CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.
Form 10-K
April 15, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2008

[] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ______________

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.

(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act [] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the [ ] Yes [X] No

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 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. [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. [X]

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 [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

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 last sold, or the average bid and asked price of the last business day of the registrant s most recently completed second fiscal quarter. $11,869,632

As of December 31, 2008, the Company had 26,000,000 shares issued and outstanding.

PART I

ITEM 1.

BUSINESS.

Business Development

China RuiTai International Holdings Co., Ltd. (hereinafter referred to as we , us , our , the Company , or the Regis 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.

<u>Business of the Issuer</u>

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-K, 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) through distributors to gain access to overseas customers, which accounted for approximately 20% of TaiAn s total sales in 2007, and approximately 30% in 2008; and 2) through sales agents working at sales offices throughout the PRC, which accounted for approximately 80% of TaiAn s total sales in 2007, and approximately 70% in 2008. Additionally, TaiAn operates thirty sales offices throughout China. TaiAn currently operates two offices in both Beijing and Shanghai, and operates a single office in each of the following cities: Guangzhou, Qingdao, Nanjing, Chongqing, ChengDu, Shenyang, and Wurumuqi.

Customers and Marketing

Customers

TaiAn s customers include the following companies, Changsha Xiangtai Technology Co., Ltd., Bang and Bonsomer Co., Ltd., and Viscochem Reselg and Development Ltd. TaiAn also exports approximately 1,700 tons of ether products in 2007 and 1,950 tons in 2008, to foreign markets in the United States, Europe, India, and the Middle East.

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 623 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 1A.

RISK FACTORS

Not Applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2.

PROPERTIES.

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 significant 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, 2008.

PART II

ITEM 5.

MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER 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. $)	
2007	**HIGH**	**LOW**
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
2008	**HIGH**	**LOW**
Quarter Ended March 31	$4.25	$2.50
Quarter Ended June 30	$10.00	$3.50
Quarter Ended September 30	$6.00	$3.80
Quarter Ended December 31	$4.84	$0.40

Holders.

As of December 31, 2008 there were 26,000,000 shares of common stock issued and outstanding and approximately 735 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, 2008 or 2007. 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.

SELECTED FINANCIAL DATA.

Not Applicable.

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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-K 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, 2008. The following discussion should be read in conjunction with the Financial Statements and related Notes appearing elsewhere in this Form 10-K.

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, 2008 Compared to the Fiscal Year Ended December 31, 2007.

Revenue

Revenue. During the fiscal year ended December 31, 2008, the Company had revenues of $ 41,135,497 as compared to revenues of $38,407,800 during the fiscal year ended December 31, 2007, an increase of approximately 7.1%. The increase in revenue experienced by the Company was primarily attributable to the following two factors: i)*Increased Sales of Premium Priced Products* the sales of higher unit price products, specifically, the pharmaceutical grade products increased in 2008, as compared to the same period in 2007; ii) *Changes in Exchange Rates* in addition to the foregoing, some of the growth in the Company s revenue was attributable to changes in the foreign exchange rate, which increased from 7.61 RMB to $1.00 USD in 2007 to 6.96 RMB to $1.00 USD in 2008.

Cost of Sales. During the fiscal year ended December 31, 2008, the Company s cost of sales was $28,124,549, as compared to Costs of Sales of $26,489,964for the fiscal year ended December 31, 2007, an increase of approximately 6.1 %. This increase in cost of sales experienced by the Company was primarily attributable to an overall increase in sales revenue, as well as an increase price for raw materials. For the fiscal year ended December 31, 2007 the price of raw materials utilized by the Company was $3,561 per ton, as compared to $3,886 per ton for the fiscal year ended December 31, 2008, a increase of $325, or approximately 9.1% per ton.

Operating Expenses

The operating expenses for the Company are divided into Selling Expenses and General and Administrative Expenses, both of which are discussed below:

Selling Expenses. Selling expenses which consist of sales commission, freight charges, advertising and promotion expenses totaled $2,002,852 for the fiscal year ended December 31, 2008, as compared to $2,189,488 for the fiscal year ended December 31, 2007, a decrease of approximately $186,636 or 8.5%. This decrease was primarily attributable to decreased spending by the Company on advertising expenses. For the fiscal year ended December 31, 2008, the Company spent $52,338 on advertising expenses as compared to $188,761 for the fiscal year ended December 31, 2007, a decrease of approximately 72.3%.

General and Administrative Expenses. General and administrative expenses totaled $2,741,567 for the fiscal year ended December 31, 2008, as compared to $1,627,505 for the fiscal year ended December 31, 2007, an increase of $1,114,062, or approximately 68.4%. This increase in general and administrative expenses is primarily attributable to one-time warrant expenses relating to warrants that the Company issued to an investor relation firm and exclusive investment banking firm as compensation for work performed by the foregoing firms.

Income From Operations

For the fiscal year ended December 31, 2008, the Company had income from operations in the amount of $8,266,529 as compared to income from operations of $8,100,843 for the fiscal year ended December 31, 2007, an increase of $165,686, or approximately 2.0%. The increase in income from operations experienced by the Company was primarily attributable to an increase in sales by the Company.

Interest Expense

For the fiscal year ended December 31, 2008, the Company incurred interest expense in the amount of $2,840,105, as compared to interest expense of $1,996,479 for the fiscal year ended December 31, 2007, an increase of approximately 42.3%. The increase in interest expense incurred by the Company resulted from increase in interest expenses on bank loans and discount on bank checks received from customers. The interest expenses on bank loans increased by $623,910, or 52.83%. The increase in interest on bank loans was primarily a result of an increase of average outstanding balance, which increased from $17,227,303 in 2007 to $22,390,850 in 2008, or approximately 30%. Our interest expenses on discount on bank checks increased from $784,649 in 2007 to $854,434 in 2008, an increase of $69,785, or approximately 8.9%. The increase in our interest expenses was due to the increase in amount of bank checks discounted as we needed additional cash resources for our business operations. Additionally, The interest payments to employees for their loans to the Company also increase from $31,008 in 2007 to $180,938 in 2008, as the Company began to pay interest to employees in July 2007. Before July 2007, the Company did not incur any interest expense from the employee loans.

Net Income

The Company had a net income of $5,186,550 for the fiscal year ended December 31, 2008 as compared to net income of $4,875,834 for the fiscal year ended December 31, 2007, an increase of $310,716 or approximately 6.37%. The increase in net income is attributable to an increase in sales during the fiscal year ended December 31, 2008. Management believes that net income will continue to increase as the Company introduces new products, increases sales, and expands its production capacity.

Inventories

As of December 31, 2008, the Company had Inventories of $8,157,592, as compared to inventories of $6,656,028as of December 31, 2007, an increase of $1,501,564 or approximately 22.6%. The increase in inventories from 2007 to 2008 was primarily the result of an increase in fluctuation of our overseas orders. As a result, the Company increased the inventory of finished goods in order to meet its customers demands.

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 its on-going projects and to sustain the business operations for the next twelve months.

Total Current Assets & Total Assets

As of December 31, 2008, our audited balance sheet reflects that we have: i) total current assets of $57,279,375, as compared to total current assets of $37,787,747 at December 31, 2007, an increase of $19,491,628, or approximately 51.6%; and ii) total assets of $82,119,175 as of December 31, 2008, compared to $65,165,337 as of December 31, 2007, an increase of $16,953,838, or approximately 26% The increase in the Company s total current assets is due primarily to an increase in bank checks and commercial paper, as well as the current portion due from a related party. The Company s total assets increased substantially due to increases that the Company experienced in bank checks and commercial paper, restricted cash, and amounts due from a related party, all of which are discussed below.

Cash and Cash Equivalents. As of December 31, 2008, our audited balance sheet reflects that we have cash and cash equivalents of $5,319,456, as compared to $4,166,713, at December 31, 2007, an increase of $1,152,743, approximately 27.7%. The increase in the Company s cash and cash equivalents from 2007 to 2008 was primarily attributable to the slowdown in production and reduce in raw material purchase due to the economic slowdown.

Bank Checks and Commercial Paper. As of December 31, 2008, our audited balance sheet reflects that we have bank checks and commercial paper of $8,244,207, as compared to bank checks and commercial paper of $621,204 at December 31, 2007, an increase of $7,623,003, or approximately 1,227.1%. The increase in the Company s bank checks and commercial paper from 2007 to 2008 was primarily attributable to loan repayment from a related party.

Inventory. As of December 31, 2008, the Company had Inventories of $8,157,592, as compared to inventories of $6,656,028 as of December 31, 2007, an increase of $1,501,564 or approximately 22.6%. The increase in inventories from 2007 to 2008 was primarily the result of the increase in fluctuation of our overseas orders. As a result, the Company has increased the inventory of finished goods in order to meet its customers demands.

Property and Equipment. As of December 31, 2008, our audited balance sheet reflects that we have property and equipment of $12,936,668, as compared to property and equipment of $11,306,271 at December 31, 2007, an increase of $1,630,397, or approximately 14.4%. The increase in the Company s property and equipment from 2007 to 2008 was primarily attributable to Company s continued expansion in production capacity, namely, the construction of a new manufacturing plant in 2008.

Due From Related Party. Due from a related party represents loans to Shandong Ruitai Chemicals Co., Ltd. ("Shandong Ruitai"), a former majority owner of TaiAn. Shandong Ruitai had owned 75% equity ownership interest of TaiAn from January 2000 through February 2007. On March 20, 2007, Shandong sold a 74% equity ownership interest of TaiAn to Pacific Capital Group Co., Ltd. Mr. Xingfu Lu, our President, and Mr. Dianmin Ma, our CEO, collectively own 100% of equity ownership interest in Shandong Ruitai.

TaiAn has been extending loans to Shangdong Ruitai and the balance amounted to $14,738,564 and $12,244,755 as of December 31, 2007 and 2006, respectively. These loans were unsecured, non-interest bearing and have no fixed terms of repayment, therefore, deemed payable on demand. Cash flows from due from a shareholder are classified as cash flows from investing activities. The total loans to the shareholder were $111,429,218, and $82,904,688 for the year ended December 31, 2007 and 2006, respectively.

As TaiAn became the only operating subsidiary of a public company, subsequent to the closing of the Share Exchange, on December 31, 2007, Shandong Ruitai entered into a Loan Contract with TaiAn for the repayment of the outstanding balance of the loans. Pursuant to the terms of the Loan Contract, Shandong Ruitai will repay the principal outstanding balance of the loan and interest which is accruing monthly at 7% over a three-year period ending December 31, 2010, with 30% of the principal and interest due as of the fiscal year ending 2008, 30% of the principal and interest due as of the fiscal year ending 2009, and 40% of the principal and interest due as of the fiscal year ending 2010. The repayment obligations of Shandong Ruitai under the Loan Contract are secured by a thermal power plant owned by Shandong Ruitai. Additionally, Shandong Ruitai s repayment obligations are personally guaranteed by Shandong Ruitai s principals, Mr. Dian Min Ma and Mr. Xingfu Lu. The foregoing description of the loan contract is qualified in its entirety by reference to the Loan Contact which was filed as Exhibit 10.7 to the Company s Form 10-KSB filed with the Securities and Exchange Commission on April 15, 2008, and is hereby incorporated by reference.

As of December 31, 2008, our audited balance sheet reflects that we have an amount due from related party of $ 16,253,548, as compared to an amount due from related party of $14,829,593 at December 31, 2007, an increase of $ 1,423,955. The increase in the amount due from related party from 2007 to 2008 was primarily attributable to the fact that Shandong Ruitai did not meet its payment obligations under the Loan Contract and as a result, Shandong Ruitai is in default under the terms of the Loan Contact. The Management of the Company is negotiating with Shandong Ruitai regarding the potential restructuring of the debt and is also considering the take over of the power plant which was pledged as security under the Loan Contract.

