CHINA AGRO SCIENCES CORP.
Form 10-Q
August 21, 2006

**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 June 30, 2006**

[ ] 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** | **33-0961490** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **100 Wall Street - 15th Floor** | |
| **New York, NY** | **10005** |
| (Address of principal executive offices) | (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 filer [ ] Accelerated filer [ ] Non-accelerated filer [ X ]

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 issuers involved in bankruptcy proceedings during the preceding five years:**

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. 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 July 31, 2006, there were 20,000,000 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 SHEETS
(U.S. $)

| | JUNE 30, 2006 (Unaudited) | SEPTEMBER 30, 2005 (Audited) |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents | $ 195,703 | $ 77,250 |
| Accounts receivable | 4,337,858 | - |
| Inventories | 1,884,721 | 125,567 |
| Prepaid taxes | 257,511 | 42,398 |
| Other current assets | 15,353 | 7,493 |
| **TOTAL CURRENT ASSETS** | **6,691,146** | **252,708** |
| | | |
| **PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION** | **6,268,715** | **5,761,865** |
| | | |
| **TOTAL ASSETS** | **$ 12,959,861** | **$ 6,014,573** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES:** | | |
| Accounts payable | $ 5,418,261 | $ 1,121,271 |
| Due to affiliated company | 1,289,904 | 1,380,153 |
| Accrued expenses and sundry current liabilities | 531,704 | 2,654 |
| **TOTAL CURRENT LIABILITIES** | **7,239,869** | **2,504,078** |
| | | |
| **LONG-TERM DEBT** | **319,741** | **311,066** |
| | | |
| **STOCKHOLDERS' EQUITY** | **5,400,251** | **3,199,429** |
| | | |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$ 12,959,861** | **$ 6,014,573** |

*The accompanying condensed notes are an integral part of these unaudited condensed financial statements*

**CHINA AGRO SCIENCES CORP.**

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)
(U.S.$)

| | THREE MONTHS ENDED JUNE 30, | | NINE MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **SALES** | **$ 4,094,201** | **$ -** | **$ 9,908,385** | **$ -** |
| | | | | |
| | | | | |
| **COSTS AND EXPENSES**: | | | | |
| Cost of sales | 2,934,109 | - | 7,259,998 | - |
| General and administrative expenses | 373,586 | 72,953 | 631,884 | 208,344 |
| **TOTAL COSTS AND EXPENSES** | **3,307,695** | **72,953** | **7,891,882** | **208,344** |
| | | | | |
| | | | | |
| **NET INCOME (LOSS)** | **$ 786,506** | **$ (72,953)** | **$ 2,016,503** | **$ (208,344)** |
| | | | | |
| EARNINGS PER SHARE | $ 0.04 | N/A | $ 0.10 | N/A |

*The accompanying condensed notes are an integral part of these unaudited condensed financial statements*

**CHINA AGRO SCIENCES CORP.**

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
(Unaudited)
(US $)

| | COMMON STOCK | | ADDITIONAL PAID-IN CAPITAL | | (ACCUMULATED DEFICIT) RETAINED EARNINGS | | OTHER COMPREHENSIVE INCOME | | TOTAL STOCKHOLDER EQUITY |
|---|---|---|---|---|---|---|---|---|---|
| **BALANCE-SEPTEMBER 30, 2005** | **3,738,900** | **$** | **-** | **$** | **(558,896)** | **$** | **19,425** | **$** | **3,199,42** |
| Common Stock, $0.001 par value, 100,000,000 shares authorized, 20,000,000 shares issued and outstanding | 20,000 | | - | | - | | - | | 20,00 |
| Preferred Stock, $0.001 par value, 5,000,000 shares authorized, 0 shares issued and outstanding | - | | - | | - | | - | | |
| Effect of stock splits and return of shares | (3,738,900) | | 3,738,900 | | - | | - | | |
| Translation adjustment | - | | - | | - | | 164,319 | | 164,31 |
| Net income | - | | - | | 2,016,503 | | - | | 2,016,50 |
| Comprehensive income | - | | - | | - | | - | | |
| **BALANCE-JUNE 30, 2006** | **20,000** | **$** | **3,738,900** | **$** | **1,457,607** | **$** | **183,744** | **$** | **5,400,25** |

