China Huaren Organic Products, Inc.
Form 10QSB
November 19, 2007

U. S. Securities and Exchange Commission

Washington, D. C. 20549

FORM 10-QSB

[X]

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

For the quarterly period ended September 30, 2007

[ ]

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

For the transition period from _____ to _____

Commission File No. 0-25380

CHINA HUAREN ORGANIC PRODUCTS, INC.

(Name of Small Business Issuer in its Charter)

Delaware	43-1401158
(State or Other Jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

c/o American Union Securities

100 Wall Street, 15th Floor, New York, NY 10005

(Address of Principal Executive Offices)

Issuer's Telephone Number: 212-232-0120

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

November 19, 2007

Common Stock: 14,699,853 shares

Transitional Small Business Disclosure Format (check one): Yes No X

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Part I

Financial Information

Item 1.

Financial Statements

CHINA HUAREN ORGANIC PRODUCTS INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

		September 30, 2007 Unaudited		December 31, 2006 Audited
Assets				
Current Assets:				
Cash and equivalents	$	19,324	$	86,266
Accounts receivable ,net of allowance for doubtful amounts of $44,460 and $2,549, respectively		4,401,498		507,191
Inventories		936,498		5,268,288
Loan to officers/shareholders		-		1,885
Advance to related parties		-		37,441
Prepaid expenses		1,703,396		1,923,275
Other current assets		95,872		168,213
Total Current Assets		7,156,588		7,992,559
Property and Equipment, Net		38,326		44,400
Deposit for Purchase of Fixed Assets		3,595,252		1,297,217
Total Assets		10,790,166		9,334,176
Liabilities and Stockholders' Equity				
Current Liabilities:				
Account payable and accrued expenses		178,683		86,273
Customer deposit		-		78,684

Loan from officers/stockholders	2,258	-
Tax payable	1,645,694	1,046,325
Other current liabilities	11,209	8,165
Total Current Liabilities	1,837,844	1,219,447
Stockholders' Equity		
Series C preferred stock, $0.01 par value, 150,000 shares in year 2007 and 2006 authorized, 100,000 shares issued and outstanding on Septemper 30, 2007 and December 31, 2006.	1,000	1,000
Common stock, $0.01 par value, 100,000,000 shares in year 2007 and 2006 authorized; 14,699,853 issued and outstanding on Septemper 30,2007 and December 31, 2006	146,999	146,999
Additional paid-in capital	6,043,876	6,043,876
Reserve Fund	301,120	224,275
Retained earnings	1,683,555	1,270,867
Accumulated other comprehensive income	775,772	427,712
Total Shareholders Equity	8,952,322	8,114,729
Total Liabilities and Stockholders Equity	$ 10,790,166	$ 9,334,176

See notes to consolidated financial statements.

China Huaren Organic Products Inc. and Subsidiary

Consolidated Statements of Operations (Unaudited)

China Huaren Organic Products Inc. and Subsidiary

Consolidated Statements of Cash Flows (Unaudited)

China Huaren Organic Products Inc. and Subsidiary

Notes to Consolidated Financial Statements (Unaudited)

1. Organization and Nature of Business

China Huaren Organic Products Inc. (CHOP, the Company or We) through its indirect wholly-owned subsidiary, Jilin Huaren Organic Product Co., Ltd. ("Jilin Huaren "), develops, produces, and sells a wide array of organic foods and healthcare and cosmetic products.

In November 2006, we acquired all the ownership interest in China Organic Health Products Inc. (China Organic), a Delaware corporation organized in January 2006. The Company acquired China Organic in exchange for shares of common stock and shares of Series D Preferred Stock of the Company. The Series D Preferred Stock was subsequently converted into 12,045,129 common shares (after 1-39 reverse stock split). The capitalizations are described in further detail in Note 13 to the accompanying consolidated financial statements.