<u>Restricted Cash</u>. As of December 31, 2008, our audited balance sheet reflects that we have restricted cash of $19,112,900, as compared to restricted cash of $14,738,564, at December 31, 2007, an increase of $4,374,336, or approximately 29.7%. The increase in restricted cash from 2007 to 2008 was primarily attributable to an increase in

bank checks payable.

Total Current Liabilities

As of December 31, 2008, our audited balance sheet reflects that we have total current liabilities of $65,958,991, as compared to total current liabilities of $55,361,171 at December 31, 2007, an increase of $10,597,820, or approximately 19.1%. The increase in the Company s total current liabilities from 2007 to 2008 was primarily attributable to an increase in bank loan and bank checks payable.

Bank Loans. As of December 31, 2008, our audited balance sheet reflects that we have a bank loan of $22,022,146, as compared to a bank loan of $19,269,317 as of December 31, 2007, an increase of $2,752,829, or approximately 14.3%. The increase in our bank loan was primarily attributable to additional funds borrowed by the Company to expand its business operations in anticipation of future growth.

Accounts Payable and Accrued Expenses. As of December 31, 2008, our audited balance sheet reflects that we have accounts payable and accrued expenses of $6,247,060, as compared to accounts payable and accrued expenses of $7,567,437as of December 31, 2007, a decrease of $1,410,377, or approximately 18.4%. The decrease in our accounts payable and accrued expenses was attributable to global financial slowdown in 2008 which caused some of our suppliers to reduce output or cease operation entirely. In order to stabilize the relationship with our suppliers, the Company increased the cash proportion of our payment.

Operating Activities

Net cash of $ 4,010,538 was provided by operating activities during the fiscal year ended December 31, 2008, compared to net cash provided by operating activities of $7,142,071 during the fiscal year ended December 31, 2007, representing a decrease of $3,131,533 or approximately 43.8%. The decrease in net cash provided by our operating activities was primarily attributable to an increase in bank checks and commercial paper, as well as a decrease in accounts payable and accrued expenses.

Investing Activities

During the fiscal year ended December 31, 2008, the net cash used in investing activities was $ 1,559,685, as compared to $9,989,901 for the fiscal year ended December 31, 2007, a decrease of $ 8,430,216, or approximately 84.4%. The decrease in net cash used in investing activities was primarily attributable to decreases in the purchase of fixed assets and loans to related-party.

Financing Activities

During the fiscal year ended December 31, 2008, the net cash used by financing activities was $1,544,820, as compared to net cash provided by financing activities of $593,503 for the fiscal year ended December 31, 2007. The change in net cash provided by financing activities was primarily attributable to increase in restricted cash to secure bank checks payable.

Off Balance Sheet Arrangements

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

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements of the Company required by Article 8 of Regulation S-X are attached to this report.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

FINANCIAL REPORT

At December 31, 2008 and 2007 and
For the Year Ended December 31, 2008 and 2007

KEITH K. ZHEN, CPA

CERTIFIED PUBLIC ACCOUNTANT

2070 WEST 6TH STREET - BROOKLYN, NY 11223 - TEL (347) 408-0693 - FAX (347) 602-4868 - EMAIL :KEITHZHEN@GMAIL.COM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

China Ruitai International Holdings Co., Ltd.

We have audited the accompanying consolidated balance sheets of China Ruitai International Holdings Co., Ltd. and subsidiaries as of December 31, 2008 and 2007, 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, 2008. 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, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2008 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 3, 2009

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

		December 31, 2008		December 31, 2007
ASSETS				
Current Assets:				
Cash and cash equivalents	$	5,319,456	$	4,166,713
Bank checks and commercial paper		8,244,207		621,204
Accounts receivable, net (Note 4)		3,295,341		3,053,295
Due from unaffiliated suppliers (Note 5)		346,976		1,112,948
Prepaid expenses (Note 6)		2,330,898		2,876,820
Inventory (Note 7)		8,157,592		6,656,028
Advance to employees (Note 15)		150,294		113,297
Restricted cash (Note 10)		19,112,900		14,738,564
Due from a related party-current portion (Note 15)		10,321,711		4,448,878
Total current assets		57,279,375		37,787,747
Property and Equipment, net (Note 8)		12,936,668		11,306,271
Land use right, net (Note 9)		5,084,515		4,859,620
Long-term investment		886,780		830,984
Due from a related party (Note 15)		5,931,837		10,380,715
Total Assets	$	82,119,175	$	65,165,337

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank loan (Note 14)	$ 22,022,146	$ 19,269,317
Bank checks payable (Note 11)	29,180,000	22,059,772
Accounts payable and accrued expenses	6,247,060	7,657,437
Taxes payable	5,411,445	3,560,918
Deferred revenue	418,776	737,027
Due to employees (Note 15)	1,707,383	1,265,898
Employee security deposit	972,181	810,802
Total Current Liabilities	65,958,991	55,361,171

Minority Interest		157,854		98,053
Shareholders' 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, 26,000,000 shares issued and outstanding as of December 31, 2008 and December 31, 2007, respectively		26,000		26,000
Additional paid-in capital		2,908,171		2,366,171
Unamortized contractual services costs		(165,978)		-
Statutory Reserves		1,369,652		1,042,355
Retained earnings		10,560,128		5,700,875
Accumulated other comprehensive income		1,304,357		570,712
Shareholders' Equity		16,002,330		9,706,113
Total Liabilities and Shareholders' Equity	$	82,119,175	$	65,165,337

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2008	2007
Revenues		
Sales	$ 41,135,497	$ 38,407,800
Costs of Sales	28,124,549	26,489,964
Gross Profit	13,010,948	11,917,836
Operating Expenses		
Selling expenses		
Sales commission	720,686	670,364
Freight-out	987,399	893,530
Advertising	52,338	188,761
Travel and entertainment	138,542	250,230
Other selling expenses	103,887	186,603
Total selling expenses	2,002,852	2,189,488
General and administrative expenses		
Payroll and employees benefits	511,452	267,673
Insurance	172,805	151,437
Professional fees	104,041	86,303
Various Taxes	270,552	124,951
Consultant fees	473,775	134,011
Bad debt expenses	135,600	-
Office expenses	478,381	278,651
Depreciation and amortization	134,920	55,855
Repair and maintenance	81,356	167,014
Travel and entertainment	307,703	206,675
	70,982	68,680

Other general and administrative		
Total General and Administrative Expenses	2,741,567	1,541,250
Total Operating Expenses	4,744,419	3,730,738
Income (Loss) from Operation	8,266,529	8,187,098

Other Income (Expense)				
Interest income (Note 12)		1,721,419		267,989
Interest expense (Note 13)		(2,840,105)		(1,996,479)
Government subsidies		172,787		556,627
Gain (Loss) on foreign currency transactions		(296,435)		(86,255)
Other income (expense)		(38,942)		106,855
Total other income (expense)		(1,281,276)		(1,151,263)
Income (Loss) before Provision Income Tax and Minority Interest		6,985,253		7,035,835
Provision for Income Tax		1,746,314		2,110,750
Income before Minority Interest		5,238,939		4,925,085
Minority Interest		(52,389)		(49,251)
Net Income		5,186,550		4,875,834
Other Comprehensive Income (Loss)				
Effects of Foreign Currency Conversion		733,645		490,336
Comprehensive Income (Loss)	$	5,920,195	$	5,366,170

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Common Stock $0.001 Par Value		Additional	Unamortized Contractual			Accumulated Other	Total
	Shares	Amount	Paid-in Capital	Services Costs	Retained Earnings	Statutory Reserve	Comprehensive Income	Owners' Equity
Balances at December 31, 2006	100	100	2,392,071	-	1,594,417	272,979	80,376	4,339,943
Common stock issued for acquisition of Pacific Capital Group (reverse merger)	22,645,348	22,645	(22,645)	-	-	-	-	-
Pacific Capital Group share exchange	(100)	(100)	100	-	-	-	-	-
Reverse merger adjustment*	3,354,652	3,355	(3,355)	-	-	-	-	-
Net Income	-	-	-	-	4,875,834	-	-	4,875,834

(Loss)								
Appropriation to statutory reverse funds	-	-	-	-	769,376)	769,376.00	-	-
Other comprehensive income effects of exchange rates	-	-	-	-	-	-	490,336	490,336
Balances at December 31, 2007	26,000,000 $	26,000 $	2,366,171 $	- $	5,700,875 $	1,042,355 $	570,712 $	9,706,113
350,000 shares of warrants issued for Contractual service	-	-	542,000	(165,978)	-	-	-	376,022
Net Income (Loss)	-	-	-	-	5,186,550	-	-	5,186,550
Appropriation to statutory reverse funds	-	-	-	-	(327,297)	327,297	-	-

Other comprehensive income								
effects of exchange rates	-	-	-	-	-	-	733,645	733,645
Balances at December 31, 2008	26,000,000	$ 26,000	$ 2,908,171	$ (165,978)	$ 10,560,128	$ 1,369,652	$ 1,304,357	$ 16,002,330

* The reverse merger adjustment represents the recording of the minority shareholders shares outstanding at the time of the reverse merger.

See Notes to Consolidated Financial Statements

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2008	2007
Operating Activities		
Net income (loss)	$ 5,186,550	$ 4,875,834
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Minority interest	52,389	49,251
Depreciation	1,141,132	726,969
Amortization of land use rights	107,501	95,940
Amortization of contractual service costs	376,022	-
Changes in operating assets and liabilities:		
(Increase)/Decrease in bank checks and commercial paper	(7,463,338)	623,589
(Increase)/Decrease in accounts receivable	(36,458)	513,661
(Increase)/Decrease in prepaid expenses	727,586	(345,162)
(Increase)/Decrease in inventory	(1,038,240)	(1,056,278)
(Increase)/Decrease in advance to employees	(28,932)	(50,691)
Increase/(Decrease) in accounts payable and accrued expenses	(1,894,589)	1,676,877
Increase/(Decrease) in bank checks payable	5,551,300	(1,398,132)
Increase/(Decrease) in taxes payable	1,586,359	1,143,879
	(362,017)	202,030

Increase/(Decrease) in deferred revenue		
Increase/(Decrease) in employee security deposit	105,274	84,304
Net cash provided (used) by operating activities	4,010,538	7,142,071
Investing Activities		
Purchase of fixed assets	(1,965,739)	(4,649,895)
Loans to unaffiliated suppliers	-	(116,103)
Payback of loans to unaffiliated suppliers	827,620	
Loans to a related party	(421,566)	(5,223,903)
Net cash (used) by investing activities	(1,559,685)	(9,989,901)

Financing Activities				
Bank loans		1,436,300		1,903,560
Decrease (Increase) in restricted cash to secure bank checks		(3,332,061)		(1,613,196)
Loans from employees		350,940		303,139
Payback of loans from employees		-		
Net cash provided (used) by financing activities		(1,544,820)		593,503
Increase (decrease) in cash		906,033		(2,254,327)
Effects of exchange rates on cash		246,710		134,751
Cash at beginning of period		4,166,713		6,286,289
Cash at end of period	$	5,319,456	$	4,166,713
Supplemental Disclosures of Cash Flow Information:				
Cash paid (received) during year for:				
Interest	$	2,307,952	$	1,996,479
Income taxes	$	394,386	$	1,004,871

See Notes to Consolidated Financial Statements.

