

ULTRADATA SYSTEMS INC
Form 10KSB
April 17, 2007

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

FORM 10-KSB

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2006

Or

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: 0-25380

CHINA HUAREN ORGANIC PRODUCTS, INC,
(Name of Small Business Issuer in its Charter)

Delaware

(State or Other Jurisdiction of
incorporation or organization)

43-1401158

(I.R.S. Employer
Identification No.)

100 Wall Street, 15th Floor, New York, NY

(Address of principal executive
offices)

10005

(Zip Code)

(212) 232-0120

(Registrant's telephone number including area code)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, \$.01 par value per share

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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 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 in this form, and no disclosure will be contained, to the best of the 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 [X]

State the issuer's revenues for its most recent fiscal year: \$ 2,188,146.

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 ask prices of such common equity, as of a specified date within the past 60 days.

The aggregate market value of the Registrant's common stock, \$.01 par value, held by non-affiliates as of April 13, 2007 was \$ 721,766.

As of April 13, 2007 the number of shares outstanding of the Registrant's common stock was 14,699,853 shares, \$.01 par value.

Transitional Small Business Disclosure Format:

Yes [] No [X]

-

DOCUMENTS INCORPORATED BY REFERENCE: None

FORWARD-LOOKING STATEMENTS: NO ASSURANCES INTENDED

In addition to historical information, this Annual Report contains forward-looking statements, which are generally identifiable by use of the words believes, expects, intends, anticipates, plans to, estimates, projects, or similar expressions. These forward-looking statements represent Management's belief as to the future of China Huaren Organic Products. Whether those beliefs become reality will depend on many factors that are not under Management's control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Factors That May Affect Future Results. Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

PART 1

Item 1. Business

China Huaren Organic Products, Inc. is a holding company with one subsidiary: China Organic Health Products, Inc. (China Organic). China Organic was incorporated in 2006 as a Delaware corporation. China Organic is a holding company that owns 100% of the registered capital of Jilin Huaren Organic Health Products Co., Ltd. (Jilin Huaren), a corporation organized under the laws of The People's Republic of China.

Jilin Huaren was founded in 2002 by Fang Jinzhong and Zhang Changcai. In the following years, Messrs. Fang and Zhang have contributed to Jilin Huaren its initial capital, as well as their expertise in organic farming and agricultural manufacturing. The result is that Jilin Huaren today is an enterprise engaged in organic food production that controls the entire industry chain, from production through manufacturing to marketing.

The label "organic" identifies food and other agricultural products that are produced and processed through organic agricultural production systems. In general, organic foods are produced without use of any synthetic materials, including pesticides, chemical fertilizers, or any form of genetically-engineered animals or seeds. The standards that determine what can be called "organic" are generally set at the national level, with reference to international standards adopted by agreement among countries.

In China, the Organic Food Development Center and Organic Food Certification Center (OFDC), a division of the State Environmental Protection Administration sets the standards for organic certification. The OFDC is the only organic certification association in China that has been recognized by the International Federation of Organic Agriculture Movements (IFOAM). OFDC-certification is honored not only in China, but also in Korea, Hong Kong and Macao. In addition, OFDC has established close cooperative relations with organic certification agencies in the EU, Japan and USA, and maintains mutual recognition terms with more than 20 other IFOAM

accredited certification agencies in the EU, Japan and the US.

Organic certification by the OFDC provides organic food with an authentication tag, usually in the form of symbols or graphs. In 2004 Jilin Huaren obtained both the organic land certificate and the organic foodstuff certification from OFDC, which signifies that Huaren is an independent manufacturer with its own organic farms and processing factories.

Currently, Jilin Huaren produces and markets the following categories of organic agricultural products:

A.

Organic rice and grains:

These products are marketed under the Huaren brand name.

B.

Organic foods. 31 Series, including:

1.
organic corn-based cakes, which come in a variety of flavors (corn flavored, buttermilk flavored, egg white flavored)
2.
low-sugar organic wheat biscuits
3.
organic grain fiber powders
4.
organic grain sugar wafers
5.
organic bean rice crackers

C.

Organic nutritional supplements:

1. Spirulina supplements (tablet form), classified as blue-green algae or as blue green bacteria. Spirulina is a rich source of protein and contains chlorophyll, carotenoids, minerals, and gamma-linolenic acid (GLA). Spirulina is taken as a protein supplement, in addition to protecting against various types of allergic reactions, antibiotic-related illnesses, and liver disorders.

2. Ginkgo leaf extract supplements (tablet form). These extracts from the ginkgo tree are used to treat a variety of ailments, including asthma, bronchitis, fatigue, and tinnitus.

D.

