2) etherifying epoxy propane. China is a predominantly agricultural country that produces significant amounts of purified cotton. TaiAn is located in Feicheng City in the Shandong Province, a region known for its cotton production. As a result of its location, it is convenient for TaiAn to obtain adequate supplies of high-quality cotton at competitive prices to facilitate the production of its products. In addition to our need for cotton, we also utilize large amounts of etherifying epoxy propane in the production of our products. Within the Shandong Province, Qilu Petrochemical Company, Shandong Insecticide Factory, and Shandong Dongda Company all produce large quantities of etherifying epoxy propane each year. Thus, the assurance of an adequate supply of this raw material is also expected for the near future.

Intellectual Property

The Company has registered the trademark RuiTai with the Trademark Bureau, State Administration for Industry and Commerce, People's Republic of China. The Company does not own any other trademarks or patents.

Other parties are actively developing cellulose ether products. We expect these parties to continue to take steps to protect these technologies, including seeking patent protection. There may be patents issued or pending that are held by others and cover significant parts of our technology, business methods or services. We cannot be certain that our products do not or will not infringe on any valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims, from time to time, relating to the intellectual property of others in the ordinary course of our business.

In addition, we may license technology from third parties. The market is evolving and we may need to license additional technologies to remain competitive. We may not be able to license these technologies on commercially reasonable terms or at all. In addition, we may fail to successfully integrate any licensed technology into our services. Our inability to obtain any of these licenses could delay product and service development until alternative technologies can be identified, licensed and integrated.

Government Regulation

The Company is subject to regulation by both the PRC central government and local governmental agencies located in Feicheng City. In the ordinary course of its business, the Company is subject to numerous environmental laws and regulations covering compliance matters or imposing liability for the costs of, and damages resulting from, cleaning up sites, past spills, disposals and other releases of hazardous substances. Changes in environmental laws and regulations may have a material adverse effect on the Company's financial position and results of operations. Any

failure by the Company to adequately comply with such laws and regulations could subject the Company to significant future liabilities.

Employees

The Company currently employs 608 full time employees.

Reports to Security Holders

We are required to file reports with the SEC under section 13(a) of the Securities Act. The reports will be filed electronically. You may read copies of any materials we file with the SEC at the SEC's Public Reference Room

at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that will contain copies of the reports we file electronically. The address for the SEC Internet site is <http://www.sec.gov>.

ITEM 2.

DESCRIPTION OF PROPERTY.

TaiAn's headquarters are located in Wenyang Town, in the Feicheng City in the Shandong Province of China. In the PRC, all land belongs to the State. Enterprises and Individuals can pay the State a fee to obtain the rights to use a parcel of land for either commercial or residential purposes for initial periods of either 50 or 70 years. The Company currently owns the use rights of two parcels of adjoining land, totaling approximately 56.76 acres, on which its manufacturing plant and office building are located. Specifically, the Company's land use rights are for: i) approximately a 20 acre parcel for a 50 year period ending on December 2, 2055; and ii) a 36 acre parcel ending on June 5, 2054. The Company's manufacturing plant encompasses approximately 40000 square meters of space and includes ten workshops with over 3,000 pieces of manufacturing equipment. The Company also maintains a 322,920 square foot office building on its property.

ITEM 3.

LEGAL PROCEEDINGS.

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated. No director, officer or affiliate of the Company, and no owner of record or beneficial owner of more than 5.0% of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in reference to pending litigation.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the security holders of the Company during the fourth quarter of the fiscal year which ended December 31, 2007.

PART II

ITEM 5.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUERS PURCHASES OF EQUITY SECURITIES.

Market Information.

The Company's shares trade on the OTCBB under the symbol CRUI. On March 12, 2007 the Company name change from Shandong Ruitai Chemical Co., Ltd. to China RuiTai International Holdings Co., Ltd. became effective and the stock ceased trading under the symbol "CPRY" and began trading under the symbol CRUI. Very limited trading activity has occurred during the past two years with our common stock; therefore, only limited historical price information is available. The following table sets forth the high and low bid prices of our common stock (USD) for the last two fiscal years and subsequent interim period, as reported by the National Quotation Bureau and represents inter dealer quotations, without retail mark-up, mark-down or commission and may not be reflective of actual transactions:

	(U.S. \$)	
	HIGH	LOW
2006		
Quarter Ended March 31	N/A	N/A
Quarter Ended June 30	N/A	N/A
Quarter Ended September 30	N/A	N/A
Quarter Ended December 31	N/A	N/A
2007		
Quarter Ended March 31	N/A	N/A
Quarter Ended June 30	N/A	N/A
Quarter Ended September 30	N/A	N/A
Quarter Ended December 31	\$4.70	\$2.50

 Holders.