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1- ORGANIZATION AND BUSINESS BACKGROUND

China Ruitai International Holdings Co., Ltd. ("China Ruitai" or the "Company") was initially organized under the laws of the State of Delaware on November 15, 1955 as Inland Mineral Resources Corp. The Company subsequently changes its name to Parker-Levitt Corporation, and in 1997 changed its name to Commercial Property Corporation and in 2006 changed its name to Shangdong Ruitai Chemical Co., Ltd. On March 12, 2007, the Company changed its name to China Ruitai International Holdings Co., Ltd. On February 26, 2007, the Company changed its fiscal year end from October 31 to December 31.

The Company was engaged in various real estate and development projects. The Company was not successful and discontinued the majority of its operations by 1981. On November 19, 1997, the Company issued common stock that resulted in a change in control and entered into a new development stage as defined in Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development Stage Enterprises .

On August 29, 2007, the Company entered into a Share Exchange Agreement with Pacific Capital Group Co., Ltd., (Pacific Capital Group) a corporation incorporated under the laws of the Republic of Vanuatu, and the stockholders of Pacific Capital Group (the Stockholders). Pursuant to the terms of the Share Exchange Agreement, the Stockholders agreed to transfer all of the issued and outstanding shares of common stock in Pacific Capital Group to the Company in exchange for the issuance of an aggregate of 22,645,348 shares of the Company s common stock to the Stockholders, thereby causing Pacific Capital Group's and Pacific Capital Group s majority-owned operating subsidiary, TaiAn RuiTai Cellulose Co., Ltd. (TaiAn), a Chinese limited liability company, to become wholly-owned and majority owned-subsidiaries, respectively of the Company. The parties closed the share exchange contemplated by the Share Exchange Agreement on November 8, 2007.

The Share Exchange is being accounted for as a reverse merger, since the stockholders of Pacific Capital Group own a majority of the outstanding shares of the Company s common stock immediately following the Share Exchange. Pacific Capital Group is deemed to be the acquirer in the reverse merger. Consequently, the assets and liabilities and the historical operations that will be reflected in the financial statements for periods prior to the Share Exchange will be those of Pacific Capital Group and its subsidiary and will be recorded at the historical cost basis. After completion of the Share Exchange, the Company s consolidated financial statements will include the assets and liabilities of both China Ruitai and Pacific Capital Group, the historical operations of Pacific Capital Group and the operations of the

Company and its subsidiaries from the closing date of the Share Exchange.

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.

TaiAn is the only one of these affiliated companies that is engaged in business operations. China

RuiTai and Pacific Capital Group are holding companies, whose business is to hold an equity ownership interest in TaiAn. TaiAn is engaged in the production, sales, and exportation of deeply processed chemicals, with a primary focus on non-ionic cellulose ether products. TaiAn's assets exist solely in the PRC, and its revenues are derived from its operations therein.

China Ruitai, Pacific Capital Group, and TaiAn are hereafter referred to as the Company.

Note 2- CONTROL BY PRINCIPAL OWNERS

The directors, executive officers, their affiliates, and related parties own, directly or indirectly, beneficially and in the aggregate, the majority of the voting power of the outstanding capital of the Company. Accordingly, directors, executive officers and their affiliates, if they voted their shares uniformly, would have the ability to control the approval of most corporate actions, including approving significant expenses, increasing the authorized capital and the dissolution, merger or sale of the Company's assets.

Note 3- SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries which require consolidation. Inter-company transactions have been eliminated in consolidation.

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). This basis of accounting differs from that used in the statutory accounts of the Company, which are prepared in accordance with the "Accounting Principles of China ("PRC GAAP"). Certain accounting principles, which are stipulated by US GAAP, are not applicable in the PRC GAAP. The difference between PRC GAAP accounts of the Company and its US GAAP financial statements is immaterial.

Foreign Currencies Translation

The Company maintains its books and accounting records in PRC currency "Renminbi" ("RMB"), which is determined as the functional currency. Transactions denominated in currencies other than RMB are translated into RMB at the exchange rates quoted by the People s Bank of China (PBOC) prevailing at the date of the transactions. Monetary assets and liabilities denominated in currencies other than RMB are translated into RMB using the applicable exchange rates quoted by the PBOC at the balance sheet dates. Exchange differences are included in the statements of changes in owners' equity. Gain and losses resulting from foreign currency transactions are included in operations.

The Company s financial statements are translated into the reporting currency, the United States Dollar (US$). Assets and liabilities of the Company are translated at the prevailing exchange rate at each reporting period end. Contributed capital accounts are translated using the historical rate of exchange when capital is injected. Income and expense accounts are translated at the average rate of exchange during the reporting period. Translation adjustments resulting from translation of these financial statements are reflected as accumulated other comprehensive income (loss) in the owners equity.

Translation adjustments resulting from this process are included in accumulated other comprehensive income (loss) in the consolidated statement of changes in shareholders equity and amounted to $1,304,357 as of December 31, 2008, and $570,712 as of December 31, 2007. The balance sheet amounts with the exception of equity at December 31, 2008 were translated at 6.85 RMB to $1.00 USD as compared to 7.31 RMB at December 31, 2007. The equity accounts were stated at their historical rate. The average translation rates applied to income statement accounts for the year ended December 31, 2008 and 2007 were 6.96 RMB and 7.61 RMB, respectively.

Statement of Cash Flows

In accordance with SFAS No. 95, Statement of Cash Flows, cash flows from the Company s operations is calculated based upon the functional currency. As a result, amounts related to assets and liabilities reported on the statement of cash flows may not necessarily agree with changes in the corresponding balances on the balance sheet.

Revenue Recognition he Company recognizes revenue when the earnings process is complete. This generally occurs when products are shipped to unaffiliated customer or picked up by unaffiliated customers in the Company's warehouse, title and risk of loss have been transferred, collectibility is reasonably assured and pricing is fixed or determinable. The corresponding freight-out and handling costs are included in the selling expenses.

The Company does not provide an unconditional right of return, price protection or any other concessions to our customers. Sales returns and other allowances have been immaterial in our operation.

Deferred Revenue

Deferred revenue consists of prepayments to the Company for products that have not yet been delivered to the customers. Payments received prior to satisfying the Company s revenue recognition criteria are recorded as deferred revenue.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results when ultimately realized could differ from those estimates.

Fair Value of Measurements

The Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), effective January 1, 2008. The provisions of SFAS 157 are to be applied prospectively.

SFAS 157 clarifies that fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Under SFAS 157, fair value measurements are not adjusted for transaction cost. SFAS 157 provides for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels:

Level 1:

Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2:

Input other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.

Level 3:

Unobservable inputs. Unobservable inputs reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability.

An asset or liability s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The Company uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 and Level 2 assets or liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks with maturities of three months or less, and all highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less at the time of purchase.

Bank checks and commercial paper

Bank checks and commercial paper include bank checks and commercial paper with original maturities of approximately 180 days or less at the time of issuance. Book value approximates fair value because of the short maturity of those instruments. The Company receives these financial instruments as payments from its customers in the ordinary course of business. The Company also takes out bank checks from financial institutions to pay its suppliers or pay off its bank loans due.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. We generally grant new customers a one-month period in which to pay for goods that we have delivered to them, and we grant existing customers a two to three month period in which to pay for goods that we have delivered to them. We used an indirect method of accounting to write off any accounts receivable which exceeded the allotted three month time period which we provide to our customers. In circumstances in which we receive payment for accounts receivable which have previously been written off, we reverse the allowance and bad debt expenses.

Concentrations of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents with high-quality institutions. Deposits held with banks in PRC may not be insured or exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand and therefore bear minimal risk.

Fair Value of Financial Instruments

The carrying value of financial instruments including cash and cash equivalents, bank checks and commercial paper, receivables, accounts payable and accrued expenses, approximates their fair value due to the relatively short-term nature of these instruments.

Inventory

Inventories are stated at the lower of cost or market value. Actual cost is used to value raw materials and supplies. Finished goods and work-in-progress are valued on the weighted-average-cost method. Elements of costs in finished good and work-in-progress include raw materials, direct labor, and manufacturing overhead.

Due from unaffiliated suppliers

The Company has been extending temporally short-term loans to some unaffiliated suppliers. These loans are unsecured, non-interest bearing and have no fixed terms of repayment, therefore, deemed payable on demand. Cash flows from due from unaffiliated suppliers are classified as cash flows from investing activities.

The Management believes the loans can help theses suppliers run their business, and in turn these suppliers can provide raw materials and services to the Company in a stable price. The Managements evaluates the financial resources of the borrowers on a regular basis, to make sure the suppliers have the capability to pay back these loans. Also, the Company has never had any bad debt with these suppliers. Therefore, the Management believes that these loans are collectable.

Long-term investment

The long-term investment represents monetary investments in the Wenyang Xinyong Bank, a local state owned bank in Wenyang County, Shandong Province, PRC. The investments are transferable in accordance with the laws of the PRC. The investments are carried at cost which approximates fair value. The Company did not purchase any such long-term investment in the year ended December 31, 2008 and 2007, respectively. Dividend income on these investments is recorded when received. There were no dividend received in the year ended December 31, 2008 and 2007, respectively. The Company may sell these investments back to the bank at the book value.

Valuation of Long-Lived assets

The Company accounts for impairment of plant and equipment and amortizable intangible assets in accordance with SFAS No. 144, Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of . Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Restricted cash, and Bank checks payable

The Company pays its suppliers with bank checks in its ordinary business transactions. Generally, the Company deposits 50% to 100% of the bank check amount into a restricted bank account, the bank then issues a bank check payable to a supplier in 180 days or less. The Company delivers the bank check as payment to the supplier, who can discount the bank check before its maturity. When the bank check reaches maturity, the bank takes the deposit in the restricted bank accounts and the balance, if any, from other bank account(s) that the Company has with the bank. While the bank does not charge interest expenses on the balance, the bank pays interest on the deposit in the restricted bank account to the Company. The bank generally charges 0.0005% of the bank check amount as service fee for issuance of the bank check.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Maintenance, repairs and minor renewals are expensed as incurred; major renewals and improvements that extend the lives or increase the capacity of plant assets are capitalized.

When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the reporting period of disposition.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets with residual value of 5%. The percentages or depreciable life applied are:

Building and warehouses	20 years
Machinery and equipment	7 to 10 years
Office equipment and furniture	5 years
Motor vehicles	5 years

Land Use Right

All land belongs to the State in PRC. Enterprises and individuals can pay the State a fee to obtain a right to use a piece of land for commercial purpose or residential purpose for an initial period of 50 years or 70 years, respectively. The land use right can be sold, purchased, and exchanged in the market. The successor owner of the land use right will reduce the amount of time which has been consumed by the predecessor owner.

The Company owns the right to use a piece of land, approximately 23 acre, located in the Wenyang County, Shandong Province for a fifty-year period ended December 2, 2055; and a piece of land, approximately 36 acre, also located in the Wenyang County, Shanxi Province for a forty-eight-year period ended June 5, 2054. The costs of these land use rights are amortized over their prospective beneficial period, using the straight-line method with no residual value. The Company's production facilities and headquarters building are located in these two pieces of land.

Government Subsidies

The Company records government grants as current liabilities upon reception. A government subsidy revenue is recognized only when there is reasonable assurance that the Company has complied with all conditions attached to the grant. The Company recognized government subsidy of $172,787 and $556,627 for the year ended December 31, 2008 and 2007, respectively.

Research and Development Costs

Research and development costs relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed when incurred. The major components of these research and development costs include experimental materials and labor costs. The Research and development cost was immaterial for the Company in the year ended December 31, 2008 and 2007, respectively, and was included into general and administration expenses.

Advertising Costs

Advertising costs are expensed as incurred and included as part of selling and marketing expenses in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 93-7, "Reporting for Adverting Costs". Advertising costs was $52,338 and $188,761 for the year ended December 31, 2008 and 2007, respectively.