Cosmetics

These products are skin creams that reduce damage associated with the sun. These products are moisturizers, which were formulated to help balance the skin's moisture level and restore its moisture balance. The antioxidant rich, non-greasy formula helps improve the overall smoothness of the skin, soothes the skin and protects the skin from free radical attack. The cosmetics are sold in three series: Organic Shiyimei series, Ajiaoshu series, and the Peach-blossom series.

Production

Jilin Huaren acquires its organic crops from independent farmers, who have contracted to sell the produce to Jilin Huaren. This produce forms the raw materials for all of Jilin Huaren's products.

After harvest, Jilin Huaren consigns its produce to organic manufacturing facilities that have

entered into consigned production agreements with Jilin Huaren. The facilities hold the produce, and manufacture it to Jilin Huaren's order, which is determined by contemporaneous market demands. Currently, Jilin Huaren utilizes the following manufacturing facilities:

1.

Organic rice: Jilin Wanchang Rice Co., Ltd.

2.

Organic food: Jilin Jigu Fiber Food Technology Development Company

3.

Cosmetics:

Shiyimei series: Beijing DYYH Science & Technology, Inc.

Ajiaoshu series: Jingrentang Biological Technologies Co., Ltd.

Peach-blossom series: Cosmetics Research Center of Changchun Film Studio

4.

Healthcare products: Qingdao Sanjiujiuzhou Biotechnology Co., Ltd.

Marketing

Jilin Huaren markets its products through a multi-level distribution network. Currently 90 branch companies and 140 specialty stores take product direct from Jilin Huaren. The branch companies and specialty stores are independently-owned and each has been assigned a specific geographic area in which to develop the market for Jilin Huaren's products. Within that area, the branch companies and specialty stores either market direct to beauty salons and supermarkets, or appoint distributors that employ salesmen to approach the salons and markets. Jilin Huaren personnel maintain surveillance over all points in this network, providing training and guidance where needed, as well as being responsible for on-time delivery and service. Jilin Huaren is also responsible for the nation-wide advertising and promotion program, whose goal is to make Jilin Huaren the leading organic food brand in China.

Jilin Huaren's principal target market is the rapidly developing urban class in China. The concept of organic food and cosmetics is new to China and the size of the industry remains small, relative to other large countries. However, as China's urban population expands and the pressures of urban existence increase, there is a growing awareness in China of the need for a healthier lifestyle is increasing. For example, a recent survey by the Sub-health Studies Center of the Shanghai Academy of Social Studies found that only 16% of the population of Shanghai met the criteria set by the study for healthy. 70% were classified as sub-healthy, and 14% as non-healthy. At the same time, the economic well-being of the Chinese urban population has increased substantially in recent years, which enables them to focus resources on improving their lifestyles. As a result, the demand for organic agricultural products is growing.

Currently, the organic food and cosmetics industry in China is highly fragmented. There is no market participant that controls more than a small fraction of the market, and most focus their marketing efforts in a limited geographic range. Currently there is no large scale organic food supplier in Jilin Province other than Jilin Huaren.

Growth

Jilin Huaren's strategy for growth is premised on the success of its program of brand promotion. Assuming that its promotion program is successful in stirring nationwide demand for

Jilin Huaren products, management has planned the following development strategy to meet the demand:

-

Acquiring more organic soil resources by various means: acquisition, cooperation and tenancy. Management currently plans to invest 10 million RMB (\$1.2mil) to acquire rights to 1000 hectares of organic land in the Changbai Mountain. Jilin Huaren will use the new area to plant Chinese herbal medicines, utilizing the local natural herbal medicines resources. The herbal medicines will be used as raw materials for organic healthcare products.

Management also plans to invest another 10 million RMB (\$1.2mil) to obtain rights to 1000 hectares of organic land in the Shandong, Xinjiang, Henan areas, where Jilin Huaren will plant cotton, which will be used as raw materials for organic garments.

-

Strengthening research and development of organic products, and developing organic health products, organic cosmetics, organic costumes, etc.

-

Continual expansion of the marketing network by bringing in more branch stores, specialty stores and distributors.

-

Purchasing and acquiring organic food processing factories and organic product processing factories, to obtain greater control over the production segment.

Personnel

Jilin Huaren currently employs 40 individuals, all on a full-time basis. Among those employees are 34 individuals with college or university degrees. None of Jilin Huaren's employees belongs to a collective bargaining unit. Besides our two officers, 16 of our employees are engaged in management activities and 16 are engaged in managing our sales force.

The sales personnel who market Jilin Huaren's products throughout China are employed by independent distributors, and are not employees of Jilin Huaren. Management estimates that approximately 20,000 individuals are involved in the distribution of Jilin Huaren products.

Item 2.