*The accompanying condensed notes are an integral part of these unaudited condensed financial statements*

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**CHINA AGRO SCIENCES CORP.**

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(US $)

| | NINE MONTHS ENDED JUNE 30, 2006 | 2005 |
|---|---|---|
| **OPERATING ACTIVITIES:** | | |
| Net income (loss) | $ 2,016,503 | $ (208,344) |
| *Adjustments to reconcile net income (loss) to net cash provided by operating activities* | | |
| Depreciation | 409,552 | 159,699 |
| *Changes in operating assets and liabilities:* | | |
| Accounts receivable | (4,337,858) | (29) |
| Inventories | (1,755,652) | 126,293 |
| Prepaid taxes | (213,931) | (9,592) |
| Other current assets | (7,651) | 1,271 |
| Accounts payable | 4,265,721 | 602,342 |
| Accrued expenses and other current liabilities | 528,150 | 203,292 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **904,834** | **874,932** |
| | | |
| **INVESTING ACTIVITIES:** | | |
| Acquisition of property and equipment | (755,722) | (540,380) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(755,722)** | **(540,380)** |
| | | |
| **FINANCING ACTIVITIES:** | | |
| Short-term bank loan | - | (363,000) |
| Loan from affiliated company | (128,737) | 63,451 |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(128,737)** | **(299,549)** |
| | | |
| **EFFECT OF EXCHANGE RATE ON CASH** | **21,787** | **-** |
| | | |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | **42,162** | **35,003** |
| | | |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD** | **153,541** | **18,276** |
| | | |
| **CASH AND CASH EQUIVALENTS - END OF PERIOD** | **$ 195,703** | **$ 53,279** |

*The accompanying condensed notes are an integral part of these unaudited condensed financial statements*

**CHINA AGRO SCIENCES CORP.**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(Unaudited)

## 1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES

***Merger transaction***

On February 10, 2006, the Company entered into a letter of intent with the stockholders of DaLian RunZe Chemurgy Co., Ltd. (the "Purchasers"). The Purchasers agreed to pay a total of $515,000 to the Company and the Company's controlling stockholders, including the Lebrecht Group, APLC ("TLG"), legal counsel for the Company. Upon signing the letter of intent, the Purchasers paid $300,000 as a deposit and the remaining amount will be paid at the closing of the transaction. Subsequent to entering into this letter of intent, the Purchasers were replaced with China Agro Sciences Corp., ("China Agro") a Florida corporation, and the terms of the letter of intent remained the same.

On March 15, 2006, the Company entered into an Agreement and Plan of Merger with China Agro whereby, at the closing, China Agro will merge with DaLian Acquisition Corp. ("DaLian"), a wholly-owned subsidiary of the Company formed in 2006 (the "Merger Agreement"), The transaction closed on May 1, 2006, at which time, in accordance with the Merger Agreement, DaLian Holding Corp. ("DHC") merged into DaLian, whereby DHC remained the surviving entity and DaLian ceased to exist. Upon this merger, the Company issued 13,449,488 shares of its common stock to the former stockholders of DHC.

In addition, certain of the DHC stockholders acquired 5,500,000 shares of the Company from the then majority stockholder, director and sole officer and his holding company. Following the closing, the DHC stockholders owned 18,949,488 shares of the Company's common stock, or 94.7% of the Company's outstanding 20,000,000 shares. As a result of the DHC transaction, the Company terminated their status as a business development company and, through DHC, became a development stage company specializing the sale and distribution of pesticides and herbicides. The Company's only operations after this transaction are conducted through their wholly-owned subsidiary (Ye Shen) which controls the assets and operations of Runze, an entity with operations in the People's Republic of China ("PRC").

The above transaction was accounted for as a reverse merger and, accordingly, DaLian is considered to be the surviving entity.

***Business description***

The Company specialized 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 the majority 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.

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**CHINA AGRO SCIENCES CORP.**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(Unaudited)

***Cash and cash equivalents***

The Company includes in cash and cash equivalents all short-term, highly liquid investments that mature within three months of their acquisition date. Cash equivalents consist principally of investments in interest-bearing demand deposit accounts and liquidity funds with financial institutions and are stated at cost, which approximates fair value.