Value-added Tax (VAT)

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

Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income, establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated comprehensive income, as presented in the accompanying statements of changes in owners' equity consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

Segment Reporting

SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information establishes standards for reporting information about operating segments on a basis consistent with the Company s internal organization structure as well as information about geographical areas, business segments and major customers in financial statements. The Company currently operates in one principal business segment.

Related parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Pension and Employee Benefits

Full time employees of the PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Company to accrue for these benefits based on certain percentages of the employees' salaries. The Management believes full time employees who have passed the probation period are entitled to such benefits. The total provisions for such employee benefits was $115,308 and $110,578 for the year ended December 31, 2008 and 2007, respectively.

Statutory Reserves

Pursuant to the applicable laws in PRC, PRC entities are required to make appropriations to three non-distributable reserve funds, the statutory surplus reserve, statutory public welfare fund, and discretionary surplus reserve, based on after-tax net earnings as determined in accordance with the PRC GAAP, after offsetting any prior years losses. Appropriation to the statutory surplus reserve should be at least 10% of the after-tax net earnings until the reserve is equal to 50% of the Company's registered capital. Appropriation to the statutory public welfare fund is 5% to 10% of the after-tax net earnings. The statutory public welfare fund is established for the purpose of providing employee facilities and other collective benefits to the employees and is non-distributable other than in liquidation. Beginning from January 1, 2006, enterprise is no more required to make appropriation to the statutory public welfare fund. No appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors.

In 2007, the Company contributed $512,917 to the statutory surplus reserve fund, and $256,459 to the statutory public welfare fund. In 2008, $218,198 was contributed to the statutory surplus reserve fund, and $109,099 was contributed to the statutory public welfare fund. After the contribution in 2008, the statutory reserves reach 50% of TaiAn's registered capital.

Statutory reserves consist of the following:

	Statutory Surplus Reserve	Statutory Welfare Reserve	Total Statutory Reserves
Balance on January 1, 2007	$ 181,986	$ 90,993	$ 272,979
Contribution in 2007	512,917	256,459	769,376
Balance on December 31, 2007	694,903	347,452	1,042,355

Contribution in 2008	218,198	109,099	327,297
Balance on December 31, 2008	$ 913,101	$ 456,551	$ 1,369,652

Income Taxes

The Company accounts for income tax using SFAS No. 109 Accounting for Income Taxes , which requires the asset and liability approach for financial accounting and reporting for income taxes. Under this approach, deferred income taxes are provided for the estimated future tax effects attributable to temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, and for the expected future tax benefits from loss carry-forwards and provisions, if any. Deferred tax assets and liabilities are measured using the enacted tax rates expected in the years of recovery or reversal and the effect from a change in tax rates is recognized in the statement of operations in the period of enactment. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Earnings (Loss) Per Share

The Company reports earnings per share in accordance with the provisions of SFAS No. 128, Earnings Per Share. SFAS No. 128 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 (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. There are no potentially dilutive securities outstanding (options and warrants) for the year ended December 31, 2007. However, there are 350,000 shares of warrants issued and outstanding as of December 31, 2008, as more fully disclosed in Note 17.

Adoption of FIN 48

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with FIN 48, the Company performed a self-assessment and concluded that there were no significant uncertain tax positions requiring recognition in its financial statements.

Adoption of SFAS No. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other

Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" ("FSP 157-1") and FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). FSP 157-1 amends SFAS No. 157 to remove certain leasing transactions from its scope. FSP 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company adopted SFAS No. 157 effective January 1, 2008 for all financial assets and liabilities as required. The partial adoption of FAS No. 157, as allowed by FSP FAS 157-2, did not have a material impact on the Company s financial position and results of operations.

On October 10, 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active. The FSP clarifies the application of FASB Statement No. 157, Fair Value Measurements, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP is effective immediately, and includes prior period financial statements that have not yet been issued.

Adoption of SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 , which is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 is an elective standard which permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The Company did not elect the fair value option for any assets or liabilities that were not previously carried at fair value. Accordingly, the adoption of SFAS 159 did not have a material impact on the Company s financial position and results of operations.

Recent Accounting Pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) issued FSP No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 concludes that unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents are participating securities, and thus, should be included in the two-class method of computing earnings per share (EPS). FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Early application of EITF 03-6-1 is prohibited. It also requires that all prior-period EPS data be adjusted retrospectively. We have not yet determined the effect, if any, of the adoption of this statement on our financial condition or results of operations.

In May 2008, the FASB issued SFAS No. 162 The Hierarchy of Generally Accepted Accounting Principles . SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). The guidance will become effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles . The Company is currently evaluating the impact of adopting SFAS 162 on its financial statements.

In April 2008, the FASB issued Staff Position FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3) which amends the factors an entity should consider in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS No. 142, Goodwill and Other Intangible Assets (FAS No. 142). FSP FAS 142-3 applies to intangible assets that are acquired individually or with a group of assets and intangible assets acquired in both business combinations and asset acquisitions. It removes a provision under FAS No. 142, requiring an entity to consider whether a contractual renewal or extension clause can be accomplished without substantial cost or material modifications of the existing terms and conditions associated with the asset. Instead, FSP FAS 142-3 requires that an entity consider its own experience in renewing similar arrangements. An entity would consider market participant assumptions regarding renewal if no such relevant experience exists. FSP FAS 142-3 is effective for year ends beginning after December 15, 2008 with early adoption prohibited. We have not yet determined the effect, if any, of the adoption of this statement on our financial condition or results of operations.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Hedging Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161, which is effective January 1, 2009, requires enhanced qualitative and quantitative disclosures with respect to derivatives and hedging activities. The Management does not expect that the adoption of SFAS No. 161 would have a material effect on the Company s financial position and results of operations.

In December 2007, the FASB issued Statements of Financial Accounting Standards No. 141 (revised 2007), Business Combinations (SFAS 141R) and No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment to ARB No. 51 (SFAS 160). Both SFAS 141R and SFAS 160 are to be adopted effective January 1, 2009. SFAS 141R requires the application of several new or modified accounting concepts that, due to their complexity, could introduce a degree of volatility in periods subsequent to a material business combination. SFAS 141R requires that all business combinations result in assets and liabilities acquired being recorded at their fair value, with limited exceptions. Other areas related to business combinations that will require changes from current GAAP include: contingent consideration, acquisition costs, contingencies, restructuring costs, in process research and development and income taxes, among others. SFAS 160 will primarily impact the presentation of minority or noncontrolling interests within the Balance Sheet and Statement of Operations as well as the accounting for transactions with noncontrolling interest holders. The Management does not expect that the adoption of SFAS No. 141 (revised 2007) and SFAS No. 160 would have a material effect on the Company s financial position and results of operations.

Note 4- ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	December 31, 2008	December 31, 2007
Accounts receivable	$ 4,867,649	$ 4,397,598
Less: Allowance for doubtful accounts	(1,572,308)	(1,344,303)
Accounts receivable, net	$ 3,295,341	$ 3,053,295

Bad debt expense charged to operations was $135,600 and $0 for the year ended December 31, 2008 and 2007, respectively.

Note 5- DUE FROM UNAFFILIATED SUPPLIERS

Due from unaffiliated suppliers consist of following:

	December 31,	December 31,

		2008		2007
Feicheng Kaiyuan Chemicals Co., Ltd.	$	-	$	169,533
Fencheng Sanying Spin and weave Co., Ltd.		-		150,392
Shangdong Taipeng Shiye Co., Ltd.		-		273,440
Shangdong Jinzhengyuan Co., Ltd.		-		66,993
Fengcheng Yingbo Food Co., Ltd.		291,800		273,440
Taian Dongyue Co., Ltd.		-		136,720
Other companies		55,176		42,430
	$	346,976	$	1,112,948

Note 6- PREPAID EXPENSES

Prepaid expenses consist of following:

		December 31, 2008		December 31, 2007
Machinery and parts	$	308,325	$	366,753
Raw materials and supplies		1,811,725		2,146,958
Packing and supply materials		1,610		300,665
Freight-out		1,268		5,196
Adverting		-		6,457
Consultancy fees		207,123		205
Office expenses		847		27,344
Utility		-		23,242
	$	2,330,898	$	2,876,820

Note 7-INVENTORIES

Inventories consist of following:

	December 31, 2008	December 31, 2007
Finished goods	$ 5,492,366	$ 4,414,633
Work-in-progress	1,044,048	-
Raw materials	1,576,534	2,157,685
Supplies and packing materials	44,644	83,710
	$ 8,157,592	$ 6,656,028

Note 8- PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment:

	December 31, 2008	December 31, 2007
Building and warehouses	$ 7,835,356	$ 4,209,954
Machinery and equipment	8,743,251	6,699,636
Office equipment and furniture	63,597	53,175
Motor vehicles	463,928	425,169
	17,106,132	11,387,934
Less: Accumulated depreciation	(4,315,364)	(2,989,099)
Add: Construction in progress	145,900	2,907,436
Total	$ 12,936,668	$ 11,306,271

Depreciation expense charged to operations was $1,141,132 and $726,969 for the year ended December 31, 2008 and 2007, respectively.

Note 9- LAND USE RIGHT

The following is a summary of land use right, less amortization:

	December 31, 2008	December 31, 2007
Land use right	$ 5,396,684	$ 5,050,290
Less: Amortization	(312,169)	(190,670)
Land use right, net	$ 5,084,515	$ 4,859,620

Amortization expense charged to operations was $107,501 and $95,940 for the year ended December 31, 2008 and 2007, respectively.

Note 10- RESTRICTED CASH

Restricted cash consists of following:

Financial Institutions	December 31, 2008	December 31, 2007
Jinan Branch of Shanghai Pudong Development Bank	$ 4,377,000	$ 2,734,400
Feicheng Branch of Bank of China	1,459,000	1,503,920
Wenyang Branch of Agriculture Bank	1,750,800	1,640,788
Wenyang Credit Bank	3,501,600	4,757,856

Feicheng Branch of Construction Bank		-		1,367,200
Feicheng Branch of Transportation Bank		2,188,500		2,734,400
Jinan Wendong Branch of Shenzhen Development Bank		5,836,000		-
	$	19,112,900	$	14,738,564

Note 11- BANK CHECKS PAYABLE

Bank checks payable consists of following:

Financial Institutions		December 31, 2008		December 31, 2007
Feicheng Branch of Bank of China	$	2,918,000	$	3,007,840
Feicheng Branch of Transportation Bank		4,377,000		4,101,600
Wenyang Credit Bank		5,836,000		7,929,760
Jinan Branch of Shanghai Pudong Development Bank		4,377,000		2,734,400
Feicheng Branch of Construction Bank		-		1,551,772
Wenyang Branch of Agriculture Bank		2,918,000		2,734,400
Jinan Wendong Branch of Shenzhen Development Bank		8,754,000		-
	$	29,180,000	$	22,059,772

Note 12- INTEREST INCOME

Interest income consists of following:

	For the Year Ended December 31,			
		2008		2007
Interest income from loans to Shangdong Ruitai	$	1,236,191	$	-

Interest income from deposits in banks		434,705		267,989
Other interest income		50,523		-
	$	1,721,419	$	267,989

Note 13- INTEREST EXPENSES

Interest expenses consist of following:

	For the Year Ended December 31,			
		2008		2007
Interest expenses for bank loans	$	1,804,733	$	1,180,823
Interest expenses for discount on bank checks		854,434		784,649
Interest expenses for due to employees		180,938		31,008

	$	2,840,105	$	1,996,479

Note 14- BANK LOANS

Bank loans consist of the following as of December 31, 2008:

Financial Institutions		Loan Amount	Duration	Monthly Interest Rate	Guaranteed By
Feicheng Branch of Bank of China	$	437,700	02/28/2008- 01/27/2009	7.47	
Feicheng Branch of Bank of China		1,459,000	02/28/2008- 02/27/2009	7.47	
Feicheng Branch of Bank of China		700,320	03/19/2008- 03/18/2009	7.47	
Feicheng Branch of Bank of China		612,780	03/19/2008- 03/18/2009	7.47	Shandong Ashide Chemicals Co., Ltd.
Feicheng Branch of Bank of China		875,400	03/26/2008- 03/25/2009	6.8475	
Feicheng Branch of Bank of China		1,459,000	04/24/2008- 04/23/2009	6.8475	
Feicheng Branch of Bank of China		1,021,300	05/26/2008- 05/25/2009	6.8475	
Feicheng Branch of Bank of China		1,313,100	06/03/2008- 06/02/2009	6.8475	
Feicheng Branch of Bank of China		1,459,000	10/24/2008-	6.3525	

		10/23/2009		
Taian Branch of Transportation Bank	729,500	07/28/2008-01/28/2009	6.0225	
Wenyang Branch of Feicheng Credit Bank	875,400	05/28/2008-05/28/2009	6.225	Shangdong Ashide Chemicals Co., Ltd.
Wenyang Branch of Feicheng Credit Bank	1,210,970	01/31/2008-01/31/2009	6.225	Shandong Zhuiyuan Mining Group Co., Ltd
Wenyang Branch of Feicheng Credit Bank	1,114,676	01/30/2008-01/30/2009	6.225	
Wenyang Branch of Feicheng Credit Bank	1,459,000	01/29/2008-01/29/2009	6.225	
Jinan Branch of Shanghai Pudong Bank	2,918,000	08/12/2008-08/12/2009	6.8475	Feicheng Ashide Chemicals Co., Ltd.
Jinan Branch of Shanghai Pudong Bank	1,459,000	08/01/2008-08/01/2009	6.8475	
Wenyang Branch of Agriculture Bank	1,459,000	11/28/2007-05/24/2009	6.552	Shandong Suolide Welding Materials Co., Ltd

Wenyang Branch of Agriculture Bank	1,459,000	01/24/2008- 01/22/2009	8.0925	Shandong Ashide Chemicals Co., Ltd.
Total	$ 22,022,146			

Interest expense charged to operations for these bank loans was $1,804,733 for the year ended December 31, 2008. The weighted-average outstanding bank loan balance is $22,390,850; and the weighted-average monthly interest rate is 6.78 .

Bank loans consist of the following as of December 31, 2007:

Financial Institutions	Loan Amount	Duration	Monthly Interest Rate	Guaranteed By
Feicheng Branch of Bank of China	$ 410,160	02/2/2007- 02/1/2008	7.344	
Feicheng Branch of Bank of China	1,367,200	02/27/2007- 02/26/2008	7.344	
Feicheng Branch of Bank of China	656,256	03/16/2007- 03/15/2008	7.344	
Feicheng Branch of Bank of China	574,224	03/16/2007- 03/15/2008	7.344	Shangdong Ashide Chemicals Co., Ltd.
Feicheng Branch of Bank of China	820,320	3/27/2007- 3/26/2008	7.668	
Feicheng Branch of Bank of China	1,367,200	04/25/2007- 04/24/2008	7.668	
Feicheng Branch of Bank of China	957,040	06/15/2007-	7.227	

		06/14/2008		
Feicheng Branch of Bank of China	1,230,480	06/26/2007- 06/25/2008	7.227	
Feicheng Branch of Bank of China	1,367,200	12/20/2007- 11/19/2008	8.019	
Taian Branch of Transportation Bank	683,600	08/22/2007- 08/22/2008	7.722	
Wenyang Branch of Feicheng Credit Bank	751,960	05/24/2007- 05/24/2008	6.57	Shandong Ruifu Chemicals Co., Ltd.
Wenyang Branch of Feicheng Credit Bank	1,203,136	01/31/2007- 01/31/2008	6.372	
Wenyang Branch of Feicheng Credit Bank	1,044,541	01/31/2007- 01/31/2008	6.372	Shandong Zhuiyuan Mining Group Co., Ltd
Wenyang Branch of Feicheng Credit Bank	1,367,200	01/31/2007- 01/31/2008	6.372	
Jinan Branch of Shanghai Pudong Bank	2,734,400	08/28/2007- 08/28/2008	6.435	Shangdong Ashide Chemicals Co., Ltd.

		11/23/2007-		
Wenyang Branch of Agriculture Bank	1,367,200	11/23/2008	8.748%	
		12/23/2007-		Feicheng Shuolide Co.,
Wenyang Branch of Agriculture Bank	1,367,200	11/24/2008	8.964%	Ltd.
Total	$ 19,269,317			

Interest expense charged to operations for these bank loans was $1,180,823 for the year ended December 31, 2007. The weighted-average outstanding bank loan balance is $17,227,303; and the weighted-average monthly interest rate is 5.758 .

Note 15- RELATED PARTY TRANSACTIONS

Advance to employees

Advance to employee are advances to employees who are working on projects on behalf of the Company. After the work is finished, they will submit expense reports with supporting documents to the accounting department. Then, the expenses are debited into the relevant accounts and the advances are credited out. Cash flows from these activities are classified as cash flows from operating activities.

Due from a related party

Due from a related party" represents loans to Shandong Ruitai Chemicals Co., Ltd. ("Shandong Ruitai"), then a majority owner of TaiAn. Shandong Ruitai had owned 75% equity ownership interest of TaiAn January 2000 through February 2007. On March 20, 2007, Shandong Ruitai sold 74% equity ownership interest of TaiAn to Pacific Capital Group Co., Ltd. Mr. Xingfu Lv, our President, and Mr. Dianming Ma, our CEO, collectively own 100% of equity ownership interest in Shandong Ruitai.

TaiAn has been extending loans to Shangdong Ruitai and the balance amounted to $14,829,593 as of December 31, 2007. These loans were unsecured, non-interest bearing and have no fixed terms of repayment, therefore, deemed payable on demand. Cash flows from due from a shareholder are classified as cash flows from investing activities. The Managements evaluates the financial resources of the borrower on a regular basis, to make sure Shandong Ruitai has the capability to pay back these loans.

As TaiAn became the only operating subsidiary of a public company, TaiAn signed loan agreement with Shangdong Ruitai in December 2007. Pursuant to the loan agreement, Shangdong Ruitai will pay 7 interest on the outstanding balance monthly. The Management believes that the interest rate approximates the fair market interest rate as compared to the Company's bank loans. Shandong Ruitai pledges its power plant as collateral for the loans and Mr. Lv and Mr. Ma guarantee the loans. Also, Shandong Ruitai will gradually pay off these loans in a three-year period ended December 31, 2010, with 30% in 2008, 30% in 2009, and the rest of 40% in 2010.

The following is a summary of due from Shandong Ruitai:

	December 31,	December 31,

		2008		2007
Due from Shangdong Ruitai-current portion	$	10,321,711	$	4,448,878
Due from Shangdong Ruitai-long-term portion		5,931,837		10,380,715
Total due from Shandong Ruitai	$	16,253,548	$	14,829,593

Imputed interest income recognized from due from Shangdong Ruitai amounted to $1,236,191 and $0 for the year ended December 31, 2008 and 2007, respectively.

Purchase from a related party

TaiAn purchases hot steam from Shandong Ruitai' power plant. Hot steam is one of the major raw materials for TaiAn's production and TaiAn records the costs of hot steam into its manufacturing costs. The Management believes the transaction is on terms no less favorable to the Company than those reasonably obtainable from third parties. TaiAn purchase hot steam of $2,075,317 and $1,289,675 from Shandong Ruitai in the year ended December 31, 2008 and 2007, respectively.

Due to employees

Due to Employees represents loans from employees to finance the Company s operations due to a lack of cash resources. There are no formal loan agreements for these loans, therefore, these loans were unsecured, and have no fixed terms of repayment. The employees can inject or withdraw funds as they wish. The Company pays 8 interest on these loans monthly beginning from July 1, 2007. Cash flows from these activities are classified as cash flows from financing activities. The Company paid interest of $180,938 and $31,008 for the year ended December 31, 2008 and 2007, respectively.

Land use right transaction

On October 25, 2006, the Company purchase the use right of a piece of land, approximately 36 acre, located in Wenyang County, Shandong Province, from its majority shareholder, Shandong Ruitai, for $3,352,840. The local government approved the transaction and certified that the purchase price is at the fair market value. The consideration has been paid to the seller, and the title transferal is under going. The Management believes the transaction is on terms no less favorable to the Company than those reasonably obtainable from third parties.

Advisory Agreement

On June 11, 2007, the Company entered into an advisory agreement with Mid-Continental Securities Corp., (Mid-Continental) its agents and/or assigns, which in essence requires that varying consulting services be rendered during a one year period. The Company made payment of these services in advance through the issuance of 1,300,000 shares valued at $0.20 per share, totaling $260,000. Since this issuance occurred to the shell company before reverse merger, the transaction has no affect on the consolidated financial statements presented.

Advances from Stockholder

During the nine-month period ended September 30, 2007, Mid-Continental paid expenses and liabilities of the Company in the amount of $47,738. These payments are considered capital contributions inasmuch as the Company will not repay these amounts to the stockholder.   Since these payments occurred to the shell company before reverse merger, the transaction has no affect on the consolidated financial statements presented.

Note 16- PRC INCOME TAX

The Company s operating subsidiary, TaiAn, is governed by the Income Tax Law of PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws ("the Income Tax Laws").

Beginning January 1, 2008, the new Enterprise Income Tax (EIT) law has replaced the old laws for Domestic Enterprises (DES) and Foreign Invested Enterprises (FIEs).

The key changes are:

a. The new standard EIT rate of 25% replaces the 33% rate applicable to both DES and FIEs, except for High Tech companies that pay a reduced rate of 15%;

b. Companies established before March 16, 2007 continue to enjoy tax holiday treatment approved by local government for a grace period of either for the next 5 years or until the tax holiday term is completed, whichever is sooner.

In addition, the new EIT also grants tax holidays to entities operating in certain beneficial industries, such as the agriculture, fishing, and environmental protection. Entities in beneficial industries enjoy a three-year period tax exempt and a three-year period with 50% reduction in the income tax rates.

The Company s operating subsidiary, TaiAn, is subject to effective income tax rate of 25% beginning from January 1, 2008.

The provision for income taxes consisted of the following:

	For the Year Ended December 31, 2008		For the Year Ended December 31, 2007	
Provision for US Income Tax	$	-	$	-
Provision for PRC national income tax		1,746,314		2,110,750
Provision for PRC local income tax		-		-
Total provision for income taxes	$	1,746,314	$	2,110,750

The following table reconciles the PRC statutory rates to the Company s effective tax rate:

	For the Year Ended December 31, 2008	2007

U.S. Statutory rate	34.00%	34.00%
Foreign income not recognized in USA	-34.00%	-34.00%
PRC national income tax rate	25.00%	30.00%
PRC local income tax rate	0.00%	0.00%
Effective income tax rate	25.00%	30.00%

At December 31, 2008 and 2007, the Company had net operating losses of approximately $1,138,602 carried from prior years. Although the PRC Income Tax Law allows the enterprises to offset their future net income with operating losses carried forward, enterprise need approval from local tax authority before they can claim such tax benefit, and the outcome of the application is generally uncertain. Therefore, the Managements established a 100% valuation allowance for the operation losses carried forward and no deferred tax assets have been recorded.