Properties

Jilin Huaren's executive offices are located in a 15,000 square foot facility that it leases. Since the end of 2006 Jilin Huaren has also leased a 200 hectare farm, which it has begun to use as a source of raw materials for its products.

Jilin Huaren's lease commitment for 2007 totals \$380,057.

Item 3.

Legal Proceedings

None.

Item 4.

Submission of Matters to a Vote of Security Holders

Not applicable.

PART II**Item 5.****Market for Registrant's Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities***(a) Market Information*

The Company's common stock is quoted on the OTC Bulletin Board under the symbol CHRN.OB. Set forth below are the high and low bid prices for each of the eight quarters in the past two fiscal years. All prices have been adjusted to reflect the 1-for-39 reverse stock split implemented in January 2007. The reported bid quotations reflect inter-dealer prices without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

<u>Quarter Ending</u>	<u>Bid</u>	
	<u>High</u>	<u>Low</u>
March 31, 2005	\$ 26.13	\$ 16.77
June 30, 2005	\$ 21.06	\$ 9.36
September 30, 2005	\$ 9.75	\$ 3.12
December 31, 2005	\$ 3.51	\$ 1.17
March 31, 2006	\$ 2.34	\$.78
June 30, 2006	\$ 1.56	\$.39
September 30, 2006	\$.78	\$.39
December 31, 2006	\$ 1.56	\$.39

(b) Shareholders

Our shareholders list contains the names of 178 registered stockholders of record of the Company's Common Stock.

(c) Dividends

The Company has never paid or declared any cash dividends on its Common Stock and does not foresee doing so in the foreseeable future. The Company intends to retain any future earnings for the operation and expansion of the business. Any decision as to future payment of dividends will depend on the available earnings, the capital requirements of the Company, its general financial condition and other factors deemed pertinent by the Board of Directors

(d) Sale of Unregistered Securities

On November 13, 2006 China Huaren acquired all of the outstanding capital stock of Chine Organic. In exchange for that equity, Gold Standard issued to the shareholders of China Organic (a) 704,773 shares of common stock and (b) Series D Preferred Stock, which was convertible into

12,045,128 shares of common stock. The sale was exempt pursuant to Section 4(2) of the Securities Act since the sale was not made in a public offering and was made to individuals who had access to detailed information about the Company and who were acquiring the shares for their own accounts. There was no underwriter.

(e) Repurchase of Equity Securities

The Company did not repurchase any of its equity securities that were registered under Section 12 of the Securities Act during the 4th quarter of 2006

Item 6

Management's Discussion and Analysis

Results of Operations

Jilin Huaren commenced marketing operations in March 2005. Therefore, the results of operations reported for the year ended December 31, 2005 represent only ten months of sales results. During that period, Jilin Huaren generated \$3,384,976 in revenues and net income (before the foreign currency translation adjustment) of \$1,100,761.

The relatively high level of profitability that we experienced in our first year of operations was attributable to two essential characteristics of our business model:

•

There are thousand of individuals involved in selling our products but we incur no payroll obligation for them. They are owners or employees of the companies that distribute for us. As a result, in the year ended December 31, 2005 we realized \$3.3 million in revenue with only \$128,166 in selling expense.

•

Our manufacturing activity is completely outsourced to enterprises dedicated to organic agricultural manufacturing. As a result, during the year ended December 31, 2005 our general and administrative expense equaled only approximately 4% of our revenue. In that year our depreciation expense often a major factor in agribusiness operations was only \$4,006 and \$12,463 in 2006, since we own no manufacturing equipment.

The growth of our business continued to the end of 2005, then came to a halt. During the winter of 2005, the government of China required that enterprises engaged in multi-level product distribution substantially revise the arrangements they had with their distribution network. Therefore, during the first quarter of fiscal 2006, we sold almost nothing as we spent the quarter rebuilding our distribution network to achieve compliance with China's regulations. We completed that rebuilding process in time to return to an almost-full marketing effort by mid-year. As a result of the dormant period, however, our annual revenues fell by 35% to \$2,188,146 in 2006. We have now stabilized our distribution system, however, and expect sales to grow in 2007 and beyond.

Our gross margin for 2006 was 50%, as compared to 57% in 2005. The two primary reasons for the reduction in gross margin were:

Ø

nationwide increases in the prices of the raw materials we incorporate into our products. We believe that as long as the Chinese economy continues to grow, the price of agricultural raw materials will remain at current levels or higher.

Ø

the reduction in the portion of our revenues attributable to cosmetics sales. Our gross margin on cosmetic products is substantially higher than our gross margin on food products, particularly raw grains. In 2005 50% of our revenue arose from sales of cosmetics and healthcare products. In 2006 the percentage was reduced to 23%. For the immediate future we expect food products to be the primary source of our revenue, and so expect gross margin to remain somewhat below 50%.