The Company maintains cash and cash equivalents with financial institutions in the PRC and Hong Kong. The Company performs periodic evaluation of the relative credit standing of financial institutions that are considered in the Company's investment strategy.

***Inventories***

Inventories 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.

***Deferred income taxes***

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 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.

**CHINA AGRO SCIENCES CORP.**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(Unaudited)

## 2. PROPERTY AND EQUIPMENT

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

| | Amount | | | | |
|---|---|---|---|---|---|
| | June 30, 2006 | | September 30, 2005 | | Life |
| Machinery and equipment | $ | 2,439,399 | $ | 2,373,149 | 5-10 years |
| Furniture, fixtures and office equipment | | 17,083 | | 16,621 | 5-7 years |
| Building and building improvements | | 4,662,885 | | 3,798,732 | 40 years |
| Automobile | | 13,712 | | 13,340 | 5 years |
| | | 7,133,079 | | 6,201,842 | |
| | | 864,364 | | 439,977 | |
| | | | | | |
| Accumulated depreciation | $ | 6,268,715 | $ | 5,761,865 | |

## 3. DUE TO AFFILIATED COMPANY

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

## 4. LONG-TERM DEBT

This obligation bears interest at .03% 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 ($28,300) commencing in August 2010.

## 5. 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.

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**CHINA AGRO SCIENCES CORP.**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(Unaudited)

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to significant concentration of credit risk is primarily cash. As of June 30, 2006, substantially all of the Company's cash was managed by financial institutions.

***Other Risks***

The Company conducts business in an industry that is subject to a broad array of environmental laws and regulations. The Company's costs to comply with these laws and regulations are charged to expense as incurred.

**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**

We are a development stage company specializing 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. We currently have four herbicides and pesticides we are either producing or testing for future release: Acetochlor, Razesor, Emamectin benzoate, and Clethodim. Our manufacturing and distribution operations are based in the Peoples Republic of China, which is where the majority of our sales to date have occurred.

However, our objective is to grow our sales both within China, as well as to other agriculturally-based countries in the region. To that end we have recently set up sales offices in Bolivia, Vietnam, and Indonesia, which are responsible for the testing, demonstration, registration, and marketing of our products in their respective regions.

We intend to grow by increasing our capacity at our primary manufacturing facility in China, and by selling the additional products in both China, by taking advantage of the changing landscape of the herbicide and pesticide industry in China, as well as by targeting our sales to other developing countries in the region as the Chinese laws and regulations, as well as those in certain other countries, will allow.

**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 our principal business was to make venture capital investments in early-stage and/or developing enterprises that were principally engaged in the development or exploitation of inventions, technological improvements, and new or unique products and services. The principal objective was long-term capital appreciation. Consistent with our previous status as a BDC and the purposes of the regulatory framework for BDC's under the 1940 Act, we were prepared to provide managerial assistance, potentially in the form of a consulting agreement or in the form of a board of director's seat, to the developing companies in which were looking to invest. As a BDC we never made any investments into eligible portfolio companies.

On March 10, 2006, we formed a wholly-owned subsidiary, DaLian Acquisition Corp, a Florida corporation ("DaLian"). On May 1, 2006, DaLian merged with Dalian Holding Corp., a Florida corporation ("DHC") that was formed by non-affiliated party on March 9, 2006. As a result of this merger DHC remained as the surviving entity and DaLian ceased to exist. Prior to DaLian's merger with DHC, DHC 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"). 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.

In accordance with the terms of the Agreement, on April 28, 2006 we terminated our status as a business development company under the Investment Company Act of 1940 and, through our wholly-owned subsidiary, became a development stage company specializing in the sale and distribution of pesticides and herbicides. After the close of this transaction our only operations are conducted through our wholly-owned subsidiary, which controls the assets of Runze.