As of April 14, 2008 there were 26,000,000 shares of common stock issued and outstanding and 733 shareholders of record.

 Dividends.

The Company has not declared or paid any cash dividends on its common stock during the fiscal years ended December 31, 2007 or 2006. There are no restrictions on the common stock that limit the ability of us to pay dividends if declared by the Board of Directors and the loan agreements and general security agreements covering the Company's assets do not limit its ability to pay dividends. The holders of common stock are entitled to receive dividends when and if declared by the Board of Directors, out of funds legally available therefore and to share pro-rata in any distribution to the stockholders. Generally, the Company is not able to pay dividends if after payment of the dividends, it would be unable to pay its liabilities as they become due or if the value of the Company's assets, after payment of the liabilities, is less than the aggregate of the Company's liabilities and stated capital of all classes

 ITEM 6. **MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

SPECIAL NOTE OF CAUTION REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS IN THIS REPORT, INCLUDING STATEMENTS IN THE FOLLOWING DISCUSSION, ARE WHAT ARE KNOWN AS "FORWARD LOOKING STATEMENTS", WHICH ARE BASICALLY STATEMENTS ABOUT THE FUTURE. FOR THAT REASON, THESE STATEMENTS INVOLVE RISK AND UNCERTAINTY SINCE NO ONE CAN ACCURATELY PREDICT THE FUTURE. WORDS SUCH AS "PLANS," "INTENDS," "WILL," "HOPES," "SEEKS," "ANTICIPATES," "EXPECTS "AND THE LIKE OFTEN IDENTIFY SUCH FORWARD LOOKING STATEMENTS, BUT ARE NOT THE ONLY INDICATION THAT A STATEMENT IS A FORWARD LOOKING STATEMENT. SUCH FORWARD LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING OUR PLANS AND OBJECTIVES WITH RESPECT TO THE PRESENT AND FUTURE OPERATIONS OF THE COMPANY, AND STATEMENTS WHICH EXPRESS OR IMPLY THAT SUCH PRESENT AND FUTURE OPERATIONS WILL OR MAY PRODUCE REVENUES, INCOME OR PROFITS. NUMEROUS FACTORS AND FUTURE EVENTS COULD CAUSE THE COMPANY TO CHANGE SUCH PLANS AND OBJECTIVES OR FAIL TO SUCCESSFULLY IMPLEMENT SUCH PLANS OR ACHIEVE SUCH

OBJECTIVES, OR CAUSE SUCH PRESENT AND FUTURE OPERATIONS TO FAIL TO PRODUCE REVENUES, INCOME OR PROFITS. THEREFORE, THE READER IS ADVISED THAT THE FOLLOWING DISCUSSION SHOULD BE CONSIDERED IN LIGHT OF THE DISCUSSION OF RISKS AND OTHER FACTORS CONTAINED IN THIS REPORT ON FORM 10-KSB AND IN THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. NO STATEMENTS CONTAINED IN THE FOLLOWING DISCUSSION SHOULD BE CONSTRUED AS A GUARANTEE OR ASSURANCE OF FUTURE PERFORMANCE OR FUTURE RESULTS.

Company Overview

The Registrant was originally incorporated in Delaware on November 15, 1955, under the name "Inland Mineral Resources Corp." and was formed for the purpose of engaging in all lawful businesses. On March 12, 2007, the Registrant changed its name to China RuiTai International Holdings Co., Ltd. On November 8, 2007, the Registrant acquired Pacific Capital Group Co., Ltd., and its majority-owned subsidiary, TaiAn RuiTai Cellulose Co., Ltd., pursuant to the terms of the Exchange Agreement discussed above. This transaction was accounted for as a reverse merger with Pacific Capital Group deemed to be the accounting acquirer and the Registrant as the legal acquirer. Consequently, the assets and liabilities and the historical operations that are reflected in the financial statements for periods prior to the Share Exchange are those of Pacific Capital Group and its subsidiary and are recorded at the historical cost basis of Pacific Capital Group. For the period subsequent to the completion of the Share Exchange, the Registrant's consolidated financial statements include the assets and liabilities of both the Registrant and Pacific Capital Group, the historical operations of Pacific Capital Group and the operations of the Registrant and its subsidiaries from the closing date of the Share Exchange.