Despite the transition in our marketing plan in 2006, selling expense remains modest in comparison to sales. During 2006, selling expense represented only 4% of revenue, as we continue to rely on independent resellers to provide the greater part of our marketing effort. We expect that ratio to continue low, and even diminish as revenues increase.

General and administrative expense increased from \$151,835 to \$260,290. The increase in part reflected the costs we incurred in effective a reverse merger into a U.S. public company. While many of those expenses were unique, we must now bear the cost of complying with US securities regulation obligations, as well as costs associated with investor and shareholder relations. In addition, we expanded our facilities and incurred increased rental costs. We also increased our research and development activities in 2006, in order to expand our markets. All of these factors will continue to affect us in the future. We expect, therefore, that general and administrative expense will remain higher than its 2005 level.

Our business operates entirely in Chinese Renminbi, but we report our results in our SEC filings in U.S. Dollars. The conversion of our accounts from RMB to Dollars results in translation adjustments, which are reported as a middle step between net income and comprehensive income. The net income is added to the retained earnings on our balance sheet; while the translation adjustment is added to a line item on our balance sheet labeled accumulated other comprehensive income, since it is more reflective of changes in the relative values of U.S. and Chinese currencies than of the success of our business. During 2006 the unrealized gain on foreign currency translations added \$262,480 to our accumulated other comprehensive income.

For the future, we expect that our expenses will grow proportionately with our revenues. As our distribution network expands, we are required to hire additional supervisory personnel and to provide training for new distributors. This ratio should remain consistent until we acquire our own production facilities. That event, if it happens, would increase our gross margins but also increase our general and administrative expense.

Liquidity and Capital Resources

At December 31, 2006 we had working capital of \$6,773,112 and no long-term liabilities. Accordingly, we have sufficient capital resources to fund our business for the foreseeable future.

The majority of our current assets were represented by inventories of products (\$5,268,288) and prepaid expenses (\$1,923,275), which primarily represents advances to our growers. Since the market for our organic products continues to grow, we do not anticipate any difficulty in liquidating these assets.

The funds for our growth to date have been provided by our officers. In 2005, however, when our officers required funds for personal purposes, we returned money to them and recorded the amounts as loans. For that reason, there was included in current assets at December 31, 2005 the sum of \$359,296 that we had previously loaned to our officers. Those funds were repaid in the quarter ended September 30, 2006. Since Jilin Huaren has now become part of a public company, it will not loan funds to its officers in the future.

During the past year we contracted to purchase an office building for our operations. We have deposited \$1,297,217 with the seller to cover the cost of the building and certain improvements that we require. Title to the building has not passed to us yet, however. So our investment is recorded on the balance sheet as a deposit for purchase of fixed assets.

The two factors that make our business particularly profitable (the independent distribution network and the outsourced manufacturing) also have an adverse effect on our cash flow. Maintaining our distribution network requires that we tolerate receivables aging that would not be acceptable if we sold direct to the stores. At the same time, the fact that we maintain substantial inventories of raw materials on consignment at our manufacturing contractors requires that we carry inventory levels that exceed those that our own manufacturing facilities would require. For these reasons, the \$420,581 in net income that we produced in the 2006 yielded only \$377,630 in cash, even though we reduced our accounts receivable by \$1,300,090.

The cash demands of our business mean that in order to make capital improvements we will require additional capital from external sources. Our plan is to acquire additional organic soil resources in the near future, and to invest in manufacturing capability over the longer term. To fund those additions to our balance sheet, we intend to sell equity. At the present time, however, we have received no commitments from any source.

Application of Critical Accounting Policies

In preparing our financial statements we are required to formulate working policies regarding valuation of our assets and liabilities and to develop estimates of those values. In our preparation of the financial statements for 2006, there were two estimates made which were (a) subject to a high degree of uncertainty and (b) material to our results. The

first was our determination, explained in Note 3c to the Financial Statements, that we should reduce our allowance for doubtful accounts to \$2,549. We made that determination based on the good payment record of our distributors and our expectation that we will recover our current receivables in full. The second estimate was our determination, detailed in Note 3(h) to the Financial Statements, that

we had no need of a reserve for warranty costs. The primary reason for the determination was the fact that we have received minimal warranty claims to date.

We made no material changes to our critical accounting policies in connection with the preparation of financial statements for 2006.