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. During the three months covered by this report we were a BDC for a portion of the quarter and a company in the pesticide industry for the remainder of the quarter. The merger transaction is being 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 June 30, 2006 Compared to Three Months Ended June 30, 2005**

**Results of Operations**

| | Three Months Ended June 30, 2006 | Three Months Ended June 30, 2005 |
|---|---|---|
| Revenues | $ 4,094,201 | $ - |
| Cost of revenue | 2,934,109 | - |
| General and Administrative Expenses | 373,586 | 72,953 |
| Operating income (loss) | $ 786,506 | $ (72,953) |

Revenues

We had $4,094,201 in sales for the three months ended June 30, 2006, compared to no revenues from the same period one year earlier when we were still formulating our products and did not have any sales. The revenue generated for the quarter ended June 30, 2006 can primarily be attributed to the sales of our products through our sales distribution network. Our sales for this period were primarily derived from our sales channels on the provincial and township levels. We believe we have received tremendous support and loyalty on both levels from agents, retailers, and wholesale distributors.

Cost of Revenue

Our cost of revenue was $2,934,109 for the three month period ended June 30, 2006. During the same period ended June 30, 2005, we had no cost of revenue as we did not have any sales of our products. For the three month period ended June 30, 2006, our cost of revenue was primarily attributed to the costs of the raw materials we purchased for the manufacture of our products and the operating costs associated with our production lines.

Total Operating Expenses

Our total operating expenses were $3,307,695 for the three month period ended June 30, 2006 compared to $72,953 for the same period ended June 30, 2005. The increase for the most recent period can be attributed to an increase in our cost of goods sold, which is directly related to the sales of our products. For the three month period ended June 30, 2005, total operating expenses consisted solely of general and administrative expenses.

Net Income (Loss)

Net income for the three month ended June 30, 2006 totaled $786,506. For the same period ended June 30, 2005, we totaled losses of ($72,953). Our increase in profit can be attributed to the high growth of sales of our low toxic pesticides and herbicides which include acethoclor, emamectin benzoate, and clethodim. We believe the market for our products has been increasing in anticipation of regulatory government bans on high toxic and residue products.

**Nine Months Ended June 30, 2006 Compared to Nine Months Ended June 30, 2005**

**Results of Operations**

| | Nine Months Ended June 30, 2006 | Nine Months Ended June 30, 2005 |
|---|---|---|
| Revenues | $ 9,908,385 | $ - |
| Cost of revenue | 7,259,998 | - |
| General and Administrative Expenses | 631,884 | 208,344 |
| Operating income (loss) | $ 2,016,503 | $ (208,344) |

Revenues

We had $9,908,385 in sales for the nine months ended June 30, 2006, compared to no revenues from the same period one year earlier when we were still formulating our products and did not have any sales. The revenue generated for the nine months ended June 30, 2006 can primarily be attributed to the sales of our products through our sales distribution network. As noted above, our sales for this period were primarily derived from our sales channels on the provincial and township levels.

Cost of Revenue

Our cost of revenue was $7,259,998 for the nine month period ended June 30, 2006. During the same period ended June 30, 2005, we had no cost of revenue as we did not have any sales of our products. For the nine months ended June 30, 2006, our cost of revenue was primarily attributed to raw material costs and operational costs during the manufacturing process.

Total Operating Expenses

Our total operating expenses were $7,891,882 for the nine month period ended June 30, 2006 compared to $208,344 for the same period ended June 30, 2005. The increase for the most recent period can be attributed to an increase in our cost of goods sold, which is directly related to the sales of our products. For the nine month period ended June 30, 2005, total operating expenses consisted solely of general and administrative expenses.

Net Income (Loss)

Net income for the nine month ended June 30, 2006 totaled $2,016,503. For the same period ended June 30, 2005, the totaled losses of ($208,344). Our increase in profit can be attributed to the high growth of sales of our low toxic pesticides and herbicides which include acethoclor, emamectin benzoate, and clethodim. We believe the market for our products has been increasing in anticipation of regulatory government bans on high toxic and residue products.