The Registrant, through its wholly-owned subsidiary, Pacific Capital Group and its majority-owned subsidiary, TaiAn, is engaged in the production, sales, and exportation of deeply processed chemicals, with a primary focus on non-ionic cellulose ether products. Cellulose ether is an organic chemical that dissolves in water and other organic solvents. Due to the surface-active properties of cellulose ether, it acts as a thickener and stabilizer in aqueous solutions, making it a beneficial additive in a wide variety of commercial industries and products, including, but not limited to the pharmaceutical industry, the construction industry, PVC products, food and beverage products, petroleum, and cosmetics. Specific examples of applications in which cellulose ether products are used include: as a stabilizer and thickener in latex paint; in mortar dry mix for building materials; to improve the performance of resin in PVC production; as a membrane reagent, stabilizer, and thickener in pharmaceuticals; and to improve jam, ice cream, toothpaste and lipsticks in the food and cosmetic industries. TaiAn is one of the largest non-ionic cellulose ether producers in China.

Results of Operations

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operation and financial condition for the fiscal year ended December 31, 2007. The following discussion should be read in conjunction with the Financial Statements and related Notes appearing elsewhere in this Form 10-KSB.

Our financial statements are stated in US Dollars and are prepared in accordance with generally accepted accounting principals of the United States (GAAP).

Consolidated Results of Operation for China RuiTai International Holdings Co., Ltd. and Subsidiaries for the Fiscal Year Ended December 31, 2007 Compared to the Fiscal Year Ended December 31, 2006.

Revenues.

During the fiscal year ended December 31, 2007, the Company had revenues of \$38,407,800 as compared to revenues of \$28,090,238 during the fiscal year ended December 31, 2006, an increase of approximately 36.7%. This increase is attributable to an increase in sales due to greater demand for cellulose ether products, higher production capabilities of the Company, and the introduction of new products by the Company.

Gross Profit.

During the fiscal year ended December 31, 2007, the Company had gross profit of \$11,917,836, as compared to gross profit of \$8,936,685 for the fiscal year ended December 31, 2006. The increase in gross profit is attributable to an increase in sales by the Company during the fiscal year ended December 31, 2007.

Selling Expenses.

Selling expenses which consist of sales commission, freight charges, advertising and promotion expenses totaled \$2,189,488 for the fiscal year ended December 31, 2007 as compared to \$2,128,099 for the fiscal year ended December 31, 2006, an increase of approximately 3%. This minor increase is primarily attributable to expanding sales team and activities, which are in turn reflected in increased sales.

General and Administrative Expenses.

General and administrative expenses totaled \$1,627,505 for the fiscal year ended December 31, 2007, as compared to \$1,491,118 for the fiscal year ended December 31, 2006, an increase of approximately 9.1%. This increase is primarily attributable to an increase in consultant fees and office expenses for the fiscal year ended December 31, 2007.

Net Income.

The Company had a net income of \$4,875,834 for the fiscal year ended December 31, 2007 as compared to \$3,005,998 for the fiscal year ended December 31, 2006. The increase in net income is attributable to an increase in sales during the fiscal year ended December 31, 2007. TaiAn's management believes that net income will continue to increase as TaiAn introduces new products, increases sales, and expands its production capacity.

Inventories.

As of December 31, 2007, the Company had Inventories of \$6,656,028.

Liquidity and Capital Resources

The Company anticipates that the existing cash and cash equivalents on hand, together with the net cash flows generated from its business activities will be sufficient to meet the working capital requirements for the on-going projects and to sustain the business operations for the next twelve months.