Impact of Accounting Pronouncements

There were no recent accounting pronouncements that have had a material effect on the Company's financial position or results of operations. There was one recent accounting pronouncement that may have a material effect on the Company's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123R Share-Based Payment. This Standard addresses the accounting for transactions in which a company receives employee services in exchange for (a) equity instruments of the company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. This Standard eliminates the ability to account for share-based compensation transactions using Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and requires that such transactions be accounted for using a fair-value-based method. The Standard is effective for periods beginning after June 15, 2005. The Standard may adversely affect the Company's results of operations if the Company issues a material amount of capital stock for services, as it did during the past three years.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

Risk Factors That May Affect Future Results

You should carefully consider the risks described below before buying our common stock. If any of the risks described below actually occurs, that event could cause the trading price of our common stock to decline, and you could lose all or part of your investment.

There is no assurance that the market for organic foods and cosmetics will grow in China.

The concept of organic foods and organic cosmetics is relatively new in China. In order for the market for organic agricultural products to develop, it will be necessary for a portion of the Chinese population to become willing to pay the extra cost of organic products in order to obtain the benefits of organic products. Although the economy of China is growing, the average income of the Chinese population remains far below that of the European and American countries where organic

products have developed a clientele. If a sufficient portion of the Chinese population is not willing to pay the extra cost of organic products, our business is likely to fail.

We may not be able to increase production to the level necessary to meet demand.

Until recently we obtained all of our raw materials from independent farmers. Recently we acquired 200 hectares of land on which we have initiated organic farming operations. If our program for promoting our brand is successful, those resources may be inadequate to provide the raw materials that we will need. We will then have to obtain additional hectares of organic soil. There are few large areas of organic soil available, and there is considerable competition to acquire them. On the other hand, it takes over three years to convert soil that has been used for non-organic farming into soil useable in organic agriculture. If, therefore, we are unable to produce sufficient raw materials to meet the demand for our products, the negative effect may offset the benefits of our marketing program, and our business will fail.

We are subject to the risk of natural disasters.

We produce all of our raw materials, and have not developed alternative sources for raw materials. If our crops are destroyed by drought, flood, storm, blight, or the other woes of farming, we will not be able to meet the demands of our distribution network, and the network is likely to atrophy. This could have a long-term negative effect on our ability to grow our business, in addition to the near-term loss of income.

If we lost control of our distribution network, our business would fail.

We depend on our distribution network for the success of our business. Competitors may seek to pull our distribution network away from us. In addition, if dominant members of our distribution network become dissatisfied with their relationship with Jilin Huaren, a concerted effort by the distribution network could force us to accept less favourable financial terms from the distribution network. Either of these possibilities, if realized, would have an adverse effect on our business.

A recession in China could significantly hinder our growth.

The success of our efforts to introduce organic foods into the urban diet in China will depend on continuation of recent improvements in the Chinese economy and the amount of disposable income available to the Chinese population. If money becomes tight, individuals will be less willing to pay extra for the benefits of organic food. Many financial commentators expect a recession to occur in China in the near future. The occurrence of a recession could significantly hinder our efforts to implement our business plan.

Our business and growth will suffer if we are unable to hire and retain key personnel that are in high demand.

Our future success depends on our ability to attract and retain highly skilled marketing personnel and agricultural technicians. Qualified individuals are in high demand in China, and there

are insufficient experienced personnel to fill the demand. Therefore we may not be able to successfully attract or retain the personnel we need to succeed.

We may have difficulty establishing adequate management and financial controls in China.

The People's Republic of China has only recently begun to adopt the management and financial reporting concepts and practices that investors in the United States are familiar with. We may have difficulty in hiring and retaining employees in China who have the experience necessary to implement the kind of management and financial controls that are expected of a United States public company. If we cannot establish such controls, we may experience difficulty in collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet U.S. standards.

Government regulation may hinder our ability to function efficiently.

The national, provincial and local governments in the People's Republic of China are highly bureaucratized. The day-to-day operations of our business require frequent interaction with representatives of the Chinese government institutions. The effort to obtain the registrations, licenses and permits necessary to carry out our business activities can be daunting. Significant delays can result from the need to obtain governmental approval of our activities. These delays can have an adverse effect on the profitability of our operations. In addition, compliance with regulatory requirements applicable to organic farming and production may increase the cost of our operations, which would adversely affect our profitability.

Capital outflow policies in China may hamper our ability to pay dividends to shareholders in the United States.

The People's Republic of China has adopted currency and capital transfer regulations. These regulations require that we comply with complex regulations for the movement of capital. Although Chinese governmental policies were introduced in 1996 to allow the convertibility of RMB into foreign currency for current account items, conversion of RMB into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange. We may be unable to obtain all of the required conversion approvals for our operations, and Chinese regulatory authorities may impose greater restrictions on the convertibility of the RMB in the future. Because most of our future revenues will be in RMB, any inability to obtain the requisite approvals or any future restrictions on currency exchanges will limit our ability to pay dividends to our shareholders.

