CHINA AGRO SCIENCES CORP.
Form 10-Q
May 15, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.20549
Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

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

For the transition period from _______________ to _______________.

Commission file number: 000-49687

China Agro Sciences Corp.

(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	33-0961490 (I.R.S. Employer Identification No.)
101 Xinanyao Street, Jinzhou District Dalian, Liaoning Province (Address of principal executive offices)	PRC 116100 (Zip Code)

Registrant’s telephone number, including area code (212) 232-0120

(Former name or former address, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated file _____ Accelerated filer _____
Non - accelerated filer _____ Smaller reporting company __X__

(Do not check if a smaller reporting company)

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

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. As of May 14, 2008, there were 20,050,000 shares of common stock, par value $0.001, issued and outstanding.

China Agro Sciences Corp.

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PART I

This Quarterly Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the “Exchange Act”). These statements are based on management’s beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading “Management’s Discussion and Analysis of Financial Condition or Plan of Operation.” Forward-looking statements also include statements in which words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “consider” or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company’s future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

ITEM 1 Financial Statements

CHINA AGRO SCIENCES CORP.

CONSOLIDATED BALANCE SHEET

March 31, 2008
(Unaudited)

ASSETS	
CURRENT ASSETS:	
Cash	$ 104,563
Prepaid financial consulting expenses	318,141
Other current assets	6,997
TOTAL CURRENT ASSETS	429,701
Property and equipment, net of accumulated depreciation	4,220,434
TOTAL ASSETS	$ 4,650,135
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	$ 615,842
Due to affiliated company	146,054
Accrued expenses	10,427
TOTAL CURRENT LIABILITIES	772,323
LONG-TERM DEBT	365,568
STOCKHOLDERS'EQUITY:	
Common stock, $0.001 par value	
100,000,000 shares authorized	
20,050,000 shares issued and outstanding	20,050
Additional paid-in capital	3,738,850
Accumulated deficit	(941,045)
Accumulated other comprehensive income	694,389
TOTAL STOCKHOLDERS'EQUITY	3,512,244
TOTAL LIABILITIES AND STOCKHOLDERS'EQUITY	$ 4,650,135

See notes to financial statements

CHINA AGRO SCIENCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	2008	2007	2008	2007
SALES	$ -	$ -	$ -	$ -
COSTS OF GOODS SOLD	-	-	-	-
GROSS PROFIT	-	-	-	-
COSTS AND EXPENSES (INCOME):				
General and administrative expenses	103,925	218,490	202,083	427,134
Other income	-	-	(35,098)	-
TOTAL COSTS AND EXPENSES (INCOME)	103,925	218,490	166,985	427,134
NET LOSS	$ (103,925)	$ (218,490)	$ (166,985)	$ (427,134)
BASIC AND DILUTED EARNINGS PER COMMON SHARE	$(0.01)	$(0.01)	$(0.01)	$(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	20,050,000	20,050,000	20,050,000	20,050,000

See notes to financial statements

CHINA AGRO SCIENCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

SIX MONTHS ENDED MARCH 31,

		2008		2007
OPERATING ACTIVITIES:				
Net loss	$	(166,985)	$	(427,134)
Adjustments to reconcile net loss to net cash provided by (used in)operating activities:				
Depreciation		60,417		236,330
Changes in operating assets and liabilities:				
Accounts receivable		-		2,045,622
Inventories		-		(76,861)
Prepaid expenses and sundry current assets		117,874		(497,357)
Accounts payable		(237,618)		(507,110)
Accrued expenses		(24,971)		(29,125)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(251,283)		744,365
INVESTING ACTIVITIES:				
Purchase of property and equipment		-		(23,167)
NET CASH USED IN INVESTING ACTIVITIES		-		(23,167)
FINANCING ACTIVITIES:				
Loans from affiliated company		244,250		
Payments to affiliated company		-		(742,332)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		244,250		(742,332)
EFFECT OF EXCHANGE RATE ON CASH		(2,675)		20,002
INCREASE (DECREASE) IN CASH		(9,708)		(1,132)
CASH – BEGINNING OF PERIOD		114,271		103,817

CASH – END OF PERIOD	$	104,563	$	102,685
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	$	13,710	$	3,238
Non-cash operating activities:				
Transfer accoutns payable to affiliated company	$	213,678	$	-

See notes to financial statements

CHINA AGRO SCIENCES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2008
(Unaudited)

1 Basis of Presentation

The accompanying unaudited consolidated financial statements of China Agro Sciences Corp. and subsidiaries (the "Company") reflect all material adjustments consisting of only normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of results for the interim periods. Certain information and footnote disclosures required under accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2007 as filed with the Securities and Exchange Commission.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include assumptions used in determining the fair value of securities owned and non-readily marketable securities.