**Liquidity and Capital Resources**

Introduction

As of June 30, 2006, we had cash and cash equivalents totaling $195,703, accounts receivable totaling $4,337,858, inventory totaling $1,884,721, prepaid taxes of $257,511, and other current assets totaling $15,353. Our accounts receivable are primarily amounts owed to us from our distributors and retail customers. Our current inventory is primarily our stock of raw material chemicals and finished chemical products awaiting shipment and distribution. Our total current liabilities as of June 30, 2006 were $7,239,869, consisting primarily of accounts payable of $5,418,261 and accrued expenses and sundry current liabilities totaling $1,821,608. Our accounts payable are primarily owed to the suppliers of our raw materials, including the majority due to Dalian Ruize, an affiliated company owned by Mr. Wang our Chief Executive Officer and a Director. Given the fact our operations began during this year our financial results at the end of future quarters could differ significantly. Currently we hope to fund operations out of our sales of herbicides and pesticides going forward, but there is no assurance we will be able to do so. If we are not able to do so we would likely fund operations through the sale of our stock and from loans.

Our cash, accounts receivable, inventories, accounts payable (due to an affiliated company) and accrued liabilities, and total current liabilities at the end of this three-month period as compared to the end of our last fiscal year were:

| | As of June 30, 2006 | As of September 30, 2005 | Change |
|---|---|---|---|
| Cash and cash equivalents | $ 195,703 | $ 77,250 | $ 118,453 |
| Accounts receivable | 4,337,858 | - | 4,337,858 |
| Inventories | 1,884,721 | 125,567 | 1,759,154 |
| Accounts payable | 5,418,261 | 1,121,271 | 4,296,990 |
| Accrued expenses and sundry current liabilities | 1,821,608 | 1,382,807 | 438,801 |
| Total current liabilities | $ 7,239,869 | $ 2,504,078 | $ 4,735,791 |

Cash Requirements

We intend to use our available funds as working capital and to make expansion in our existing lines of business. We believe that our available funds will provide us with adequate capital for at least the next twelve months; however, to the extent that we make acquisitions, we may require additional capital for the acquisition or for the operation of the combined companies. We cannot assure that such funding will be available.

Sources and Uses of Cash

*Operations*

Net cash provided by operating activities totaled $904,834 for the nine months ended June 30, 2006, as compared to $874,932 for the same period ended June 30, 2005. The increase in net cash provided by operating activities was primarily due to the expansion in our business and the increased demand in working capital as a result.

*Investing*

Net cash used in investing activities totaled $755,722 for the nine months ended June 30, 2006, as compared to $540,380 for the same period ended June 30, 2005. This increase can be attributed to the investments we made in the acquisition of plant and equipment.

*Financing*

Net cash used in financing activities totaled $299,549 for the nine months ended June 30, 2005, as compared to $128,737 for the nine months ended June 30, 2006. Our net cash used for financing activities for the nine months ended June 30, 2006 related to our loan from an affiliated company. We have not applied for any other loans in expanding our business for the nine months ended June 30, 2006. The expansion of our sales channels was primarily achieved during the development stages of our company in 2005.

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 .03% 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 ($28,300) commencing in August 2010.

**Critical Accounting Policies**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain 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. 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**

The Company's Chief Executive Officer and Chief Financial Officer (or those persons performing similar functions), after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days of the filing of this quarterly report (the "Evaluation Date"), have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to ensure the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.

## 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. These risk factors and other considerations include:

***We did not make any investments into other companies.***

Prior to the merger with DHC and our termination of our BDC status, we did not make any investments into other companies, and thus we had virtually no assets. We needed to raise sufficient capital before making investments into, and offering managerial assistance to, other companies, and we never raised that capital.

***We have never generated any revenue, and we are not profitable***.

We were incorporated in March 2001, and did not generate any revenue prior to October 1, 2005. Our primary activity prior to the merger transaction with DHC was the development of our business plan, which has changed since our inception. Our success is dependent upon the successful development of our business model as to which there is no assurance. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business. These include, but are not limited to, inadequate funding, competition, and investment development. Our failure to meet any of these conditions would have a materially adverse effect upon us and may force us to reduce or curtail operations. We may not ever be profitable.

***We need to raise capital in order to fulfill our business plan***.

To date we have relied on private funding from our founders and directors, short-term borrowing, and capital raised from the sale of our common stock to fund operations. We have generated no revenues and have extremely limited cash liquidity and capital resources. Any equity financings could result in dilution to our stockholders. Debt financing may result in high interest expense. Any financing, if available, may be on unfavorable terms. If adequate funds are not obtained, we may be required to reduce or curtail operations.