Currency fluctuations may adversely affect our operating results.

Jilin Huaren generates revenues and incurs expenses and liabilities in Renminbi, the currency of the People's Republic of China. However, as a subsidiary of Ultradata, it will report its financial results in the United States in U.S. Dollars. As a result, our financial results will be subject to the effects of exchange rate fluctuations between these currencies. From time to time, the government of China may take action to stimulate the Chinese economy that will have the

effect of

reducing the value of Renminbi. In addition, international currency markets may cause significant adjustments to occur in the value of the Renminbi. Any such events that result in a devaluation of the Renminbi versus the U.S. Dollar will have an adverse effect on our reported results. We have not entered into agreements or purchased instruments to hedge our exchange rate risks.

We have limited business insurance coverage.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products, and do not, to our knowledge, offer business liability insurance. As a result, we do not have any business liability insurance coverage for our operations. Moreover, while business disruption insurance is available, we have determined that the risks of disruption and cost of the insurance are such that we do not require it at this time. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

China Huaren is not likely to hold annual shareholder meetings in the next few years.

Management does not expect to hold annual meetings of shareholders in the next few years, due to the expense involved. The current members of the Board of Directors were appointed to that position by the previous directors. If other directors are added to the Board in the future, it is likely that the current directors will appoint them. As a result, the shareholders of China Huaren have no effective means of exercising control over the operations of China Huaren.

Item 7. Financial Statements

The Company's financial statements, together with notes and the Independent Auditors' Report, are set forth immediately following Item 14 of this Form 10-KSB.

Item 8.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable

Item 8A. Controls and Procedures

(a)

Evaluation of disclosure controls and procedures.

The term disclosure controls and procedures (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within required time periods. The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this annual report (the Evaluation Date). Based

on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective.

(b)

Changes in internal controls.

The term "internal control over financial reporting" (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed 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. The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated any changes in the Company's internal control over financial reporting that occurred during the fourth quarter of the year covered by this annual report, and they have concluded that there was no change to the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 8B. Other Information

None.

PART III

Item 9.

Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

The officers and directors of the Company are:

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10KSB

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>	<u>Director Since</u>
Fang Jinzhong	50	Chairman, Chief Executive Officer, Chief Financial Officer	2006
Zhang Chengcai	44	Director, V.P.- Marketing, Secretary	2006
Zhou Huakang	54	Director	2006

Directors hold office until the annual meeting of the Company's stockholders and the election and qualification of their successors. Officers hold office, subject to removal at any time by the Board, until the meeting of directors immediately following the annual meeting of stockholders and until their successors are appointed and qualified.

Fang Jinzhong joined Mr. Zheng in founding Jilin Huaren in 2002. He has served as its Chairman and Chief Executive Officer since then. Prior to forming Jilin Huaren, Mr. Fang had been engaged since 1978 in the business of agricultural production, agricultural product processing, marketing of agricultural products and agricultural technology. Mr. Fang was awarded a

Bachelor's Degree from the Jilin Financial College in 1978, where he majored in Agricultural Industrial Operations.

Zhang Chengcai joined Mr. Fang in founding Jilin Huaren in 2002. He has served as its Deputy Chairman and Director of Marketing. From 1998 to 2002 Mr. Zhang was a sales representative for Amway China, from whom he received the Emerald Award. From 1987 to 1998 Mr. Zhang was employed in the radiology department of Jilin Medical College Hospital, where he conducted research on agricultural products and supervised testing of organic foods. Mr. Zhang was awarded a Bachelor's Degree from the Jilin Medical College in 1978, where he majored in Radiology.

Zhou Huakang. Since 1993 Zhou Huakang has been employed as chairman of the board of Warner Technology and Investment Corp. a New Jersey corporation that he organized in 1993. Warner Technology provides international training and market consulting services. Warner is licensed by the People's Republic of China to serve as an official host for Chinese government officials and business executives in the US. As part of the hosting process Warner also provides training programs to assist visiting Chinese officials and business executives with the transition to doing business in the US. Mr. Zhou holds a Ph.D. degree in Operations Research that was awarded in 1989 by the Polytechnic University of New York.

Audit Committee; Compensation Committee

The Board of Directors has not yet appointed an Audit Committee or a Compensation Committee, due to the small size of the Board. The Board of Directors does not contain an audit committee financial expert, again due to the small size of the Board.

Code of Ethics

The Company does not have a written code of ethics applicable to its executive officers. The Board of Directors has not adopted a written code of ethics because there are so few executive officers of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

None of the officers, directors or beneficial owners of more than 10% of the Company's common stock failed to file on a timely basis the reports required by Section 16(a) of the Exchange Act during the year ended December 31, 2006, except that Zhou Huakang was later in filing a Form 3.