China Organic was organized under the laws of Delaware in January 2006. It never initiated any business activity. Most of the Company's activities are conducted through its 100% equity ownership in Jilin Huaren established in the People's Republic of China. Jilin Huaren is engaged in the business of research, development, production and sale of organic foods and healthcare products. All of Jilin Huaren s business is currently in China.

Jilin Huaren is a domestic enterprise incorporated in Jilin district of People Republic of China (PRC) in February 2000. Jilin Huaren was formally known as Jilin KangJian Technology Trade Center (Jilin KangJian) and changed its name to Jilin Huaren Organic Product Co., Ltd. in December 23, 2004.

Jilin KangJian remained inactive and incurred minor administrative expenses prior to December 31, 2003. It was only in March 2004 that Jilin KangJian began its business operation as a wholesaler of organic agricultural products, nutritional health food products, and cosmetics related merchandises in PRC. The company is selling the cosmetics products under the Huaren brand name.

2. Basis of Preparing Accounting Statement

The unaudited consolidated financial statements of China Huaren Organic Products Inc. and subsidiaries (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and pursuant to the requirements for reporting on Form 10-QSB. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. However, the information included in these interim financial statements reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of the consolidated financial position and the consolidated results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full year. The consolidated balance sheet information as of December 31, 2006 was derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-KSB. These interim financial statements should be read in conjunction with that report.

3. Summary of Significant Accounting Policies

a. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

b. Cash and equivalents

Cash and equivalents include cash on hand, demand deposits and highly liquid instruments with a maturity of three months or less at the time of purchase.

c. Accounts Receivable

Accounts receivables are recognized and carried at original invoice amount less allowance for any uncollectible amounts. The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on a review of the current status of the existing receivables. The allowance for doubtful accounts as of September 30, 2007 and December 31, 2006 were $44,460 and $2,549, respectively

d. Inventories

Inventories are stated at the lower of cost or market value. Estimated obsolescence and any excess of carrying costs over market are provided for through valuation reserves.

e. Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation on property and equipment is determined using the straight-line method over the estimated useful life of the assets, the office equipments and vehicles have estimated useful lives of 5 years. Repairs and maintenance expenditures which do not extend the useful lives of the related assets are expended as incurred, whereas significant renewals and betterments are capitalized.

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the statements of operation.

f. Long-Lived Assets

We account for long-lived assets in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Impairments are written off when events or circumstances indicate the carrying amount exceeds the recoverability or the estimated future cash flows expected from these assets. For long lived assets to be disposed, impairment is written off when the carrying amount exceeds the fair market value of the asset less the cost of disposal.

g. Warranties

The Company offers a commercial warranty on its products. Based on historical returns, an estimated return reserve is accrued for in the period revenue is recognized. The experience for costs and expenses in connection with such warranties had been minimal and through September 30, 2007 and 2006, no amount had been reserved.

h. Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, accounts receivable, inventories, other receivable, employee travel and operation advance, advance to related parties, advance to suppliers, other current assets, accounts payable and accrued expenses, customer deposits, taxes payable, and other current liabilities approximate their fair value because of the immediate or short-term maturity of these financial instruments.

i. Revenue Recognition

Revenue is recognized at the date of shipment to customers, and when the price is fixed or determinable, the delivery is completed, no other significant obligations of us exist and collectibles is reasonably assured. All revenues for the quarter ended September 30, 2007 and 2006 were products sales revenue recorded net of value added taxes.

Sales transactions not meeting all the conditions of the full accrual method are accounted for using the deposit method of accounting. Under the deposit method, all costs are capitalized as incurred, and payments received from the buyer are recorded as a customer deposits.

j. Advertising and Marketing Costs

Advertising and marketing costs, except for costs associated with direct-response advertising and marketing, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. Advertising and marketing expense were $18,683 and $1,400 for the nine months ended September 30, 2007 and 2006, respectively.