***Investing in our stock is highly speculative and you could lose some or all of your investment.***

The value of our common stock may decline and may be affected by numerous market conditions, which could result in the loss of some or the entire amount invested in our stock. The securities markets frequently experience extreme price and volume fluctuations that affect market prices for securities of companies generally, and very small capitalization companies in particular.

***The services of our directors and officer are key to our future success.***

We are dependent on the expertise of our officers, Zhengquan Wang and John C. Leo, and each of our directors, for the processes we use for manufacturing, our distribution methods, and sales methods for our herbicide and pesticide products. Our future success depends to a significant extent on the continued service and coordination of its senior management team.

***Our manufacturing plants are located in China and our pesticide and herbicide production, sale and distribution is subject to Chinese regulation.***

Economic reforms adopted by the Chinese government have had a positive effect on the economic development of the country, but the government could change these economic reforms or any of the legal systems at any time. This could either benefit or damage our operations and profitability. Some of the things that could have this effect are: i) level of government involvement in the economy; ii) control of foreign exchange; methods of allocating resources; iii) international trade restrictions; and iv) international conflict. Additionally, as a pesticide and herbicide manufacturer located in China, we are a state-licensed company and facility and subject to Chinese regulation and environmental laws. The Chinese government has been active in regulating the pesticide industry. If we were to lose our state-licensed status we would no longer be able to manufacture herbicides or pesticides in China, which is our sole operation.

***We depend upon governmental laws and regulations that may be changed in ways that hurt our business.***

Our business and products are subject to government regulations mandating the use of pesticides and herbicides in China and other countries. Changes in the laws or regulations in China, or other countries we sell into, that govern or apply to our operations could have a materially adverse effect on our business. For example, the law could change so as to prohibit the use of certain chemical agents in herbicides and pesticides. If our herbicides or pesticides contained that chemical agent then such a change would reduce our productivity of that product.

***The Chinese government exerts substantial influence over the manner in which we must conduct our business activities.***

China only recently has permitted provincial and local economic autonomy and private economic activities. Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

***Future inflation in China may inhibit our activity to conduct business in China.***

In recent years, the Chinese economy has experienced periods of rapid expansion and high rates of inflation. During the past ten years, the rate of inflation in China has been as high as 20.7% and as low as -2.2%. These factors have led to the adoption by Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. While inflation has been more moderate since 1995, high inflation may in the future cause Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products.

***Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.***

The majority of our revenues will be settled in Renminbi and U.S. Dollars, and any future restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the Renminbi for current account transactions, significant restrictions still remain, including primarily the restriction that foreign-invested enterprises may only buy, sell or remit foreign currencies after providing valid commercial documents, at those banks in China authorized to conduct foreign exchange business. In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the Renminbi.

***The value of our securities will be affected by the foreign exchange rate between U.S. dollars and Renminbi.***

The value of our common stock will be affected by the foreign exchange rate between U.S. dollars and Renminbi, and between those currencies and other currencies in which our sales may be denominated. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operational needs and should the Renminbi appreciate against the U.S. dollar at that time, our financial position, the business of the Company, and the price of our common stock may be harmed. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of declaring dividends on our common stock or for other business purposes and the U.S. dollar appreciates against the Renminbi, the U.S. dollar equivalent of our earnings from our subsidiaries in China would be reduced.

***We currently sell our pesticides in Bolivia, Vietnam, and Indonesia, and we are subject to those countries' regulations and the import/export policies of those countries and China.***

We currently sell our pesticides in Bolivia, Vietnam, and Indonesia and are regulated in all those countries, including the regulation of what can and cannot be contained in our herbicides and pesticides. If we fail to meet the environmental regulation in any of these countries we could be prohibited from selling our herbicides and/or pesticides in those countries. In addition, our ability to export our products from China to these countries is subject to international treaties and the laws of each of these countries. If those treaties change or are terminated we may be prohibited from selling our products in one or more of these countries.