Item 10. Executive Compensation

The following table sets forth all compensation awarded to, earned by, or paid by China Huaren and its subsidiaries to Fang Jinzhong, its Chief Executive Officer, for services rendered in all capacities to the Company during the years ended December 31, 2006, 2005 and 2004. There were

no executive officers whose total salary and bonus for the fiscal year ended December 31, 2006 exceeded \$100,000.

				<i>Stock</i>	<i>Option</i>	<i>Other</i>
	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Awards</u>	<u>Awards</u>	<u>Compensation</u>
Fang Jinzhong	2006	\$10,000	--	--	--	--
	2005	\$10,000	--	--	--	--
	2004	\$10,000	--	--	--	--

Employment Agreements

All of our employment arrangements with our executives are on an at will basis. Jilin Huaren has committed to pay salaries of \$10,000 to Mr. Fang and \$6,000 to Mr. Zhang for services in 2007.

Equity Grants

The following tables set forth certain information regarding the stock options acquired by the Company's Chief Executive Officer during the year ended December 31, 2006 and those options held by him on December 31, 2006.

Option Grants in the Last Fiscal Year

	Number of securities underlying option granted	Percent of total options granted to employees in fiscal year	Exercise Price (\$ share)	Expiration Date	Potential realizable value at assumed annual rates of appreciation for option term	
					<u>5%</u>	<u>10%</u>
Fang Jinzhong	--	--	--	--	--	--

The following tables set forth certain information regarding the stock grants received by the executive officers named in the table above during the year ended December 31, 2006 and held by them unvested at December 31, 2006.

Unvested Stock Awards in the Last Fiscal Year

	Number of Shares That Have Not <u>Vested</u>	Market Value of Shares That Have Not <u>Vested</u>
Fang Jinzhong	0	--

Remuneration of Directors

None of the members of the Board of Directors received remuneration for service on the Board during 2006.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of the date of this prospectus by the following:

- each shareholder known by us to own beneficially more than 5% of our common stock;
- Fand Jinzhong, our Chief Executive Officer
- each of our directors; and
- all directors and executive officers as a group.

There are 14,699,853 shares of our common stock outstanding on the date of this report. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below have sole voting power and investment power with respect to their shares, subject to community property laws where applicable. Beneficial

ownership is determined in accordance with the rules of the Securities and Exchange Commission.

In computing the number of shares beneficially owned by a person and the percent ownership of that person, we include shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days. We do not, however, include these issuable shares in the outstanding shares when we compute the percent ownership of any other person.

<i>Name of</i>	<i>Amount and Nature of</i>	
<u><i>Beneficial Owner</i></u> ⁽¹⁾	<u><i>Beneficial Ownership</i></u> ⁽²⁾	<u><i>Percentage of Class</i></u>
Fang Jinzhong	2,373,999	16.1%
Zhang Chengcai	1,448,370	9.8%
Zhou Huakang	2,857,863 ⁽³⁾	19.4%
18 Kimberly Court		
East Hanover, NJ 07936		
All officers and directors	6,680,232	45.4%
(3 persons)		
American Union Securities, Inc.	821,079	5.6%
100 Wall Street 15 th Floor		
New York, NY 10005		

(1) Except as otherwise noted, the address of each shareholder is 648 Weihai Road, Changchun, Jilin Province, P.R. China.

(2) Except as otherwise noted, all shares are owned of record and beneficially.

(3) Represents shares held of record by Warner Technology & Investment Corp., of which Mr. Zhou is the President and controlling shareholder.

Equity Compensation Plan Information

The information set forth in the table below regarding equity compensation plans (which include individual compensation arrangements) was determined as of December 31, 2006.

Number of securities to be issued upon exercise of outstanding options,	Weighted average exercise price of	Number of securities remaining available for future issuance under equity
---	------------------------------------	---

Edgar Filing: ULTRADATA SYSTEMS INC - Form 10KSB

	warrants and rights	outstanding options, warrants and rights	compensation plans
Equity compensation plans approved by security holders.....	0		0
Equity compensation plans not approved by security holders.....	0		0
Total.....	0		0

Item 12. Certain Relationships and Related Transactions

Neither Mr. Fang nor Mr. Zhang has engaged in any transaction with China Huaren, China Organic or Jilin Huaren during the past two fiscal years or the current fiscal year that had a transaction value in excess of \$60,000.