Note 17- WARRANT

During March 2008 the Company engaged a consultant to conduct a program of investor relations activities, for a primary period of twelve months ended February 28, 2009, and continue on a month-to-month basis thereafter upon mutual consent. The terms of the agreement are for the consultant to receive a cash payment per month plus a warrant to purchase 150,000 shares of the Company's restricted common stock at a price of $3.05 per share. The warrant has a term of four (4) years and is vested 50% on March 1, 2008 and 50% on September 30, 2008. The Management valued the warrant at $1.16 per share using the Black-Schole pricing model with assumptions summarized below, for a total of $174,000, which will be amortized over the prospective beneficial period.

Grant Date Stock Price	Exercise Price	Warrant Life	Risk Free Interest Rate	Expected Volatility
$2.90	$4.00	4.0 years	2.00%	51%

Risk free interest rate: Current interest rate of short-dated government bonds such as discount rate on U.S. Government Treasury Bills with 30 days left until maturity.

Volatility: 51% is the volatility of our common stock price October 9, 2007 through March 3, 2008, which is the only available period for our common stocks price quoted in the OTCBB at the time when we valued the cost of the warrant.

Warrant costs charged to operation as consultant fees for the year ended December 31, 2008 and 2007 were $145,000 and $0, respectively.

On May 19, 2008, the Company engaged a consultant to as its exclusive investment banker and agent for a one-year period ended May 19, 2009, and subject to cancellation by thirty (30) days written notice by certified mail. One of the compensation to the consultant is to issue the consultant a warrant to purchase 200,000 shares of the Company's common stock at a price of $4.00 per share. The warrant has a term of five (5) years and was issued on May 19, 2008. The Management valued the warrant at $1.84 per share using the Black-Schole pricing model with assumptions summarized below, for a total of $368,000, which will be amortized over the prospective beneficial period.

Grant Date	Exercise	Risk Free	Expected

Stock Price	Price	Warrant Life	Interest Rate	Volatility
$4.00	$4.00	5.0 years	2.00%	51%

Risk free interest rate: Current interest rate of short-dated government bonds such as discount rate on U.S. Government Treasury Bills with 30 days left until maturity.

Volatility: 51% is the volatility of our common stock price October 9, 2007 through May 19, 2008, which is the only available period for our common stocks price quoted in the OTCBB at the time when we valued the cost of the warrant.

Warrant costs charged to operation as consultant fees for the year ended December 31, 2008 and 2007 were $231,022 and $0, respectively.

Note 18- EARNINGS PER SHARE

The following is information of net income per share:

	For the Year Ended December 31,			
		2008		2007
Net Income for basic and diluted earnings per share	$	5,186,550	$	4,875,834
Weighted average shares used in basic computation		26,000,000		22,645,348
Effect of dilutive securities:				
Warrants		244,608		-

Weighted average shares used in diluted computation		26,244,608		22,645,348
Earnings per share:				
Basic	$	0.20	$	0.22
Diluted	$	0.20	$	0.22

Note 19- COMMON STOCK

In December 2004, the Company amended its articles of incorporation to authorize 50,000,000 shares of common stock at a par value of $.001 per share. Previous thereto, the authorized shares consisted of 3,000,000 at $0.01 par value per share.

On June 11, 2007, the Company issued 1,300,000 shares of common stock to a related party as more fully disclosed in NOTE 15 to these consolidated financial statements.

On November 8, 2007, as more fully disclosed in Note 1, the Company issued 22,645,348 shares of restricted shares of common stock to the stockholders of Pacific Capital Group pursuant to the terms of the Share Exchange Agreement.

Note 20- SEGMENT REPORTING

The major products consist of following

		For the Year Ended December 31, 2008	2007
	Revenue		
1	Methyl Cellulose (MC)	3,428,160	7,089,619
2	Hydroxypropyl Methyl Cellulose (HPMC)	31,359,201	25,730,461
3	Hydroxypropyl Cellulose (HPC)	902,214	336,943
4	Ethyl Cellulose (EC)	2,072,955	1,613,099
5	Hydroxyethyl Cellulose (HEC)	1,088,684	1,511,773
6	HEMC	331,220	495,989
7	Hydroxypropyl Cellulose (HPC)	5,162	11,989
8	HP	236,790	143,897
9	Microcrystalline Cellulose (MCC)	53,945	31,719
10	CMC	101,356	1,753
11	Film Coating Pre-Mixed Reagent.	637,731	580,725
12	Raw materials	918,079	859,833
	Cost of Sales		
1	Methyl Cellulose (MC)	2,865,474	5,529,505
2	Hydroxypropyl Methyl Cellulose (HPMC)	20,825,061	17,137,659
3	Hydroxypropyl Cellulose (HPC)	448,767	143,134
4	Ethyl Cellulose (EC)	1,351,825	896,085
5	Hydroxyethyl Cellulose (HEC)	935,748	1,191,506

6	HEMC	274,879	440,333
7	Hydroxypropyl Cellulose (HPC)	5,498	13,616
8	HP	96,148	62,342
9	Microcrystalline Cellulose (MCC)	42,687	32,937
10	CMC	142,987	1,459
11	Film Coating Pre-Mixed Reagent.	183,943	189,124
12	Raw materials	951,532	852,262

	Gross Profit		
1	Methyl Cellulose (MC)	562,686	1,560,114
2	Hydroxypropyl Methyl Cellulose (HPMC)	10,534,140	8,592,802
3	Hydroxypropyl Cellulose (HPC)	453,447	193,809
4	Ethyl Cellulose (EC)	721,130	717,014
5	Hydroxyethyl Cellulose (HEC)	152,936	320,267
6	HEMC	56,341	55,656
7	Hydroxypropyl Cellulose (HPC)	(336)	(1,627)
8	HP	140,642	81,555
9	Microcrystalline Cellulose (MCC)	11,258	(1,218)
10	CMC	(41,631)	294
11	Film Coating Pre-Mixed Reagent.	453,788	391,601
12	Raw materials	(33,453)	7,571

Geographic Areas Information

While all of the Company s assets are located in the PRC, the Company sales products to customers located in the United States, Finland, Iran, Germany, and other countries, as summarized in the following:

	For the Year Ended December 31,			
	2008		2007	
Geographic Areas	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
PRC	28,546,455	69.40%	31,982,437	83.27%
United States	2,415,285	5.87%	2,584,310	6.73%
Finland	2,319,224	5.64%	1,992,816	5.19%
Iran	1,990,819	4.84%	1,099,498	2.86%
Germany	1,979,915	4.81%	719,810	1.87%
	3,883,799	9.44%	28,929	0.08%

Other Countries				
Total	41,135,497	100.00%	38,407,800	100.00%

Major Customers

The Company has a diversified customer base. There were three major customers who made sales approximately 5% or more of the Company s total sales as summarized in the following:

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	For the Year Ended December 31,			
	2008		2007	
Major Customer	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
Changsha Xiangtai Technology Co., Ltd.	3,729,352	9.07%	-	-
Bang and Bonsomer Co., Ltd.	2,037,967	4.95%	1,992,816	5.19%
Viscochem Reselg and Development Ltd.	1,990,819	4.84%	823,542	2.14%
Total	7,758,137	18.86%	2,816,358	7.33%

Major Suppliers

The Company has a diversified Supplier base. There were five major customers who made sales approximately 5% or more of the Company s total sales as summarized in the following:

	For the Year Ended December 31,			
	2008		2007	
Major Suppliers	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
Zhibo Huili Cellulose Co., Ltd.	7,958,641	25.11%	6,091,247	17.73%
Tianjin Changda Technology Co., Ltd.	4,085,990	12.89%	1,978,022	5.76%
Changsha Xiangtai Technology Co., Ltd.	3,672,563	11.59%	3,304,987	9.62%
Nantong Jiangshan Chemical Co., Ltd.	2,863,359	9.03%	4,053,161	11.80%
Nantong (Xinyu) Chemical Co., Ltd.	2,127,936	6.71%	1,155,589	3.36%
Total	20,708,489	65.33%	16,583,006	48.28%

Note 21- ASSET RETIREMENT OBLIGATIONS

The Company operates within the requirements of numerous regulations at the local, province, and national levels regarding issues such as the handling and disposal of hazardous chemicals, waste-water treatment and effluent and emissions limitations among others. From a practical standpoint, certain environmental contamination cannot be reasonably determined until a facility or asset is retired or an event occurs that otherwise requires the facility to be tested and monitored. In the absence of such requirements to test for environmental contamination prior to an asset or facility retirement, the Company has concluded that it cannot reasonably estimate the cost associated with such environmental-related asset retirement obligations (ARO).

In addition, the Company anticipates operating its manufacturing facilities indefinitely into the future thereby rendering the potential range of settlement dates as indeterminate. Therefore, the Company has not recorded any AROs to recognize legal obligations associated with the retirement of tangible long-lived assets, as contemplated by the Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (SFAS 143) and FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB

Statement No. 143 (FIN 47).

Note 22- COMMITMENTS AND CONTINGENCIES

PRC's political and economic system

The Company faces a number of risks and challenges not typically associated with companies in North America and Western Europe, since its assets exist solely in the PRC, and its revenues are derived from its operations therein. The PRC is a developing country with an early stage market economic system, overshadowed by the state. Its political and economic systems are very different from the more developed countries and are in a state of change. The PRC also faces many social, economic and political challenges that may produce major shocks and instabilities and even crises, in both its domestic arena and in its relationships with other countries, including the United States. Such shocks, instabilities and crises may in turn significantly and negatively affect the Company's performance.

Environmental

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. Currently, our environmental compliance costs principally include the costs to run our waste water treatment facility and routine inspection fees paid to the local environmental department. These amounts are immaterial to our operating costs. However, changes in these laws and regulations may significantly increase our environmental compliance costs and therefore have a material adverse effect on the Company s financial position and results of operations. Also, any failure by the Company to adequately comply with such laws and regulations could subject the Company to significant future liabilities.

Governmental control of currency conversion

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The Company receives most of its revenues in Renminbi, which is currently not a freely convertible currency. Shortages in the availability of foreign currency may restrict the Company s ability to remit sufficient foreign currency to satisfy foreign currency dominated obligations. Under existing PRC foreign exchange regulations, payments 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 Renminbi is to be converted into foreign currency and remitted out of China 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. If the foreign exchange control system prevents the Company from obtaining sufficient foreign currency to satisfy its currency demands, the Company may not be able to pay certain of its expenses as they come due.

Contingent liabilities

Prior to the merger with Pacific Capital Group on November 8, 2007, the Company has not been active since discontinuing its real estate operations in 1981. Management believes that there are no valid outstanding liabilities from prior operations. If a creditor were to come forward and claim a liability, the Company has committed to contest such claim to the fullest extent of the law. No amount has been accrued in the financial statements for this contingent liability.

Guaranteed Bank Loans

The Company has guaranteed certain loans for third-party enterprises, which, in turn, have guaranteed loans for the Company. These guarantees require payment from the Company in the event of default on payment by the respective debtor and, if the debtor defaults, the Company may be required to pay amounts outstanding under the related agreements in addition to the principal amount guaranteed, including accrued interest and related fees.

The Company and these third-party enterprises have been guaranteeing loans for each other in the day-to-day operation. Both these enterprises and the Company are considered good reputation debtors by local banks. The banks allow these companies guarantee loans for each other instead of requiring the loans be secured by collateral. None of the enterprises, for which the Company has guaranteed loans, has defaulted on any loan repayments, and accordingly, the Company has not recorded any liabilities or losses on such guarantees.