k. Employee Welfare Benefit

We have established an employee welfare plan in accordance with Chinese law and regulations. The Company makes annual pre-tax contributions of 14% of all employees salaries. Starting from the date on which the China subsidiary became a foreign fully owned company in June 2006, our China subsidiary expenses all employee welfare benefit as incurred. The total expense for the above plan amounted to $7,131 and $6,007 for the nine months ended September 30, 2007 and 2006, respectively.

l. Foreign Currency Translation

Our reporting currency is the U.S. dollar. The functional currencies of the Company's subsidiaries are local currencies, primarily the Chinese Renminbi. The financial statements are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates of exchange for the period for revenues and expenses. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in other comprehensive income or loss.

m. Income Taxes

We and our U. S. subsidiary will file consolidated federal and state income tax returns. Our PRC subsidiaries file income tax returns under the Income Tax Law of the People's Republic of China concerning Foreign Investment Enterprises and Foreign Enterprises and local income tax laws.

We follow Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

n. Comprehensive Income

SFAS 130, *Reporting Comprehensive Income*, defines comprehensive income to include all changes in equity except those resulting from investments by owners and distributions to owners and requires that the period s comprehensive income, its components and accumulated balances be disclosed. Among other disclosures, SFAS 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is presented with the same prominence as other financial statements. We only current component of comprehensive income is the foreign currency translation adjustment.

o. Segment Reporting

SFAS 131, *Disclosure about Segments of an Enterprise and Related Information*, requires disclosure of reportable segments used by management for making operating decisions and assessing performance. Reportable segments are categorized by products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. SFAS 131 has no effect on our financial statements as substantially all of our operations and management is under a single operating segment.

p. Recent Pronouncements

In September 2006, the Financial Accounting Standard Board (FASB) issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to

measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007 and to interim periods within those fiscal years. We are currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its consolidated results of operations, financial position, or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB No. 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB No. 108 requires that registrants quantify errors using both a balance sheet (iron curtain) approach and an income statement (rollover) approach, then evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. SAB No. 108 is effective for fiscal years ending after November 15, 2006. We have adopted the bulletin during 2006. The adoption did not have a material effect on the consolidated results of operations, financial position, or cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with FAS 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 derecognizing, classification, interest and penalties, accounting in interim periods, disclosure and transition. The requirements of FIN 48 are effective beginning January 1, 2007.

4. Accounts receivable

During the first quarter of 2007, the Company, facing an imminent expiration date on organic crops that it had received from Wancheng, sold those crops at cost to Yushu Wanli Co., Ltd (Yushu) pursuant to a sales contract. This sale on March 15, 2007 increased the Company s accounts receivable by approximately $5,380,185 (equivalent to RMB 40,312,786), which included the merchandise price plus VAT and other sales taxes. Yushu Wanli Co., Ltd. is a non-related third party. Based upon the sales contract, Yushu started to pay the amount due to us in May 2007. As of September 30, 2007, the outstanding balance due from Yushu was $4,445,958 (equivalent to RMB 33,312,786). It represented all of our gross accounts receivable balance as of September 30, 2007.

5. Inventories

Inventories consist of the following:

6. Advance to Related Parties

During 2006, our subsidiary in China, Jilin Huaren, deposited a portion of its daily cash revenue into a related individual's personal bank account, and withdraw cash for the Company s regular operations if necessary. This behavior could cause ambiguity of the Company s financial records. Accordingly, in the first quarter of 2007 all such amounts were repaid, and this practice was terminated.

7. Other Current Assets

Other current assets consist of the following:

Employee travel and operation advance consists of prepaid travel and operation fee advances to the Company s employees. These amounts are unsecured, non-interest bearing and are due on demand.

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8. Property and Equipment, Net

Property and equipment at cost, less accumulated depreciation, consists of the following:

Depreciation expense charged to operations was $9,340 and $9,267 for the nine months ended September 30, 2007 and 2006, respectively.