The results of operations for the six and three months ended March 31, 2008 are not necessarily indicative of the results to be expected for the entire year or for any other period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business description

The Company specializes in the manufacturing, sale and distribution of herbicides and pesticides to reduce or eliminate the amount of agricultural produce lost to plant diseases and insects. Their manufacturing and distribution operations are based in the PRC, which is where all of the Company's sales to date have occurred.

Accounting methods

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a fiscal year ending on September 30th.

Uses of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 net revenue and expenses during each reporting period. Actual results could differ from those estimates.

Inventories

Inventories, consisting of raw materials, are valued at the lower of cost as determined by the first-in, first-out method or market.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided in amounts sufficient to amortize the cost of the related assets over their useful lives using the straight line method for financial reporting purposes, whereas accelerated methods are used for tax purposes.

Maintenance, repairs and minor renewals are charged to expense when incurred. Replacements and major renewals are capitalized.

Impairment of long-lived assets

The Company accounts for the impairment of long-lived assets in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Deferred income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (ASFAS 109") which requires that deferred tax assets and liabilities be recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, SFAS 109 requires recognition of future tax benefits, such as carryforwards, to the extent that realization of such benefits is more likely than not and that a valuation allowance be provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

Currency translation

Since the Company operates primarily in the PRC, the Company’s functional currency is the Chinese Yuan (“RMB”). Revenue and expense accounts are translated at the average rates during the period, and balance sheet items are translated at year-end rates. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of stockholders’ equity. Gains and losses from foreign currency transactions are recognized in current operations.

3 GOING CONCERN AND IMPAIRMENT LOSS

The financial statements have been prepared using accounting principles generally accepted in the United States of America applicable for a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. The Company's ability to continue as a going concern is dependent on, among other things, its ability to achieve profitable operations, to maintain its existing financing and to obtain additional financing to meet its obligations and to pay its liabilities when they come due. The Company is currently pursuing new debt and equity financing in conjunction with proposed future acquisitions and operations.

At the present time, the Company does not have sufficient working capital to meet its needs. The Company intends to raise additional funds through the issuance of equity or convertible debt securities. There can be no assurance that additional financing will be available on terms favorable to the Company, or at all. The inability to raise the additional funds could cause the Company to cease all operations.

In May 2007, the Company received a notice from the Chinese National Environmental Bureau that all chemical manufacturing facilities must be located in designated “chemical zones” going forward, and for manufacturing plants not located there now will have to be relocated. The Company's manufacturing facility is not currently located in a “chemical zone” and, therefore, it will be forced to move the facility to a “chemical zone??at some point in the next one to two years. As a result, the Company has incurred an impairment loss representing the net book value of equipment.

4 PROPERTY AND EQUIPMENT

A summary of property and equipment and the estimated lives used in the computation of depreciation and amortization as of December 31, 2007 is as follows:

	AMOUNT	LIFE
Furniture, fixtures and office equipment	$ 22,566	5-7 years
Building and building improvements	4,451,302	40 years
Automobile	30,423	5 years
	4,704,291	
Accumulated depreciation	483,857	
	$4,220,434	

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5 DUE FROM AFFILIATED COMPANY

This amount is non-interest bearing and due on demand.

6 LONG-TERM DEBT

The Company entered into a fifteen year loan agreement in July 2005. This obligation bears interest at 0.3% over the prime rate in effect in the PRC and is payable interest only through July 2009, followed by annual principal installments of approximately 233,000 RMB ($33,000) commencing in August 2010, plus interest, with the final payment due in July 2020.

Future principal loan payments are as follows:

Year ended September 30th (using current year exchange rates)		
2010	$	33,272
2011		33,272
Thereafter		299,025
		365,569

7 RELATED PARTY TRANSACTIONS

During the six months ended March 31, 2007, the Company purchased $369,402 of finished goods from an affiliated company. During the six months ended March 31, 2008, the Company transferred $213,678 of its accounts payable to an affiliated company.

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8 RISK FACTORS

Vulnerability due to Operations in PRC

The Company's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 20 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC's political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.