Dr. Huakang Zhou is the President and controlling shareholder of Warner Technology & Investment Corp., which held voting control of China Huaren prior to the reverse merger of China Organic into China Huaren. Prior to the reverse merger, Dr. Zhou was the sole member of China Huaren's Board of Directors, and was China Huaren's Chief Executive Officer. Warner Technology & Investment served as an advisor to Jilin Huaren in connection with the Share Exchange. In consideration of its services, Warner Technology & Investment was issued shares in China Organic that, upon completion of the reverse merger, were converted into 1,357,878 shares of China Huaren common stock.

Item 13. Exhibit List

(a) Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheet - December 31, 2006 and 2005

Consolidated Statements of Operation - Years ended December 31, 2006 and 2005

Consolidated Statements of Changes in Stockholders' Equity - Years ended December 31, 2006 and 2005

Consolidated Statements of Cash Flows - Years ended December 31, 2006 and 2005

Notes to Consolidated Financial Statements

(b) Exhibit List

3-a.

Articles of Incorporation, and 1989 amendment. - filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.

3-a(1)

Amendment to Articles of Incorporation dated March 4, 1991, March 22, 1994, and November 18, 1994. - filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.

3-a(2)

Certification of Correction of Articles of Incorporation. - filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.

3-a(3)

Amendment to Articles of Incorporation dated July 26, 1996 - filed as an Exhibit to Form 10-KSB for the year ended December 31, 1997, and incorporated herein by reference.

3-a(4) Amendment to Articles of Incorporation dated June 15, 2005 - filed as an exhibit to the Current Report on Form 8-K dated February 17, 2005 and incorporated herein by reference.

3-a(5) Amendment to Articles of Incorporation dated January 16, 2007 - filed as an exhibit to the Current Report on Form 8-K dated January 5, 2007 and incorporated herein by reference.

3-b.

By-laws. - filed as an exhibit to the Company's Registration Statement on Form SB-2 (33-85218 C) and incorporated herein by reference.

3-c

Certificate of Designation of Series C Preferred Stock - filed as an exhibit to the Current Report on Form 8-K dated June 1, 2006 and incorporated herein by reference.

21

Subsidiaries China Organic Health Products, Inc.

Jilin Huaren Organic Health Products Co., Ltd.

31

Rule 13a-14(a) Certification

32

Rule 13a-14(b) Certification

Item 14. Principal Accountant Fees and Services

China Organic retained MS Group CPA LLC as its principal accountant in 2006. On December 29, 2006. On November 13, 2006, upon the completion of the reverse merger of China Organic into China Huaren, MS Group CPA LLC became the principal accountant for China Huaren. Prior to that date, MS Group CPA LLC had not performed any services for China Huaren or its subsidiaries.

Audit Fees

MS Group CPA LLC billed \$45,000 in connection with the audit of the Company's financial statements for the year ended December 31, 2006. MS Group CPA LLC billed \$50,000 in connection with the audit of the Company's financial statements for the year ended December 31, 2005 and review of the interim financial statements included in the Current Report on Form 8-K dated November 13, 2006.

All Other Fees

MS Group CPA LLC has not billed the Company for any other services.

It is the policy of the Company that all services other than audit, review or attest services must be pre-approved by the Board of Directors. No such services have been performed by MS Group CPA LLC.

China Huaren Organic Products Inc. and Subsidiary

Index to the Consolidated Financial Statements

Page

F-2

Report of Independent Registered Public Accounting Firm

F-3

Consolidated Balance Sheets as of December 31, 2006 and 2005

F-4

Consolidated Statements of Operation for the Years Ended December 31, 2006 and 2005

F-5

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31,
2006 and 2005

F-6

Consolidated Statements of Cash Flows for the Years Ended December 31, 2006 and 2005

F-7 to F-15

Notes to the Consolidated Financial Statements

F-1

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

China Huaren Organic Products Inc.

We have audited the accompanying consolidated balance sheets of China Huaren Organic Products Inc. as of December 31, 2006 and 2005 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Huaren Organic Products Inc. as of December 31, 2006 and 2005, and the results of its consolidated operations, changes in stockholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MS Group CPA LLC

Edison New Jersey

March 19, 2007

F-2

China Huaren Organic Products Inc. and Subsidiary**Consolidated Balance Sheets**

	December 31,	
	2006	2,005
Assets		
Current Assets:		
Cash and equivalents	\$ 86,266	\$ 41,868
Accounts receivable, net of allowance for doubtful amounts of \$2,549	507,191	1,788,615
\$8,988, respectively		
Inventories	5,268,288	121,678
Other receivable	-	5,211,843
Loan to officers/shareholders	1,885	359,296
Employee travel and operation advance	25,864	11,576
Advance to related parties	37,441	538,671
Advance to suppliers	124,762	46,676
Prepaid expenses	1,923,275	18,657