9. Deposit for Purchase of Fixed Assets

Starting from late 2005, the subsidiary in China, Jilin Huaren, has intended to purchase an office building from an unrelated company in P. R. China. The purchase price was $1,000,958 (equivalent to RMB 7,500,000) and fix up construction cost was $352,149(equivalent to RMB 2,638,593). During 2006 and the first nine months of 2007, all these cost had been paid to the seller by Jilin Huaren, but the title to the property has not been transferred. Jilin Huaren had occupied the property since 2005 without paying any rent. Accordingly, Jilin Huaren has recognized $16,918 (equivalent to RMB129, 600) of rent expenses per year since October 1, 2005, and has recognized an equal amount of interest income imputed on the payments that Jilin Huaren made to the seller since 2005. Management has estimated the value of the contribution items, and expects to get a full refund of $1,353,107 (equivalent to RMB10,138,593) if the purchase does not go through.

On March 1, 2007, we signed a letter of intent with a village in Jilin P.R.China to purchase a land use right from the village. This letter of intent did not list the total purchase price, but we have deposited $2,242,145 (equivalent to RMB16,800,000) to the village as of September 30, 2007. In addition, the title to the land use rights has not passed to us yet as of September 30, 2007.

Our total deposits, therefore, consist of the following:

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10. Operating lease commitments

We lease office space and certain farm and plant lands under operating lease agreements.

The following is a schedule of future minimum rental payments required under operating leases that had initial or remaining non-cancelable lease terms beyond September 30, 2007.

Rent expenses amounted to $304,740and $12,809 for the nine months ended September 30, 2007 and 2006, respectively.

11. Taxation

a. Corporation Income Tax (CIT)

We and our U. S. subsidiary will file consolidated federal and state income tax returns. Our PRC subsidiaries file income tax returns under the Income Tax Law of the People's Republic of China concerning Foreign Investment Enterprises and Foreign Enterprises and local income tax laws.

In accordance with the relevant PRC tax laws and regulations, our PRC subsidiary was subject to CIT at a 33% tax rate.

b. Value Added Tax (VAT)

We are subjected to VAT on merchandise sales in PRC. For the quarter ended September 30, 2007 and 2006, a small scale tax rate of 4% was applicable.

c. Business Tax (BT)

We also subject to Business Tax, which is charged on the service income at a generate rate of 5% in accordance with the tax law in Jilin District of PRC.

d. Taxes Payable

As of September 30, 2007 and December 31, 2006, tax payable consists of the following:

12. Foreign Subsidiary

a. Operations

Substantially all of our operations are carried out through our subsidiary located in the PRC. Accordingly, our business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC. Our business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency fluctuation and remittances and methods of taxation, among other things.

b. Dividends and Reserves

Under laws of the PRC, net income after taxation can only be distributed as dividends after appropriation has been made for the following: (i) cumulative prior years' losses, if any; (ii) allocations to the "Statutory Surplus Reserve" of at least 10% of net income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital; (iii) allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory Common Welfare Fund", which is established for the purpose of providing employee facilities and other collective benefits to employees in China; and (iv) allocations to any discretionary surplus reserve, if approved by shareholders.

As of September 30, 2007 and as of December 31, 2006, our PRC subsidiaries established and segregated in retained earnings an aggregate amount of $301,120 and $224,275 respectively, for the Statutory Surplus Reserve and the Statutory Common Welfare Fund.

13. Stockholders Equity

On November 13, 2006, we acquired all of the outstanding capital stock of China Organic Health Products, Inc. (China Organic). In connection with the closing of the acquisition (the Share Exchange), we issued to the shareholders of China Organic (a) 27,486,175 shares of common stock and (b) Series D Preferred Stock, which was convertible into 469,760,000 shares of common stock. As a part of the merger, we changed our corporate name to "China Huaren Organic Products, Inc. from Ultradata Systems, Inc. " In addition, we effected a 1:39 reverse split of our outstanding common shares and an increase in the number of authorized shares of common stock from 50,000,000 shares, par value $0.01 to 100,000,000 shares, $0.01 par value. After recapitalization, the Series D Preferred Stock was converted into 12,045,128 common shares, and there were 14,699,853 common shares issued and outstanding,

par value $0.01 on September 30, 2007.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following analysis of our consolidated financial condition and results of operations for the three months and nine months ended September 30, 2007 and 2006, should be read in conjunction with the consolidated financial statements, including footnotes, and other information presented in our annual report on Form 10-KSB as filed with the Securities and Exchange Commission on April 17, 2007.