Substantially all of the Company's businesses are transacted in RMB, which is not freely convertible. The People's Bank of China or other banks are authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

Concentration of Credit Risk

Cash is currently the only financial instrument that potentially subjects the Company to significant concentration of credit risk. The Company maintains its cash with various banks and trust companies located in China which are not insured or otherwise protected. Should any of these institutions holding the Company’s cash become insolvent, or if the Company is unable to withdraw funds for any reason, the Company could lose the cash on deposit with that institution.

Environmental issues

The Company conducts business in an industry that is subject to a broad array of environmental laws and regulations. The production of the products the Company intends to produce will create pollutants. The Company will incur significant costs if additional government regulations are introduced to protect the environment.

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ITEM 2 Managements Discussion and Analysis of Financial Condition and Results of Operations.

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Overview

As a result of the merger transaction between our subsidiary, Dalian Acquisition Corp. ("Dalian"), and Dalian Holding Corp. ("DHC"), all of our operations are conducted through our subsidiary, DHC, which conducts all of its operations through its subsidiary, Ye Shun, and its wholly-owned subsidiary, Runze. Therefore, since our relevant operations post merger are conducted through Runze the discussion herein relates to the operations of that entity as DHC and Ye Shun do not have any operations independent of Runze's operations.

Ye Shun is a Hong Kong registered enterprise that has its ownership in Runze as its primary asset and its only operating asset. Runze is a state-appointed pesticide manufacturer in China. In the past, through Runze, we specialized in the manufacturing of pesticides and herbicides, particularly the herbicide Acetochlor. However, during the fiscal year, which ended September 30, 2007, and continuing through the six months ended March 31, 2008, we did not sell any product or have any revenues as a result of not being able to utilize DRC's facilities and the new regulation regarding all manufacturing plants being in "chemical zones." In Summer 2007, we received a notice from the Chinese National Environmental Bureau that all chemical manufacturing facilities must be located in designated "chemical zones" going forward, and manufacturing plants not currently located in a "chemical zone" will have to be relocated. Our manufacturing facility is not located in a "chemical zone" and, therefore, if we wish to manufacture products at our own manufacturing plant we will be forced to build a new facility in an approved "chemical zone." Currently, management does not believe we will attempt to build a new manufacturing plant in a designated chemical zone. Therefore, based on the location of our current manufacturing plant our management has determined that our manufacturing equipment is of little or no value and has been categorized as an impaired asset on our current audited financial statements.

In addition to not building a new plant, we also currently do not believe we will be permitted to use DRC's manufacturing facilities to manufacture our product to sell to unrelated third parties as we have in the past because their manufacturing facilities are also not located in a "chemical zone" and they will be forced to move their plant. We believe DRC will utilize their manufacturing capacity until the time they must move their plant, if they choose to do so, to manufacture their own product. Additionally, even if we were able to utilize DRC's manufacturing facilities to manufacture our product there is no guarantee we will receive a discounted rate if we are allowed to use their facilities, and currently, even with the discounted rate, do not have the funds to pay DRC to utilize their facility.

Although we hope to be able to manufacture product in 2008, based on the above factors our management does not believe that is likely and is contemplating discontinuing our current business plan of manufacturing herbicides and pesticides.

Background

We were incorporated under the name M-GAB Development Corporation in March 2001. From inception through early 2003, our business was the development, marketing, and distribution of an interactive travel brochure. On May 16, 2003, we filed an election to be treated as a business development company ("BDC") under the Investment Company Act of 1940 (the "1940 Act"), which became effective on the date of filing. As a BDC we never made any investments into eligible portfolio companies.

On March 17, 2006, China Agro Sciences Corp., a Florida corporation formerly known as M-GAB Development Corporation (hereinafter "We" or "China Agro") entered into an Agreement and Plan of Merger (the "Agreement") with Dalian Holding Corp., a Florida corporation (formerly known as China Agro Sciences Corp.) ("DHC"). This transaction closed on May 1, 2006, at which time, in accordance with the Agreement, DHC merged with DaLian Acquisition Corp, a Florida corporation that was our wholly-owned subsidiary ("DaLian") (the "Merger"). As a result of the merger, DaLian merged into DHC, with DHC remaining as the surviving entity and our wholly-owned subsidiary, DaLian, ceased to exist, and we issued 13,449,488 shares of our common stock to the former shareholders of DHC.