***Our business success largely relies on ability to operate our Acetochlor manufacturing facility.***

Our business is not diversified. Our success is largely dependent upon our ability to operate our Acetochlor manufacturing facility. We do not currently have other pesticides it produces in large quantities if we are unable to effectively operate our Acetochlor facility and manufacture Acetochlor. We also currently do not have other lines of business outside of the production of pesticides to rely on if the pesticide business declines or if our Acetochlor facility can not operate at full capacity or for any extended period of time.

***We give no assurances that any plans for future expansion will be implemented.***

We plan on starting construction of a second Acetochlor manufacturing facility with 10,000-ton annual output in 2006. However, we have not made any definitive plans or signed any binding agreements to implement this expansion strategy. We may decide to use operating income to finance these expenditures, which would reduce our operating capital.

***We have a limited operating history and limited historical financial information upon which you may evaluate our performance.***

We are in our early stages of development and face risks associated with a new company in a growth industry. We may not successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of our common stock to the point investors may lose their entire investment. Even if we accomplish these objectives, we may not generate positive cash flows or the profits we anticipate in the future.

***We will face a lot of competition, some of which may be better capitalized and more experienced than us.***

We face competition in the herbicide and pesticide industry. Although we view ourselves in a favorable position vis-à-vis our competition, some of the other herbicide and pesticide producing companies that sell into our markets may be more successful than us and/or have more experience and money that we do. This additional experience and money may enable our competitors to produce more effective herbicides and/or pesticides and be sell their product with more success than we are able to, which would decrease our sales.

***Our business is largely subject to the uncertain legal environment in China and your legal protection could be limited.***

The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which precedents set in earlier legal cases are not generally used. The overall effect of legislation enacted over the past 20 years has been to enhance the protections afforded to foreign invested enterprises in China. However, these laws, regulations and legal requirements are relatively recent and are evolving rapidly, and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to foreign investors, such as the right of foreign invested enterprises to hold licenses and permits such as requisite business licenses. In addition, some of our executive officers and our directors may be residents of China and not of the United States, and substantially all the assets of these persons are located outside the U.S. As a result, it could be difficult for investors to affect service of process in the United States, or to enforce a judgment obtained in the United States against us or any of these persons.

**ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds**

On May 1, 2006, pursuant to the DHC merger transaction discussed herein, we issued an aggregate of 13,449,488 shares of common stock of our common stock to the shareholders of DHC, all restricted in accordance with Rule 144. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

**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**

In conjunction with the merger transaction a special meeting of shareholders, held on Thursday, April 27, 2006, the shareholders approved the following agenda items as set forth in the Company's 14C Information Statement on file with the SEC:

1. Two individuals were elected to our Board of Directors, namely Zhengquan Wang and John C. Leo. Mr. Wang is an employee-director, while Mr. Leo is a non-employee-director. Neither of the individuals were directors before the meeting. In conjunction with their appointment, Mr. Carl Berg, our previous director, resigned. The results of the voting were as follows:

| Director | Votes For | Votes Against | Votes Withheld | Abstentions | Broker Non-Votes |
|---|---|---|---|---|---|
| Zhengquan Wang | 6,000,000 | -0- | -0- | -0- | -0- |
| John C. Leo | 6,000,000 | -0- | -0- | -0- | -0- |

The other matters on which the shareholders voted, and the results of voting, were:

2. The approval of a proposal to authorize our Board of Directors to withdraw our election to be treated as a business development company ("BDC") pursuant to Section 54(c) under the Investment Company Act of 1940. This agenda item passed as follows:

| Votes For | Votes Against | Votes Withheld | Abstentions | Broker Non-Votes |
|---|---|---|---|---|
| 6,000,000 | -0- | -0- | -0- | -0- |

3. An amendment to the Articles of Incorporation to change our name to China Agro Sciences Corp., to be effective on the closing of the merger transaction, as described herein. This agenda item passed as follows:

| Votes For | Votes Against | Votes Withheld | Abstentions | Broker Non-Votes |
|---|---|---|---|---|
| 6,000,000 | -0- | -0- | -0- | -0- |

The amendment to the Articles of Incorporation was filed with the State of Florida on April 28, 2006, with an effective date of May 1, 2006.

A more detailed description of each agenda item at the special shareholders meeting can be found in our Schedule 14C Information Statement dated and filed with the Securities and Exchange Commission on April 3, 2006.