Results of Operations

Jilin Huaren commenced its marketing operations in March of 2005. The growth of our business continued to the end of 2005, then came to a halt. During the winter of 2005, the government of China required that enterprises engaged in multi-level product distribution substantially revise the arrangements they had with their distribution network. Therefore, during the first quarter of fiscal 2006, we had revenues of only $103,309 as we spent the quarter rebuilding our distribution network to achieve compliance with China s regulations. We completed that rebuilding process in time to return to an almost-full marketing effort by mid-year, and reported third quarter and annual revenues of $492,815 and $2,188,146, respectively, in 2006.

Our supply-to-distribution system continues to experience inefficiencies, however. In the Spring of both 2006 and 2007 we found ourselves with large inventories of perishable goods that we were unable to sell before their expiration dates. So at both times we transferred the goods to another distributor at cost. The transaction in 2007 involved a sale to Yushu Wanli Co., Ltd. of foodstuffs for $5,380,185 (equivalent to RMB 40,312,786) (including tax) under a contract that calls for payments to begin in cash in May 2007. During the quarter ended June 30, we received $667,305 (equivalent to RMB 5 million) from this client. In the quarter ended September 30, 2007, payments from Yushu Wanli fell to $266,922 (equivalent to RMB 2 million). This transaction relieved us of the problem of perishable inventory. But the results were that (a) we have a large receivable that will not be paid promptly and (b) we realized no gross profit on a sale that represented 74% of our revenue to date. Our gross margin for the nine months ended September 30, 2007, therefore, has been only 16%, considerably lower than the gross margin realizable from our business, as evidenced by the gross margin of 53% that we realized in the quarter ended September 30, 2007. With the bulk sale to Yushu Wanli providing the majority of our revenue, our overall gross margin is inadequate to provide the funds we need for more than a minimal level of operations.

During 2007, we have been introducing many new organic crops to market, such as rice soybean, corns, and maize, which represented 89% of our total revenue for the quarter ended September 30, 2007. On sales of $733,914 during the third quarter of 2007, we realized $388,174 in gross profits, representing a gross margin of 53%. This lagged the gross margin of 60% that we realized on sales of $492,815 in the third quarter of 2006, due to a lower margin product mix this year. We expect our gross margin for the immediate future to remain in the

range of 40% to 50%, except when affected by distress sales to distributors, as in the first quarter of both 2007 and 2006.

Despite our relatively small gross profit, the first nine months of 2007 were profitable due to our low level of expenses. Our net income for the nine months ended September 30, 2007 was $489,533, compared to a net income of $410,198 in the first nine months of 2006. The fact that we are able to operate profitably, despite low gross profit, is attributable to two essential characteristics of our business model:

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There are thousand of individuals involved in selling our products but we incur no payroll obligation for them. They are owners or employees of the companies that distribute for us. So our selling expenses have been less than 6% of our revenue since we began operations in 2005.

•

Our manufacturing activity is completely outsourced to enterprises dedicated to organic agricultural manufacturing. As a result, during the nine months ended September 30, 2007, our general and administrative expense equaled less than 3.3% of our revenue, and represented less than 10.2% of revenue during the three months ended September 30, 2007. In the first nine months of 2007 our depreciation expense often a major factor in agribusiness operations was only $9,340, since we own no manufacturing equipment.

Our selling expense was higher than usual in third quarter of 2007, in part because we increased our allowance for doubtful accounts due to the increase in our accounts receivable during the quarter. In addition, we incurred more travel and entertainment expenses for sales in third quarter of 2007 than in the third quarter of 2006.

General and administrative expense was higher in the third quarter of 2007 than in the third quarter of 2006 primarily due to increases in professional fees as well as consulting fees in connection with SEC filings and continued compliance with the provisions of the Sarbanes-Oxley Act of 2002. In November of 2006 we effected the reverse merger of Jilin Huaren into China Huaren (then called Ultradata Systems, Inc.) in order to be able to access U.S. capital markets. Our status as a U.S. public company will cause further increases in our general and administrative expense, as we will soon add costs associated with investor and shareholder relations to the cost of complying with US securities regulation obligations that we currently bear. In addition, we hired more employees in connection with SEC filing and daily administration. Accordingly, we increased payroll and welfare expenses in the third quarter of 2007 as compared to the third quarter of 2006.

Our business operates entirely in Chinese Renminbi, but we report our results in our SEC filings in U.S. Dollars. The conversion of our accounts from RMB to Dollars results in translation adjustments, which are reported as a middle step between net income and comprehensive income. The net income is added to the retained earnings on our balance sheet; while the translation adjustment is added to a line item on our balance sheet labeled accumulated other comprehensive income, since it is more reflective of changes in the relative values of U.S. and Chinese currencies than of the success of our business. During the first nine months of 2007 the unrealized gain on foreign currency translations added $348,060 to our accumulated other comprehensive income.

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

Liquidity and Capital Resources

On September 30, 2007 we had working capital of $5,318,744, $1,454,368 less than on December 31, 2006. We had no long-term liabilities. However, our working capital consisted primarily of the account receivable from Yushu Wanli Co., Ltd. and prepaid expenses, which are mostly advances for lease fees on land where our future crops are planted. Since the market for our organic products continues to grow, we do not anticipate any difficulty in liquidating our present and expected inventory. Accordingly, we have sufficient capital resources to fund our business, but lack the cash resources necessary to make our distribution network more efficient. Since our cash and equivalents was less than twenty thousands as of September 30, 2007, we intend to make a greater effort in collecting accounts receivable collection and hope to acquire the funds necessary for expansion of our marketing, either from outside sources or from our majority shareholders, before the end of 2007.

During 2005 we contracted to purchase an office building for our operations. We have deposited $1,353,107 (equivalent to RMB 10,138,593) with the seller to cover the cost of the building and certain improvements that we require. Title to the building has not passed to us yet, however. So our investment is recorded on the balance sheet as a deposit for purchase of fixed assets. In addition, on March 1, 2007 we signed a letter of intent with a village in Jilin, P.R.China to purchase a land use right from the village. This letter of intent did not list the total purchase price, but we have deposited $2,242,145 (equivalent to RMB16.8 million) to the village. This sum represents the remainder of the deposit for purchase of fixed assets on our balance sheet.

The two factors that make our business particularly profitable (the independent distribution network and the outsourced manufacturing) also have an adverse effect on our cash flow. Maintaining our distribution network requires that we tolerate receivables aging that would not be acceptable if we sold direct to the stores. At the same time, the fact that we maintain substantial inventories of raw materials and work in process on consignment at our manufacturing contractors requires that we carry inventory levels that exceed those that our own manufacturing facilities would require. Nevertheless, during the first nine months of 2007, we sold a significant amount of organic crops that had been recorded as inventory at the end of 2006. That sale yielded a cash payment of $667,305 (equivalent to 5 million RMB) and $266,922 (equivalent to 2 million RMB) in the second and third quarter of 2007, respectively. That factor, combined with the fact that the Chinese tax authorities have permitted us to delay payment of taxes on our operations, resulting in a $533,768 increase in our taxes payable, enabled us to obtain $2,068,426 in cash from operations during the first nine months of 2007. We used the entirety of that amount to fund the deposit we made to purchase land rights in Jilin China

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

Off-Balance Sheet Arrangements

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

Risk Factors that May Affect Future Results

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

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

The concept of organic foods and organic cosmetics is relatively new in China. In order for the market for organic agricultural products to develop, it will be necessary for a portion of the Chinese population to become willing to pay the extra cost or organic products in order to obtain the benefits of organic products. Although the economy of China is growing, the average income of the Chinese population remains far below that of the European and American countries where organic products have developed a clientele. If a sufficient portion of the Chinese population is not willing to pay the extra cost of organic products, our business is likely to fail.

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

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

We are subject to the risk of natural disasters.

We produce all of our raw materials, and have not developed alternative sources for raw materials. If our crops are destroyed by drought, flood, storm, blight, or the other woes of farming, we will not be able to meet the demands of our distribution network, and the network

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is likely to atrophy. This could have a long-term negative effect on our ability to grow our business, in addition to the near-term loss of income.

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

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

A recession in China could significantly hinder our growth.

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

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

Our future success depends on our ability to attract and retain highly skilled marketing personnel and agricultural technicians. Qualified individuals are in high demand in China, and there are insufficient experienced personnel to fill the demand. Therefore we may not be able to successfully attract or retain the personnel we need to succeed.

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

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

Government regulation may hinder our ability to function efficiently.

The national, provincial and local governments in the People s Republic of China are highly bureaucratized. The day-to-day operations of our business require frequent interaction with representatives of the Chinese government institutions. The effort to obtain the registrations, licenses and permits necessary to carry out our business activities can be daunting. Significant delays can result from the need to obtain governmental approval of our

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activities. These delays can have an adverse effect on the profitability of our operations. In addition, compliance with regulatory requirements applicable to organic farming and production may increase the cost of our operations, which would adversely affect our profitability.

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

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

Currency fluctuations may adversely affect our operating results.

Jilin Huaren generates revenues and incurs expenses and liabilities in Renminbi, the currency of the People s Republic of China. However, as a subsidiary of Ultradata, it will report its financial results in the United States in U.S. Dollars. As a result, our financial results will be subject to the effects of exchange rate fluctuations between these currencies. From time to time, the government of China may take action to stimulate the Chinese economy that will have the effect of reducing the value of Renminbi. In addition, international currency markets may cause significant adjustments to occur in the value of the Renminbi. Any such events that result in a devaluation of the Renminbi versus the U.S. Dollar will have an adverse effect on our reported results. We have not entered into agreements or purchased instruments to hedge our exchange rate risks.

We have limited business insurance coverage.

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

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

Management does not expect to hold annual meetings of shareholders in the next few years, due to the expense involved. The current members of the Board of Directors were

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appointed to that position by the previous directors. If other directors are added to the Board in the future, it is likely that the current directors will appoint them. As a result, the shareholders of China Huaren have no effective means of exercising control over the operations of China Huaren.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2007. Pursuant to Rule13a-15(e) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, disclosure controls and procedures means controls and other procedures that are designed to insure that information required to be disclosed by China Huaren in the reports that it files with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time limits specified in the Commission s rules. Disclosure controls and procedures include, without limitation, controls and procedures designed to insure that information China Huaren is required to disclose in the reports it files with the Commission is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Based on his evaluation, our Chief Executive Officer and Chief Financial Officer concluded that China Huaren s system of disclosure controls and procedures was effective as of September 30, 2007 for the purposes described in this paragraph.

Changes in Internal Controls.

There was no change in internal controls over financial reporting (as defined in Rule 13a-15(f) promulgated under the Securities Exchange Act or 1934) identified in connection with the evaluation described in the preceding paragraph that occurred during China Huaren s third fiscal quarter that has materially affected or is reasonably likely to materially affect China Huaren s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6.

Exhibits

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Rule 13a-14(a) Certification

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Rule 13a-14(b) Certification

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CHINA HUAREN ORGANIC PRODUCTS, INC.

Date: November 19, 2007

By: /s/ Fang Jinzhong _____

Fang Jinzhong, Chief Executive Officer

and Chief Financial Officer