Prior to DaLian's merger with DHC, DHC had acquired all the outstanding common stock of Ye Shun International ("Ye Shun"), a company that owns all the outstanding common stock of DaLian Runze Chemurgy Co., Ltd. ("Runze"). In the transaction in which Ye Shun purchased all the outstanding stock of Runze, Runze was determined to be the accounting acquirer. In the transaction in which DHC acquired all the outstanding common stock of Ye Shun, Ye Shun was determined to be the accounting acquirer. Ye Shun is a Hong Kong registered enterprise. Runze is classified by the Chinese government as an enterprise entity with 100% of its capital coming from Hong Kong. As a result of the Merger, on April 28, 2006, we filed a Form N-54C and terminated our status as a business development company and, through our wholly-owned subsidiary, commenced operations, specializing in the sale and distribution of pesticides and herbicides, and consequently ceased being a development stage company. Our only operations are conducted through our wholly-owned subsidiary, which controls the assets of Runze. The term "we" as used throughout this document refers to China Agro Sciences Corp., DaLian, and the operations of Runze, which are controlled by DHC.

Our subsidiary owns Runze, an entity that was originally formed by the current management and principal shareholders of Dalian Raiser Chemurgy Co., Ltd. ("DRC") and subsequently sold to Ye Shun. DRC is a state-appointed manufacturer located in the Peoples Republic of China. Mr. Zhengquan Wang, our Chief Executive Officer, Chief Financial Officer and a Director, is the President and Chairman of the Board of DRC. Runze contains all our operations and the majority of our assets.

During the quarter ended March 31, 2005, a market maker filed an application to list our securities on the OTC Bulletin Board. On October 10, 2005, we were informed by the NASD that our common stock was approved by the NASD for trading on the OTC Bulletin Board. Our trading symbol is CHAS.

Our merger transaction closed on May 1, 2006. The merger transaction is accounted for using the reverse purchase method of accounting for financial reporting purposes since: (i) prior to this transaction China Agro had little or no substantial assets or business operations, (ii) post-closing, the former owners of DHC now own approximately 95% of China Agro and therefore control China Agro, and (iii) post-closing, the only continuing business operations of China Agro are those of DHC. In accordance with the reverse purchase method of accounting the historical financial numbers disclosed in this quarterly report are those historical numbers of DHC and Runze and does not cover our previous operations as a BDC.

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Results of Operations

		Three Months Ended March 31, 2008		Three Months Ended March 31, 2007
Revenues	$	-		-
Cost of revenue		-		-
Gross Profit		-		-
Total Costs and Expenses		103,925		218,490
Net income (loss)	$	(103,925)	$	(218,490)

Revenues

We had no revenues for three months ended March 31, 2008, compared to no revenues for the same period one year ago. Going forward we will not be able to manufacture product at our existing plant due to the new “chemical zone” regulation. Therefore, if we are not able to contract with a third party to utilize a qualified manufacturing facility to produce our products we will be not be able to manufacture product in the future and we will not have any revenues during those periods. In order to build a new manufacturing facility in a “chemical zone” it would be at a substantial cost to the company and our management does not believe that is likely to occur and we may seek an alternative business in the future.

Cost of Sales

Our cost of sales for the three months ended March 31, 2008, were $0 compared to $0 for the three months ended March 31, 2007. Our cost of sales for the three-month periods ended March 31, 2008 and 2007 were $0 because we did not sell any products during these periods.

Gross Profit

We had no gross profit during the three-month periods ended March 31, 2008 or 2007 because we did not manufacture any products during these two periods.

Total Costs and Expenses

Our total costs and expenses were $103,925 for the three months ended March 31, 2008, compared to $218,490 for the same period one year ago. For the period ended March 31, 2008, our total costs and expenses were $103,925 for general and administrative expenses, which primarily consisted of amortized costs related to financial consulting expenses, which total approximately $55,587, and depreciation expense of $30,210, and other administrative expenses of approximately $20,000. For the three months ended March 31, 2007, our general and administrative expenses of $218,490 consisted primarily of amortized costs related to financial consulting services, which totaled approximately $52,300 and depreciation of $117,923.

We believe our total costs and expenses of $103,925 for the three months ended March 31, 2008 are fairly indicative of our total costs and expenses for a three-month period in which we do not manufacture any products.

Net Income (Loss)

Net loss for the three months ended March 31, 2008 totaled ($103,925) compared to net loss of ($218,490) for the comparable period one year ago. The difference is attributable to the difference in our general and administrative expenses. We anticipate this net loss to be fairly indicative of future quarters in which we do not manufacture our own products.