As of December 31, 2007, our audited balance sheet reflects that we have cash and cash equivalents of \$4,166,713, total current assets of \$18,600,305, total assets of \$65,165,337, total current liabilities of \$55,361,171, and total stockholders' equity of \$9,706,113. The net cash provided by operating activities for the fiscal year ended December 31, 2007 was \$8,540,203.

Off Balance Sheet Arrangements

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

ITEM 7.

FINANCIAL STATEMENTS.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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KEITH K. ZHEN, CPA

CERTIFIED PUBLIC ACCOUNTANT

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:KEITHZHEN@GMAIL.COM*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

China Ruitai International Holdings Co., Ltd. F/K/A Shandong Ruitai Chemical Co., Ltd.

We have audited the accompanying consolidated balance sheets of China Ruitai International Holdings Co., Ltd. and subsidiaries as of December 31, 2007 and 2006, and the related statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the two-year period ended December 31, 2007. China Ruitai International Holdings Co., Ltd.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Ruitai International Holdings Co., Ltd. and subsidiaries as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

/s/Keith K. Zhen, CPA Keith K. Zhen, CPA Brooklyn, New York April 10, 2008

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CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES
F/K/A SHANDONG RUITAI CHEMICAL CO., LTD.

CONSOLIDATED BALANCE SHEETS

	December <u>2007</u>	December <u>2006</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,166,713	\$ 6,286,289
Bank checks and commercial paper	621,204	1,191,451
Accounts receivable, net (Note 4)	3,053,295	3,364,632
Due from unaffiliated suppliers (Note 5)	1,112,948	930,213
Prepaid expenses (Note 6)	2,876,820	2,360,481
Inventory (Note 7)	6,656,028	5,209,747
Advance to employees (Note 13)	113,297	56,735
Total current assets	18,600,305	19,399,548
Property and Equipment, net (Note 8)	11,306,271	6,592,796
Land use right, net (Note 9)	4,859,620	4,650,814
Long-term investment	830,984	779,200
Due from a related party (Note 13)	14,829,593	8,804,112
Restricted cash (Note 10)	14,738,564	12,244,750
Total Assets	\$ 65,165,337	\$ 52,471,220

LIABILITIES AND OWNERS' EQUITY

Current Liabilities:

Bank loan (Note 12)	\$ 19,269,317	\$ 16,209,608
Bank checks payable (Note 11)	22,059,772	22,050,400
Accounts payable and accrued expenses	7,657,437	5,542,712
Taxes payable	3,560,918	2,221,970
Deferred revenue	737,027	493,807
Due to employees (Note 13)	1,265,898	890,984

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Employee security deposit	810,802	677,949
Total Current		
Liabilities	55,361,171	48,087,430
Minority Interest	98,053	43,847
Owners' Equity:		
Preferred stock, par value \$0.001, 10,000,000 shares authorized, authorized, no shares outstanding	-	-
Common stock, par value \$0.001, 50,000,000 shares authorized, 22,645,348 shares issued and outstanding as of December 31, 2006		
26,000,000 shares issued and outstanding as of December 31, 2007	26,000	22,745
Additional paid-in capital	2,366,171	2,369,426
Statutory		
Reserves	1,042,355	272,979
Retained		
earnings	5,700,875	1,594,417
Accumulated other comprehensive income	570,712	80,376
Owners' Equity	9,706,113	4,339,943
Total Liabilities and Owners' Equity	\$ 65,165,338	52,471,220

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES
F/K/A SHANDONG RUITAI CHEMICAL CO., LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Year Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
Revenues		
Sales	\$ 38,407,800	\$ 28,090,238
Costs of Sales	26,489,964	19,153,553
Gross profits	11,917,836	8,936,685
Operating expenses		
Selling Expenses		
Sales commission	670,364	738,526
Freight-out	893,530	856,850
Advertising	188,761	30,093
Travel and entertainment	250,230	385,360
Other selling expenses	186,603	117,270
Total other expenses	2,189,488	2,128,099
General and administrative expenses		
Payroll and employee benefits	267,673	209,242
Insurance	151,437	139,989
Professional fees	86,303	105,206
Consultant fees	134,011	-
Bad debt expenses	\$ -	\$ 88,176
Office expenses	364,906	195,843
Repair and maintenance	167,014	525,176
Travel and entertainment	206,675	148,569

Other general and administrative expenses	249,486	78,917
Total operating expenses	\$	