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**ITEM 5 Other Information**

*Merger Transaction*

As previously reported in our Current Report on Form 8-K, filed with the Securities and Exchange Commission 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”). 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. At the same time, certain of the DHC shareholders acquired 5,500,000 China Agro shares directly from our then majority shareholder, director, and sole officer, Carl M. Berg, and his holding company, Sadie, LLC. Following the closing, the DHC shareholders owned 18,949,488 shares of our common stock, or 94.7% of our outstanding 20,000,000 shares. As a result of the DHC transaction we terminated our status as a business development company and, through our wholly-owned subsidiary, became a development stage company specializing in the sale and distribution of pesticides and herbicides. Our only operations after this transaction are conducted through our wholly-owned subsidiary, which controls the assets and operations of Runze.

The above transaction is being 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.

*Change in Auditors*

On June 21, 2006, as a result of the DHC merger, Ramirez International, the independent accountant previously engaged since our inception as the principal accountant to audit our financial statements, was formally dismissed as our auditors. The decision to dismiss Ramirez International was made on or about June 20, 2006, and approved by our Board of Directors after it was determined, that because of the merger with DHC our operations consisted primarily of the operations of DHC, it would be more appropriate for us to have auditors familiar with DHC’s operations to serve in that capacity.

In conjunction with Ramirez International’s dismissal, effective as of June 20, 2006, we engaged Paritz & Company, P.A., who is familiar with the historical financial statements of DHC and its subsidiaries, as the principal accountant to audit our financial statements.

The audit report of Ramirez International on the Company's financial statements as of December 31, 2005 and 2004, 2003 and 2002 and the period from inception (March 27, 2001) to December 31, 2001 (the “Audit Period”) did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to audit scope or accounting principles, except the reports were modified to include an explanatory paragraph wherein they expressed substantial doubt about our ability to continue as a going concern. During the Audit Period, and during the period up to the dismissal of Ramirez International and through the appointment of Paritz & Company, P.A., as our new independent accountants, there were no disagreements with Ramirez International on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of the former accountants, would have caused it to make reference to the subject matter of the disagreements in connection with its report.

We provided a copy of this disclosure to Ramirez International, and requested that they furnish us with a letter addressed to the Securities and Exchange Commission stating whether they agree with the statements made by the Company and, if not, stating the respects in which they do not agree. Ramirez International provided written disclosure that they did not disagree with this disclosure.

**ITEM 6 Exhibits**

| | |
|---|---|
| 3.1 (1) | Articles of Incorporation of China Agro Sciences Corp. |
| 3.2 (1) | Bylaws of China Agro Sciences Corp. |
| 3.3 (2) | Articles of Amendment to Articles of Incorporation Changing Name to China Agro Sciences Corp. |
| 3.4 (2) | Articles of Merger Merging DaLian Acquisition Corp. into China Agro Sciences Corp. |
| 10.1 (3) | Agreement and Plan of Merger dated March 15, 2006 |
| 10.2 (2) | Extension of Closing Date |
| 10.3 (2) | Agreement to Terminate Warrants dated April 28, 2006 by and between Clark Johnson and M-GAB Development Corporation |
| 10.4 (2) | Agreement to Terminate Warrants dated April 28, 2006 by and between AMRES Holding, LLC and M-GAB Development Corporation |
| 10.5 (2) | Agreement to Terminate Options dated April 28, 2006 by and between Kevin Gadawski and M-GAB Development Corporation |
| 10.6 (2) | Agreement to Terminate Options dated April 28, 2006 by and between Mark Stewart and M-GAB Development Corporation |
| 10.7 (2) | Form N-54C |
| 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. |

(1) Incorporated by reference from our Pre-Effective Registration Statement on Form SB-2 dated and filed with the Commission on August 31, 2001.

(2) Incorporated by reference from our Current Report on Form 8-K dated May 1, 2006 and filed with the Commission on May 5, 2006.

(3) Incorporated by reference from our Current Report on Form 8-K dated April 1, 2005 and filed with the Commission on April 4, 2005.

## 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.**

Date: August 21, 2006

By: /s/ Zhengquan Wang

Zhengquan Wang
President, Director,
Chief Executive Officer,
Chief Financial Officer