Six Months Ended March 31, 2008 Compared to Six Months Ended March 31, 2007

Results of Operations

	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007
Revenues	$ -	-
Cost of revenue	-	-
Gross Profit	-	-
Total Operating Expenses	166,985	427,134
Net income (loss)	$ (166,985)	$ (427,134)

Revenues

For the reasons stated above, we did not have any revenues for six months ended March 31, 2008, compared to no revenues for the same six-month period one year ago. We do not expect to generate revenues unless we are able to begin producing products utilizing a third party’s manufacturing facility. We do not have any arrangements to produce product at any third parties’ facilities and do not believe it is likely that we will be able to make such an arrangement due to our current inability to pay for the use of such facilities.

Cost of Sales

Our cost of sales for the six months ended March 31, 2008, were $0 compared to nil for the same period one year ago. As noted above, we did not have any cost of sales during these periods because we did not have any sales during these six-month periods.

Gross Profit

Our gross profit was nil for the six months ended March 31, 2008 and 2007 because we did not manufacture any products during these two periods.

Total Costs and Expenses

Our total operating expenses were $166,985 for the six months ended March 31, 2008, compared to total operating expenses of $427,134 for the same period one year ago. All of our operating expenses for the six months ended March 31, 2007 were attributable to general and administrative expenses. For the six-month period ending March 31, 2008, our general and administrative expenses of $202,083 consisted of amortized costs related to financial consulting expenses, which total approximately $111,175, and depreciation expense of $60,417, and other administrative expenses. However, we also recorded other income of $35,098. Therefore, total operating expenses total approximately $166,985.

We believe our total costs and expenses of $166,985 for the six months ended March 31, 2008 are fairly indicative of our total costs and expenses for a six-month period in which we do not manufacture any products.

Net Income (Loss)

Net loss for the six months ended March 31, 2008 totaled ($166,985), compared to net loss of ($427,134) for the comparable period one year ago. The significant difference is largely attributable to higher general and administrative expenses for the six-month period one year ago. We anticipate this net loss to be fairly indicative of future six-month periods in which we do not manufacture our own products.

Liquidity and Capital Resources

Introduction

As of March 31, 2008, we had cash and cash equivalents totaling $104,563, no accounts receivable since we didn’t manufacture any product, no inventory since we didn’t manufacture any product, prepaid financial consulting expense of $318,141, due from an affiliated company of $146,054, and other current assets totaling $6,997. The prepaid financial consulting expense is an amount we prepaid to individual consultants for general advice and guidance. Our total current liabilities as of March 31, 2008, were $772,323 consisting of $615,842 in accounts payable and $10,427 in accrued expenses. All of our accounts payable were due to unrelated third parties and we had no amounts due to related parties. Currently, we do not believe we will be able to fund operations out of our sales of herbicides and pesticides going forward since we are not currently manufacturing any products for sale. If we are not able to fund our operations from sales of products then we will likely fund operations through the sale of our stock and from loans.

Our significant balance sheet accounts as of March 31, 2008, compared to the end of our last fiscal year were:

	As of March 31, 2008	As of September 30, 2007	Change

Cash and cash equivalents	$	104,563	$	114,271	$	(9,708)
Accounts receivable		-		-		-
Inventories		-		-		-
Prepaid expenses		318,141		405,271		(87,130)
Due (to) from an affiliated party		(146,054)		291,345		(145,291)
Accounts payable		(615,842)		(996,894)		381,052
Total current liabilities	$	(772,323)	$	(1,029,962)	$	257,639

Cash Requirements

We believe that our available funds will provide us with adequate capital for at least the next three to six months; however, to the extent that we make acquisitions or are forced to move our manufacturing facility, we may require additional capital for the acquisition, for the operation of the combined companies, or the relocation of our manufacturing facility. We cannot assure that such funding will be available.

Sources and Uses of Cash

Operations

Net cash used in operating activities of $251,283 for the six months ended March 31, 2008 was primarily a result of the net loss of $166,985, a reduction in accounts payable and accrued expenses of $262,589, offset by depreciation of $60,417, and a reduction of prepaid expenses and sundry current assets by $117,874. Our net cash provided by operating activities totaled $744,365 for the same six-month period one year ago. The primary difference between the two periods is in the period ended March 31, 2007 we collected accounts receivable of $2,045,622, prepaid financial consulting expenses of $497,357, and accrued accounts payable of $507,110.

Investing

Net cash used in investing activities totaled $0 for the six months ended March 31, 2008, as compared to $23,167 for the same period one year ago. We did not have investing activities for the three-month period ended March 31, 2008. During the same period in 2007, we had investing activities related to the purchase of property and equipment.