Bank loans that the Company has guaranteed for third-party enterprises consist of the following as of December 31, 2008:

Borrower	Financial Institutions	Loan Amount	Duration	Monthly Interest Rate	Guaranteed By
Shangdong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	$ 1,093,760	09/18/2008-09/17/2009	7.2	
Shangdong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	1,093,760	10/20/2008-09/30/2009	6.93	
Shangdong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	328,128	05/14/2008-05/13/2009	7.47	
Fei Cheng Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	1,500,000	01/12/2007-01/08/2012	8.34	TaiAn RuiTai Cellulose Co., Ltd.
		800,000	02/02/2007-01/08/2011	8.41	

Fei Cheng Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China			
Fei Cheng Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	890,000	12/30/2006-01/08/2010	8.32938
Fei Cheng Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	700,000	12/30/2006-01/08/2011	8.32938
Shandong Lulong Co., Ltd.	Jinan Branch Shenzhen Development Bank	1,459,000	08/10/2008-08/09/2009	5.531
	Total	$ 7,864,648		

Bank loans that the Company has guaranteed for third-party enterprises consist of the following as of December 31, 2007:

Borrower	Financial Institutions	Loan Amount	Duration	Monthly Interest Rate	Guaranteed By
Shandong Lulong Group Co., Ltd.	Feicheng Branch of Agriculture Bank	$ 1,367,200	11/23/2007-11/23/2008	10.026	
Shandong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	328,128	06/26/2007-06/25/2008	7.884	
Shandong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	1,093,760	09/19/2007-9/18/2008	8.748	
Shandong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	1,093,760	10/19/2007-10/18/2008	8.748	TaiAn RuiTai Cellulose Co., Ltd.
Shandong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	1,500,000	01/12/2007-01/08/2012	8.34	
Shandong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	800,000	02/02/2007-01/08/2011	8.41	
Shandong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	890,000	12/30/2006-01/08/2011	8.32938	
Shandong Ashide Chemical Co., Ltd.	Feicheng Branch of Bank of China	700,000	12/30/2006-01/08/2011	8.32938	
	Total	$ 7,772,848			

Guaranteed Bank Checks

The Company has guaranteed bank checks for third-party enterprises. Generally, these companies deposit 40% to 100% of the bank check amount into a restricted bank account, the bank then issues a bank check to these companies or their assignees. The Company guaranteed on the balance of the bank check amounts. These guarantees require payment from the Company in the event of default on payment by the respective debtor and, if the debtor defaults, the Company may be required to pay amounts outstanding under the related agreements in addition to the amount guaranteed, including accrued interest and related fees.

Both these enterprises and the Company are considered good reputation debtors by local banks. None of the enterprises, for which the Company has guaranteed bank checks, has defaulted on any bank check repayments, and accordingly, the Company has not recorded any liabilities or losses on such guarantees.

Bank checks that the Company has guaranteed for third-party enterprises consist of the following as of December 31, 2008:

Borrower	Financial Institutions	Bank Check Amount	Duration	Amount in Restricted Bank Account	Amount Guaranteed By the Company

Shangdong Yinbao Food Co., Ltd.	Jinan Branch of Shenzhen Development Bank	2,917,536	07/10/2008-01/10/2009	1,458,768	1,458,768
Shangdong Taipeng Shiye Co., Ltd.	Jinan Branch of Shenzhen Development Bank	2,334,029	07/10/2008-01/10/2009	1,167,014	1,167,014

The Company did not guarantee bank checks for third-party enterprises as of December 31, 2007.

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As reported on Form 8-K filed with the SEC on January 9, 2008, the Company changed auditors. For the fiscal year ended December 31, 2008, there were no disagreements with our accountants on accounting and financial disclosure.

ITEM 9A(T). CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Securities and Exchange Commission defines the term disclosure controls and procedures to mean a company's controls and other procedures of an issuer that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company maintains such a system of controls and procedures in an effort to ensure that all information which it is required to disclose in the reports it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the SEC's rules and forms and that information required to be disclosed is accumulated and communicated to principal executive and principal financial officers to allow timely decisions regarding disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed to provide reasonable assurance of achieving the objectives of timely alerting them to material information required to be included in our periodic SEC reports and of ensuring that such information is recorded, processed, summarized and reported with the time periods specified. Our chief executive officer and chief financial officer also concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance of the achievement of these objectives.

Internal Control Over Financial Reporting

The management of the Company is responsible for the preparation of the financial statements and related financial information appearing in this Annual Report on Form 10-K. The financial statements and notes have been prepared in conformity with accounting principles generally accepted in the United States of America. The management of the Company also is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. A company's internal control over financial reporting is defined as a process 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. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and internal controls will prevent all error and all fraud. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable, not absolute, assurance that the objectives of the control system are met and may not prevent or detect misstatements. Further, over time control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

With the participation of the Chief Executive Officer and Chief Financial Officer, our management evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2008 based upon the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management has concluded that, as of December 31, 2008, the Company's internal control over financial reporting was effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K.

There was no change in the Company's internal control over financial reporting during the year ended December 31, 2008, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10.

DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

Directors and Executive Officers

The following table sets forth, as of March 31, 2008, the names and ages of the directors and executive officers of the Registrant, the principal positions with the Registrant held by such persons and the date such persons became a director or executive officer. The executive officers are elected annually by the Board of Directors. The directors serve one year terms or until their successors are elected.

Name	Age	Position Held and Tenure
Dian Min Ma	42	Director since August 2007; CEO, Secretary since November 2007
Xing Fu Lu	56	Director August 2007; President since November 2007

Gang Ma	35	Chief Financial Officer since November 8, 2007
Jin Tian	36	Director since November 2007

Biographical Information

Dian Min Ma. Dian Min Ma has been a director of the Registrant since August 2007 and has been the CEO of the Registrant since November 8, 2007. His primary responsibilities are focused on the general management of the Company. In addition to his work with China RuiTai International Holdings Co., Ltd., Mr. Ma serves as the Finance Manager for TaiAn; he has served in this position since August 2004. Mr. Ma is a Professional Accountant with close to 20 years of experience. He has formerly served as Finance Manager for FeiCheng JinTai Company, FeiCheng Oil Chemical Plant, and FeiCheng RuiTai Fine Chemical Company, Ltd.

Xing Fu Lu. Xing Fu Lu has been a director of the Registrant since August 2007 and has been the President of the Registrant since November 8, 2007. In addition to his work with China RuiTai International Holdings Co., Ltd., Mr. Lu is the Chief Executive Officer of TaiAn. Mr. Lu is a Professional Engineer with over 25 years of experience. Prior to accepting his position as CEO with TaiAn, he was General Manager in FeiCheng Oil Chemical Plant, and FeiCheng RuiTai Fine Chemical Company, Ltd.

Gang Ma. Gang Ma has been the Chief Financial Officer of the Registrant since November 8, 2007. In addition to his work with China RuiTai International Holdings Co., Ltd., Mr. Ma works as the Director of the Financial Department for TaiAn, a position that he has held since July 1999. Prior to working for TaiAn, Mr. Ma worked for Shangdong GMB Company from August 1995 to July 1999 in the company s financial and accounting department.

Jin Tian. Jin Tian has been a director of the Registrant since November 8, 2007. In addition to his work with China RuiTai International Holdings Co., Ltd., Jin Tian works as an accountant for TaiAn, a position he has held since approximately October 2002.

Family Relationships

There are no family relationships between any of the current directors or officers of the Company.

Involvement in Certain Legal Proceedings

None of our officers, directors, promoters or control persons has been involved in the past five (5) years in any of the following:

(1)

Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2)

Any conviction in a criminal proceedings or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3)

Being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, or any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4)

Being found by a court of competent jurisdiction (in a civil action), the SEC or the U.S. Commodity Futures Trading Commission to have violated a federal or state securities laws or commodities law, and the judgment has not been reversed, suspended, or vacated.

Directorships

None of the Company s executive officers or directors is a director of any company with a class of equity securities registered pursuant to Section 12 of the Securities exchange Act of 1934 (the Exchange Act) or subject to the requirements of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership of Form 3 and changes in ownership on Form 4 or Form 5 with the Securities and Exchange Commission. Such officers, directors and 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received by it, the Company believes that, during the fiscal year ended December 31, 2007, all Section 16(a) filing requirements applicable to its officers, directors and 10% stockholders were satisfied.

Code of Ethics

The Company has not yet adopted a code of ethics. The Company intends to adopt a code of ethics in the near future.

ITEM 11.

EXECUTIVE COMPENSATION.

Executive Compensation

The following table sets forth, for the years indicated, all compensation paid, distributed or accrued for services, including salary and bonus amounts, rendered in all capacities by the Company s chief executive officer , chief financial officer and all other executive officers who received or are entitled to receive remuneration in excess of $100,000 during the stated periods; the information contained below represents compensation paid to the Registrant s officers for their work related to the Registrant and the Registrant s subsidiary, TaiAn. These officers are referred to herein as the named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Award(s) ($)	Option Award(s) ($)	Non-Equity Incentive Plan Compensation (#)	Non-qualified Deferred Compensation Earnings ($)	All other Compensation ($)	Total ($)
Dian Min Ma, CEO	2008	$8,297	--	--	--	--	--	--	$8,297(1)
	2007	$185,185	--	--	--	--	--	--	$185,185(1)
	2006	$185,185	--	--	--	--	--	--	$185,185(1)
Xing Fu Lu,	2008	$9,313	--	--	--	--	--	--	$9,313(2)
President	2007	$198,000	--	--	--	--	--	--	$198,000(2)
	2006	$198,000	--	--	--	--	--	--	$198,000(2)
Gang Ma,	2008	$4,328	--	--	--	--	--	--	$4,328(3)
Chief Accounting	2007	$67,000	--	--	--	--	--	--	$67,000(3)
Officer	2006	$67,000	--	--	--	--	--	--	$67,000(3)

(1)

This figure includes compensation paid to Dian Min Ma for services rendered to the Registrant s majority owned subsidiary, TaiAn.

(2)

This figure includes compensation paid to Xing Fu Lu for services rendered to the Registrant s majority owned subsidiary, TaiAn.

(3)

This figure includes compensation paid to Gang Ma for services rendered as the Registrants CFO and for services rendered to the Registrant s majority owned subsidiary, TaiAn.

Option Grants in Last Fiscal Year

There were no options granted to any of the named executive officers during the fiscal year ended December 31, 2008.

Majority-Owned Subsidiary Employment Agreements

The Company s subsidiary TaiAn has entered into employment agreements with its executive officers. The following discussion identifies and summarizes the employment agreements that TaiAn has entered into with its executive officers:

Employment Agreement Dian Min Ma - TaiAn has entered into an employment agreement with Dian Min Ma, its general manager for a ten-year term beginning on October 6, 2000 and ending on October 6, 2010. The agreement establishes the working relationship between TaiAn and Dian Min Ma. A copy of the agreement was filed as Exhibit 10.1 on Form 8-K filed with the SEC on November 9, 2007, and is hereby incorporated by reference.

Employment Agreement Xing Fu Lu - TaiAn has entered into an employment agreement with Xing Fu Lu, its president for a ten-year term beginning on October 6, 2000 and ending on October 6, 2010. The agreement establishes the working relationship between TaiAn and Xing Fu Lu. A copy of the agreement was filed as Exhibit 10.2 on Form 8-K filed with the SEC on November 9, 2007, and is hereby incorporated by reference.

Employment Agreement Gang Ma - TaiAn has entered into an employment agreement with Gang Ma, its chief financial officer for a ten-year term beginning on October 6, 2000 and ending on October 6, 2010. The agreement establishes the working relationship between TaiAn and Gang Ma. A copy of the agreement was filed as Exhibit 10.3 on Form 8-K filed with the SEC on November 9, 2007, and is hereby incorporated by reference.

Aside from the foregoing, we have no written employment agreements with our officers and directors. Compensation was determined after discussion about expected time commitments, remuneration paid by comparable organizations and the flexibility provided to the Company by not having extended terms and other terms typical of employment agreements. We have no plans or packages providing for compensation of officers after resignation or retirement.

Equity Compensation Plan Information

The Company currently does not have any equity compensation plans.

Director Compensation

We do not currently compensate our directors for their services as directors. Directors are reimbursed for their reasonable out-of-pocket expenses incurred with attending board or committee meetings.

The following table provides summary information concerning compensation awarded to, earned by, or paid to any of our directors for all services rendered to the Company in all capacities for the fiscal year ended December 31, 2008.

Name and Principal Position	Fees Earned And Paid in Cash ($)	Stock Award(s) ($)	Option Award(s) ($)	Non-Equity Incentive Plan Compensation (#)	Change in Pension Value and Non-qualified Compensation Earnings ($)	All other Compensation ($)	Total ($)
Dian Min Ma	$0.00	--	--	--	--	$8,430	$8,297(1)
Xing Fu Lu	$0.00	--	--	--	--	$9,313	$9,313(2)

Jin Tian	$0.00	--	--	--	--	--	$0.00

(1)

This figure includes compensation paid to Dian Min Ma for services rendered to the Registrant s subsidiary, TaiAn.

(2)

This figure includes compensation paid to Xing Fu Lu for services rendered to the Registrant s subsidiary, TaiAn.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 31, 2008, certain information with respect to the common stock beneficially owned by (i) each director, nominee to the Board of Directors and executive officer of the Company; (ii) each person who owns beneficially more than 5% of the common stock; and (iii) all directors and executive officers as a group:

Title and Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of class

Common	Dian Min Ma Director, Chief Executive Officer, Secretary Wenyang Town Feicheng City ShanDong, China 270016	11,936,372	45.90%
Common	Xing Fu Lu President, Director Wenyang Town Feicheng City ShanDong, China 270016	11,096,220	42.70%
Common	Gang Ma Chief Financial Officer Wenyang Town Feicheng City ShanDong, China 270016	0	0.00%
Common	Jin Tian Director Wenyang Town Feicheng City ShanDong, China 270016	0	0.00%
Common	All Directors and executive officers (4 persons)	23,032,592	88.60%

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Transactions

The following are transactions with related parties:

Advance to Employees

TaiAn has a process of making advances to employees. Advances to Employees are advances to employees who are working on projects on behalf of TaiAn. After the work is finished, they will submit expense reports with supporting documents to the accounting department. Then, the expenses are debited into the relevant accounts and the advances are credited out. Cash flows from these activities are classified into operating activities. The total advance to employees was $2,966,919 and $1,629,857 for the years ended December 31, 2007 and 2006, respectively.

Due From Related Party

Prior to the closing of the Share Exchange, Shandong Ruitai Chemicals Co., Ltd. ("Shandong Ruitai"), owned a 75% equity ownership interest in TaiAn. Mr. Xingfu Lu, our President, and Mr. Dian Min Ma, our CEO, collectively own 100% of capital stock of Shandong Ruitai. On March 20, 2007, Shandong Ruitai sold 74% of its equity interest in TaiAn to Pacific Capital Group Co., Ltd. From January 2000 through February 2007, prior to the closing of the Share Exchange, TaiAn would periodically make loans to Shandong Ruitai.

Due from a related party" represents loans which occurred prior to the closing of the Share Exchange from TaiAn to Shandong Ruitai. As of December 31, 2008, the balance of loaned funds from TaiAn to Shandong Ruitai amounted to US $ 16,253,548. Subsequent to the closing of the Share Exchange, on December 31, 2007, Shandong Ruitai entered into a Loan Contract with TaiAn for the repayment of the outstanding balance of the loans. Pursuant to the terms of the Loan Contract, Shandong Ruitai will repay the principal outstanding balance of the loan and interest which is accruing monthly at 7% over a three-year period ending December 31, 2010, with 30% of the principal and interest due as of the fiscal year ending 2008, 30% of the principal and interest due as of the fiscal year ending 2009, and 40% of the principal and interest due as of the fiscal year ending 2010. The repayment obligations of Shandong Ruitai under the Loan Contract are secured by a thermal power plant owned by Shandong Ruitai. Additionally, Shandong Ruitai s repayment obligations are personally guaranteed by Shandong Ruitai s principals, Mr. Dian Min Ma and Mr. Xingfu Lu. The foregoing description of the loan contract is qualified in its entirety by reference to the Loan Contact which was filed as Exhibit 10.7 to the Company s Form 10-KSB filed with the Securities and Exchange Commission on April 15, 2008, and is hereby incorporated by reference.

As of December 31, 2008, our audited balance sheet reflects that we have an amount due from related party of $ 16,253,548, as compared to an amount due from related party of $14,829,593 at December 31, 2007, an increase of $ 1,423,955. The increase in the amount due from related party from 2007 to 2008 was primarily attributable to the fact that Shandong Ruitai did not meet its payment obligations under the Loan Contract and as a result, Shandong Ruitai is in default under the terms of the Loan Contact. The Management of the Company is negotiating with Shandong Ruitai regarding the potential restructuring of the debt and is also considering the take over of the power plant which was pledged as security under the Loan Contract.

Due To Employees

Due to Employees represents loans from employees to finance the Company s operations due to a lack of cash resources. There are no formal loan agreements for these loans, therefore, these loans were unsecured, and have no fixed terms of repayment. The employees can inject or withdraw funds as they wish. The Company pays 8 interest on these loans monthly beginning from July 1, 2007. Cash flows from these activities are classified as cash flows from financing activities. The total borrowing from employees was $1,707,383 and $1,265,898 for the years ended December 31, 2008 and 2007, respectively. The Company paid interest of $180,938 and $31,008 for the years ended December 31, 2008 and 2007, respectively.

Land Use Right Transaction

On October 25, 2006, the Company purchased the use right of a piece of land, approximately 36 acre, located in Wenyang County, Shandong Province, from its majority shareholder, Shandong Ruitai, for $3,352,840, a copy of the Land Transfer Agreement was filed as an exhibit to the Form 8-K filed with the Securities and Exchange Commission on November 9, 2007, and is hereby incorporated by reference. The local government approved the transaction and certified that the purchase price is at the fair market value. The consideration has been paid to the seller, and the title transferal is under going. The Management believes the transaction is on terms no less favorable to the Company than those reasonably obtainable from third parties.

Director Independence

The NASDAQ Stock Market has instituted director independence guidelines that have been adopted by the Securities & Exchange Commission. These guidelines provide that a director is deemed independent only if the board of directors affirmatively determines that the director has no relationship with the company which, in the board s opinion, would interfere with the director s exercise of independent judgment in carrying out his or her responsibilities. Significant stock ownership will not, by itself, preclude a board finding of independence.

For NASDAQ Stock Market listed companies, the director independence rules list six types of disqualifying relationships that preclude an independence filing. The Company s board of directors may not find independent a director who:

1.

is an employee of the company or any parent or subsidiary of the company;

2.

accepts, or who has a family member who accepts, more than $60,000 per year in payments from the company or any parent or subsidiary of the company other than (a) payments from board or committee services; (b) payments arising solely from investments in the company s securities; (c) compensation paid to a family member who is a non-executive employee of the company (d) benefits under a tax qualified retirement plan or non-discretionary compensation; or (e) loans to directors and executive officers permitted under Section 13(k) of the Exchange Act;

3.

is a family member of an individual who is employed as an executive officer by the company or any parent or subsidiary of the company;

4.

is, or has a family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments for property or services that exceed 5% of the recipient s consolidated gross revenues for that year, or $200,000, whichever is more, other than (a) payments arising solely from investments in the company s securities or (b) payments under non-discretionary charitable contribution matching programs;

5.

is employed, or who has a family member who is employed, as an executive officer of another company whose compensation committee includes any executive officer of the listed company; or

6.

is, or has a family member who is, a current partner of the company s outside auditor, or was a partner or employee of the company s outside auditor who worked on the company s audit.

Based upon the foregoing criteria, our Board of Directors has determined that Dian Min Ma and Xing Fu Lu are not independent directors under these rules as they are also employed by the Company as its Chief Executive Officer and President, respectively.

ITEM 14.

PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

(1)

The aggregate fees billed by Keith K. Zhen, CPA for audit of the Company's annual financial statements were $88,000 for the fiscal year ended December 31, 2008, and $70,000 for the fiscal year ended December 31, 2007.

Audit Related Fees

(2)

Keith K. Zhen, CPA did not bill the Company any amounts for assurance and related services that were related to its audit or review of the Company s financial statements during the fiscal years ended 2008 and 2007.

Tax Fees

(3)

The aggregate fees billed by Keith K. Zhen, CPA for tax compliance, advice and planning were

$0.00 for the fiscal year ended December 31, 2008 and 2007.

All Other Fees

(4)

Keith K. Zhen, CPA did not bill the Company for any products and services other than the foregoing during the fiscal years ended 2007 and 2006.

Audit Committee=s Pre-approval Policies and Procedures

(5)

China RuiTai International Holdings Co., Ltd. does not have an audit committee per se. The current board of directors functions as the audit committee.

ITEM 15.

EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)

Exhibits.

3.1(i)	Articles of Incorporation, dated November 11, 1955 (incorporated by reference from exhibit to Form 8-K filed with the Securities and Exchange Commission on November 9, 2007)
3.1.1(i)	Articles of Amendment to Articles of Incorporation, dated December 8, 1955 (incorporated by reference from exhibit to Form 8-K filed with the Securities and Exchange Commission

	on November 9, 2007)
3.1(ii)	Bylaws of China RuiTai International Holdings Co., Ltd. (incorporated by reference from exhibit to Form 8-K filed with the Securities and Exchange Commission on November 9, 2007)
10.1	Labor Contract dated October 6, 2000, by and between TaiAn RuiTai Cellulose Co., Ltd. and Ma Dianmin (incorporated by reference from exhibit to Form 8-K filed with the Securities and Exchange Commission on November 9, 2007)
10.2	Labor Contract dated October 6, 2000, by and between TaiAn RuiTai Cellulose Co., Ltd. and Lu Xingfu (incorporated by reference from exhibit to Form 8-K filed with the Securities and Exchange Commission on November 9, 2007)
10.3	Labor Contract dated October 6, 2000, by and between TaiAn RuiTai Cellulose Co., Ltd. and Ma Gang (incorporated by reference from exhibit to Form 8-K filed with the Securities and Exchange Commission on November 9, 2007)
10.7	Loan Contact dated December 31, 2007, by and between Shandong Ruitai Chemicals Co., Ltd. and TaiAn RuiTai Cellulose Co., Ltd.(incorporated by reference from Exhibit Form 10-KSB filed with the Securities and Exchange Commission on April 15, 2008)
31.1	Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2	Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed Herewith

CHINA RUITAI INTERNATIONAL HOLDINGS CO., LTD.

By: /S/ Dian Min Ma

Dian Min Ma, Chief Executive Officer

Date: April 15, 2009

In accordance with Section 13 or 15(d) of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By: /S/ Dian Min Ma

Dian Min Ma, Chief Executive Officer

Date: April 15, 2009

By: /S/ Gang Ma

Gang Ma, Chief Financial Officer, Principal Accounting Officer

Date: April 15, 2009

By: /S/ Dian Min Ma

Dian Min Ma, Director

Date: April 15, 2009

By: /S/ Xing Fu Lu

Xing Fu Lu, Director

Date: April 15, 2009

By: /S/ Jin Tian

Jin Tian, Director

Date: April 15, 2009