Financing

Net cash provided by financing activities totaled $244,250 for the six months ended March 31, 2008, related to loans from an affiliated party. The $742,332 in net cash used in financing activities for the six months ended March 31, 2007, was the result of the repayment of loan to an affiliated party.

Debt Instruments, Guarantees, and Related Covenants

Our related party debt is non-interest bearing and payable on demand. Our long term debt obligation bears interest at 0.3% over the prime rate in effect in the PRC and is payable interest only through July 2009, followed by annual installments of approximately 233,000 RMB ($33,000).

Critical Accounting Policies

The preparation of our financial statements that are in conformity with accounting principles generally accepted in the United States of America require our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements. The same also applies for reported amounts of revenues and expenses during the reporting period. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management's initial estimates as reported. A summary of our significant accounting policies are located in the notes to the financial statements which are an integral component of this filing.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, which include interest rate changes in United States of America and the People's Republic of China, commodity prices and, to a lesser extent, foreign exchange rates. We do not engage in financial transactions for trading or speculative purposes.

Interest Rate Risk. The interest payable on our long term debt is based on variable interest rates and therefore affected by changes in market interest rates in People's Republic of China. In addition, there may be interest charged on our accounts payable, as well as interest we charge on our accounts receivable, depending on their age. Typically these interest rates are fixed are not affected by changes in market interest rates.

Commodity Prices. We are exposed to fluctuation in market prices for our raw materials. To mitigate risk associated with increases in market prices and commodity availability, we negotiate contracts with favorable terms directly with vendors. We do not enter into forward contracts or other market instruments as a means of achieving our objectives or minimizing our risk exposures on these materials.

Foreign Currency Risks. Our market risk associated with foreign currency rates is not considered to be material. To date, we have only had minor amounts of transactions that were denominated in currencies other than the currency of the country of origin, and, therefore, we have only minimal exposure to foreign currency exchange risk. We do not hedge against foreign currency risks and believe that foreign currency exchange risk is immaterial to our current business.

ITEM 4 Controls and Procedures

We conducted an evaluation, 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, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of March 31, 2008, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Commission’s rules and forms, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2008, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

In light of the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure our consolidated financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the consolidated financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following three material weaknesses which have caused management to conclude that, as of March 31, 2008, our disclosure controls and procedures were not effective at the reasonable assurance level:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act and will be applicable to us for the year ending September 30, 2008. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

3. We have had a number of audit adjustments. Audit adjustments are the result of a failure of the internal controls to prevent or detect misstatements of accounting information. The failure could be due to inadequate design of the internal controls or to a misapplication or override of controls. Management evaluated the impact of our significant number of audit adjustments and has concluded that the control deficiency that resulted represented a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Remediation of Material Weaknesses

We have attempted to remediate the material weaknesses in our disclosure controls and procedures identified above by working with our independent registered public accounting firm and refining our internal procedures. To date, we have not been successful in reducing the number of audit adjustments, but will continue our efforts in the coming fiscal year.

Changes in Internal Control over Financial Reporting

Except as noted above, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 4(T) Controls and Procedures

We are not required to furnish the information required by this item until we report on our fiscal year ending September 30, 2008.

PART II

ITEM 1 Legal Proceedings

In the ordinary course of business, we may be from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations. However, in the opinion of our management, matters currently pending or threatened against us are not expected to have a material adverse effect on our financial position or results of operations.

ITEM 1A Risk Factors

On at least an annual basis, we are required to provide our shareholders with a statement of risk factors and other considerations for their review. Our risk factors have not substantially changed since our Annual Report on Form 10-K for the period ended September 30, 2007, and our risk factors can be found in that filing.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

There have been no events that are required to be reported under this Item.

ITEM 3 Defaults Upon Senior Securities

There have been no events that are required to be reported under this Item.

ITEM 4 Submission of Matters to a Vote of Security Holders

There have been no events that are required to be reported under this Item.

ITEM 5 Other Information

SEC Comments

On February 15, 2007, we received initial comments from the Securities and Exchange Commission regarding our Annual Report on Form 10-K and our First Amended Annual Report on Form 10-K/A for the year ended September 30, 2006. We responded to those comments and received additional comments. We have since responded to all outstanding comments and filed a third amendment to our Annual Report on Form 10-K/A for the year ended September 30, 2006.

ITEM 6 Exhibits

31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Chief Executive Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	

Chief Financial Officer Certification Pursuant to 18 USC, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Agro Sciences Corp.

Dated: May 15, 2008		/s/ Zhengquan Wang
	By:	Zhengquan Wang President, Director, Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer