CHINA AGRO SCIENCES CORP.
Form 10-K
January 15, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended September 30, 2007

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

For the transition period from _______________to ________________

Commission file 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)

Issuer's telephone number (212) 232-0120

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

Common stock, par value $0.001
(Title of class)

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

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 .

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. There was no market for our common stock.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has 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 .

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of registrant's classes of common stock, as of the latest practicable date. As of January 11, 2008, there were 20,050,000 shares of commonstock, par value $0.001, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

China Agro Sciences Corp.

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PART I

This Annual 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 - BUSINESS

Business Overview

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. Runze contains all our operations and the majority of our assets. We specialize in low toxic pesticides and herbicides. Our primary product is the herbicide known as Acetochlor. Our other pesticide products include Razesor, Emamectin benzoate, and Clethodim. Our headquarters and manufacturing facilities are located in the city of ZhuangHe, LiaoNing Province, 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. After the formation of Runze, we initially believed DRC would be one of our primary competitors in the manufacturing and sale of herbicides and pesticides in China, however, due to certain manufacturing standards in place at our sole customer to date, Jilin Ruiye Pesticide Co., we manufactured all of the herbicides we sold in fiscal year 2006 at DRC’s manufacturing plant. During our fiscal year, ended September 30, 2006, we only sold one product, Acetochlor, and that was to one customer, Jilin Ruiye Pesticide Co.

During the first six months of fiscal year 2007 we were not able to negotiate the same discounted rate for the use of DRC’s manufacturing facilities and, as a result, we did not manufacture any of our own Acetochlor. We recently 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. Our manufacturing facility is not currently located in a “chemical zone” and, therefore, if we wish to manufacture our products at our own manufacturing plant we will be forced to build a new facility in an approved “chemical zone.” If we decide to build a new manufacturing plant the cost of building a new facility would be substantial, but do not yet have an estimate as to the cost. Based on the location of our current manufacturing plant our management has determined that our manufacturing plant is of little or no value and has been categorized as an impaired asset on our current audited financial statements. As a result of our inability to use DRC’s manufacturing facilities and the inability to utilize our own facilities we did not have any revenues during our fiscal year ended September 30, 2007.

Currently, we also do not believe we will be permitted to use DRC’s manufacturing facilities to manufacture our product to sell to unrelated third parties because their manufacturing facilities is also not in a “chemical zone” and they will be forced to move their plant so we believe they will utilize their manufacturing capacity until that time 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.

Due to the new government regulations, there is a good chance that we will not continue in the business of manufacturing and selling pesticide and herbicide products in China. If management makes the determination that we cannot continue in the pesticide and herbicide business in China we will look for other business alternatives. 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.

The Pesticide Industry

According to the projections of the Food and Agricultural Organization of the United Nations and the United States Census Bureau, the global population is experiencing increasing growth rates. The current world population of 6.1 billion is projected to increase to 7.2 billion in 2010, and 9.8 billion in 2050. The urgent need of decent food supplies has become a global issue. Under current predictions, only 1/3 of the increasing food demand can be met by the expansion of cultivated land, which is limited. The remaining 2/3 will largely depend on increasing agricultural productivity. The successful implementation of pesticide programs is an effective method for increasing agricultural productivity. It is estimated that every year about one third of the world’s potential harvest is lost to damage caused by plant diseases and insect pests. In a typical case, the lack of pesticide or its improper usage can reduce the productivity by 25-40% in one year (compared to proper pesticide usage), and 40-60% the following year. The unique nature among growing population, food supply, and pesticide has created a large growing market for the pesticide industry.

China is the largest agricultural country in the world. Due to its population the Chinese government is focused on its low income segment of the population, including the development of agriculture as a means to provide for its population. China is also a developing country with a serious problem of plant diseases and insect pests. Other issues, such as the lack of modern agricultural machinery and skills, low unit quality and productivity, and the dispersed layout of its cultivated land, have created many challenges. The current population in China has reached a total of 1.3 billion, and the total cultivated land remains at 95 million hectares, which is equal to 0.073 hectare per person. As a nation, China is using 7% of the world's agricultural resources to support 22% of the world's population. Therefore, there is a need to increase productivity in the agricultural sector. Advanced technologies, including the broader use of pesticides, are needed. According to the Chinese Agriculture Ministry, each year the implementation of pesticides in China prevents the losses of over 25 million tons of foodstuff, 400 thousand tons of cotton, 8 million tons of vegetables, and 3.3 million tons of fruit, which are equal to 30 billion Yuan Renminbi ("RMB" – the Chinese currency; 1 RMB equals approximately 0.1248 U.S. dollars) in fair market value.

The pesticide industry in China has experienced tremendous growth in the past 10 years, with its productivity almost doubled and over 100 new pesticide products invented. According to the Centre Bureau of Product & Quality Control, the current pesticide production in China has reached an annual output of 800 thousand tons with 20 billion RMB in value, ranking the second largest in the world. Export of pesticides plays an important role, which returns $1.2 billion in revenue annually. However, currently in China pesticides are only used on 60% of the cultivated wet land and 30% of the cultivated dry land, compared to a full 100% in most developed countries. Among all pesticides, insecticides are the most common, which are largely organic-phosphide-based ("OPB") with high toxic contents and residues. Due to these high toxicity levels in the insecticides it is currently anticipated that the production and usage of the five most popular OPB insecticides, which currently represent 30% of the total market share in the nation, will be banned sometime in 2008.

Outside of China the global demand for pesticides is increasing steadily. With the current trend in many developed countries to reduce or cease pesticide productions, the Chinese pesticide industry has a great potential in its long-term development.

According to China's National Agricultural Technology Centre, the annual sales of Acetochlor in China will likely maintain an annual growth rate of 20-30%, and it is currently projected that Acetochlor will remain in production for at least another 20 years. Currently there are over 100 different brands on sale, which makes Acetochlor the most popular among all herbicides. Acetochlor has been successfully applied to the vast cultivated wet land in China in recent years.

In 2002, the Chinese government issued a new guideline on toxic OPB pesticides. Its purpose was to reduce toxic OPB pesticide productions and to ban sales and usage. Pursuant to regulations, in 2003 toxic OPB pesticides could only be applied to cotton; as of 2005 only two manufacturers have production rights under license, with combined annual output not exceeding 26,000 tons. By 2007, all toxic OPB pesticides will be banned, which will create a sizeable supply shortfall. Compared to toxic OPB pesticides, Razesor, a pesticide we produce, is highly effective with identical results on insects, and it is environmental-friendly with minimum toxic contents and residues. Razesor is expected to become the best alternative to toxic OPB pesticides in China. The manufacturing process of Razesor generates a low amount of industrial wastes, which can be managed and creates no pollution to the environment. The potential market for Razesor is growing in China with a total demand of 10,000 - 15,000 tons expected in the next three years. The future demand is expected to be even higher.

The European Union ("EU") has banned the usage of over 320 different pesticides, germicides, and herbicides since December 31, 2003. Agricultural products contaminated by related chemical residues have been forbidden to enter the EU market. The United States and Japan are expected to pass similar regulations, which will create a growing market for biological pesticides. The demand for the most common biological pesticide, Abamectin, has been increasing over the years with its unit prices soaring from 900 RMB/kg to 2,300 RMB/kg since March, 2004. To address these rising prices, we have developed a substitute product for Abamectin called Emamectin benzoate. This pesticide, which we produce (in its solution and emulsion forms), contains minimum impurities and causes no pollution to the environment. As noted above, it is anticipated that the Chinese government will ban the production and usage of five most popular toxic OPB pesticides by 2007, which will create an annual market shortfall of over 200,000 tons. Emamectin benzoate has been appointed as one of the replacement pesticides by the Chinese National Reform and Development Committee, and the Chinese Green Food Program has approved Emamectin benzoate's usage on its Green Food product lines. We believe these positive endorsements have secured a promising future for Emamectin benzoate in the pesticide industry. We have signed an initial agreement with Sangenta of Switzerland to cooperate in areas of Emamectin benzoate research and development, sales, and rare material supplies.

For many years in China, there have always been shortages of post-sprout herbicides. Some of the common herbicides, such as Sulfonylurea, cannot be dissolved naturally in the environment and thus become sources of pollution. The United States and other developed countries have banned Sulfonylurea usage. With its continuing commitment to environmental protection, China is in the process of replacing Sulfonylurea. Sumitomo Chemical Co. Ltd of Japan has obtained the temporary registration for its Clethodim product in China, and its Clethodim product has been a great sales success. The annual import of Clethodim to China reaches a total of 200 tons, which is not sufficient for a decent supply. We believe the domestic production of our Clethodim in China can replace a significant amount of imported Clethodim and has promise as a successful export to other countries.

Principal Products and Services

We operate through our subsidiary, Runze. Our primary business is the manufacturing, sale and distribution of herbicides and pesticides to reduce or eliminate the amount of agricultural produce lost to plant diseases and insects. Although, in the past we have only produced Acetochlor, if we ever start producing herbicides and pesticides again we hope to start producing up to four different herbicides and pesticides: Acetochlor, Razesor, Emamectin benzoate, and Clethodim.

Acetochlor

Acetochlor is currently the world's eighth most popular herbicide in terms of sales. It is highly productive during the pre-sprout stage of agricultural production and is currently the only product that we produce in large industrial-use quantities. Acetochlor is widely used during the growing of soybeans, corn, peanuts, and vegetables. Acetochlor can eliminate most types of weeds with minimum toxic contents and residues, and helps to stop weeds from growing in and around the crop. Acetochlor poses no threat to humans or livestock. Due to its effectiveness and relatively low cost, Acetochlor has gained tremendous popularity in China. The annual output of Acetochlor in China has reached 20,000 tons, which provides protection to over 12 million hectares of cultivated land.

In October, 2005, we completed construction on an Acetochlor manufacturing facility with a 5,000-ton annual capacity. However, during the fiscal year ended September 30, 2006, due to the lack of certain environmental permits and the failure of our manufacturing facility to meet the manufacturing standards of our only customer, Jilin Ruiye Pesticide Co., a third-party located in China, we manufactured all the Acetochlor we produced at the manufacturing plant of DRC, a related third-party. During the first six months of fiscal year 2007 we were not able to negotiate the same discounted rate for the use of DRC's manufacturing facilities and, as a result, we did not manufacture any of our own Acetochlor. We recently 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. Our manufacturing facility is not currently located in a "chemical zone" and, therefore, if we wish to manufacture our products at our own manufacturing plant we will be forced to build a new facility in an approved "chemical zone." If we decide to build a new manufacturing plant the cost of building a new facility would be substantial, but do not yet have an estimate as to the cost. Based on the location of our current manufacturing plant our management has determined that our manufacturing plant is of little or no value and has been categorized as an impaired asset on our current audited financial statements. As a result of our inability to use DRC's manufacturing facilities and the inability to utilize our own facilities we did not produce any Acetochlor for sale during our fiscal year ended September 30, 2007 and do not know when, or if, we will ever be able to continue to manufacture pesticide and herbicide products.

Currently, we also do not believe we will be permitted to use DRC's manufacturing facilities to manufacture our product to sell to unrelated third parties because their manufacturing facilities is also not in a "chemical zone" and they will be forced to move their plant so we believe they will utilize their manufacturing capacity until that time 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.

Razesor

Razesor is a pesticide introduced by DRC into the Chinese pesticide market. DRC has a Chinese patent and a PCT patent (PCT # 02128312.5), which is a patent issued by the World Intellectual Property Organization pursuant to the Patent Cooperation Treaty. The advanced technology used to manufacture Razesor ensures stable output of the pesticide with high product purity. The manufacturing process used generates only a small amount of waste and the raw materials used are easily obtainable in China, keeping production costs low. We hope to obtain a license from DRC to manufacture and sell Razesor.

Razesor is a general pesticide that is highly effective against Coleoptera insects and insects with developed resistance to some common pesticides. Razesor has been widely applied to rice, cotton, vegetable, tobacco, potato, tea and corn. Razesor eliminates the insects and their eggs by destroying the insect's central nervous system.

Emamectin benzoate

Emamcetin benzoate is a new half-synthesized antibiotic biological pesticide with low toxic contents and no residue. Emamectin benzoate intensifies the functional activities of an insect's nerve cells and undermines the insect's cellular active functions, causing irreversible paralysis, with most results occurring 3-4 days from initial usage. Emamcetin benzoate's typical usage is only 1 gram per hectare and remains 72-100% effective up to 15 days after initially applied. The pesticide poses no harm to useful insects and bees, which is very helpful in quantitative insect control.

Clethodim

Clethodim is a post-sprout herbicide. It is suitable for over 40 different industrial crops such as soybeans, peanuts, and cotton. As an herbicide it effectively eliminates almost all types of weeds, both perpetual and perennial. Clethodim is environmentally-friendly with low toxic contents and no cumulated residue. The typical usage of Clethodim is 3.6-4.8 grams per hectare and can be used in conjunction with other more common herbicides.

Sales and Marketing Strategy

Our original sales and marketing strategy involved the use of a sophisticated sales and marketing network in China developed by DRC. We believed this network would give us access to the vast rural areas of China and the ability to provide products and supports to millions of agricultural producers and the land they farm. Due to our current inability to manufacture our products we currently do not have a sales and marketing strategy.

Research and Development

From our inception we have emphasized recruiting and development of quality employees. Today we have a strong team of experts, specializing in agriculture protection, fine chemical synthesis, and chemical engineering. We hope to obtain state-of--the-art equipment and form a strong coalition with many advanced research institutes, in order to become one of the most technologically-advanced pesticide manufactures in the China, setting industry standards in product research and development.

Distribution

Due to our current inability to manufacture our products we are not distributing any of our products and will not until we either build a new facility in a "chemical zone," or contract with an approved facility for the manufacturing of our products. If we were able to manufacture our own products we would likely distribute those products through Mr. Wang's connections in the pesticide and herbicide industry in China.

As for distribution abroad, we will face mandatory governmental and regulatory regulations to distribute our products abroad. These stipulations can and may include registering with the proper government boards, provincial and local regulatory bodies, and other various groups which monitor the distribution of pesticide products.

Competition

We specialize in the sales and distribution of herbicides and pesticides. We compete with other herbicide and pesticide for distributors and customers, primarily in China. Our primary competitors in China include Jiangsu Ludelai Co., Ltd., Hebei Xuanhua Pesticide Co., Ltd., and Jiangsu Nantong Jiangshan Pesticide Co., Ltd. As noted above, we initially believed DRC would be one of our primary competitors in the manufacturing and sale of herbicides and pesticides in China, however, due to certain manufacturing standards in place at our sole customer to date, Jilin Ruiye Pesticide Co., we manufactured all of the herbicides we sold in fiscal year 2006 at DRC's manufacturing plant and currently do not consider them to be one of our competitors. Mr. Zhengquan Wang, our Chief Executive Officer, Chief Financial Officer and a Director, is the President and Chairman of the Board of DRC. Many of the herbicide/pesticide companies with whom we compete, including those listed herein, have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on the manufacturing of pesticides and herbicides and also on research and development of new products. In addition, they may be able to afford more technical expertise in the development of new products. This competition could result in competitors having herbicides and pesticides of greater quality and interest to prospective customers. This competition could adversely impact our ability to acquire additional customers.

Sources and Availability of Raw Materials

Our raw materials primarily consist of chemicals used to produce our various herbicides and pesticides. Our primary suppliers of these chemicals include Dalian Huachang Trade Corporation, Zhipeng Chemistry Corp., Dongfeng Tianze Chemistry Corp., and Liangyang Baita Commodity Corp. All our products are obtained domestically in China and are readily available.

Dependence on a Few Customers

During fiscal year 2007, we did not sell any products. During fiscal year 2006, we only sold one product, Acetochlor, and only sold that product to one customer, Jilin Ruiye Pesticide Co. We are not currently seeking additional customers for our products until we determine if we will be able to manufacture products in the future. If we can start producing product in the future we hope to sell to more than one customer and to sell more than one product, but this would likely be contingent upon us either building a new manufacturing facility in an approved "chemical zone," or contracted with an approved facility to manufacture our products.

Intellectual Property

We previously reported that we own a Chinese patent and a PCT patent (PCT # 02128312.5), which is a patent issued by the World Intellectual Property Organization pursuant to the Patent Cooperation Treaty, on the Razesor pesticide. This disclosure was in error. This patent is owned by DRC and not us. We currently do not have any patents on our products.

Government Approvals

As noted above, due to new regulations, only chemical manufacturers with facilities in approved “chemical zones” may manufacture any herbicide and pesticide products. Our manufacturing facility if not in a “chemical zone” and, therefore, we will not be able to utilize that facility to manufacture our products.

As for distribution abroad, we will face mandatory governmental and regulatory regulations to distribute our products abroad. These stipulations can and may include registering with the proper government boards, provincial and local regulatory bodies, and other various groups which monitor the distribution of pesticide products.

Government Regulation

The herbicide and pesticide industry in China is regulated by the State Environmental Protection Administration of China, but the current regulations are not stringent. As mentioned above, all companies in our industry will undergo a GMP Assessment and we expect the regulation of our industry will increase in the future, but we believe we will be able to meet these requirements. The expected additional costs of future compliance has been factored in by management going forward.

As noted above, in May 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 for manufacturing plants not located there now will have to be relocated. Our manufacturing facility is not currently located in a “chemical zone” and, therefore, if we wish to manufacture our products at our own manufacturing plant we will be forced to build a new facility in an approved “chemical zone.” If we decide to build a new manufacturing plant the cost of building a new facility would be substantial, but do not yet have an estimate as to the cost.

Environmental Compliance

Although we are aware of the impact our products have on the environment and attempt to make environmentally-friendly products, we had not been too heavily regulated in the China in terms of environmental compliance. However, with the “chemical zone” regulation our environmental compliance has increased. We expect these regulations to further increase in the future and we could have numerous issues meeting any new environmental compliance regulations in the future.

Employees

As of September 30, 2007, we employed a total of 13 full-time employees, 3 of which were executives. We no longer have employees engaged in manufacturing our products, nor involved in sales. The remaining 10 are involved with human resources and administration.

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 currently cannot manufacture products at our own manufacturing facility and do not have any agreements in place to manufacture products at another facility.

We recently 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. Our manufacturing facility is not currently located in a “chemical zone” and, therefore, if we wish to manufacture our products at our own manufacturing plant we will be forced to build a new facility in an approved “chemical zone.” If we decide to build a new manufacturing plant the cost of building a new facility would be substantial, but do not yet have an estimate as to the cost. Based on the location of our current manufacturing plant our management has determined that our manufacturing plant is of little or no value and has been categorized as an impaired asset on our current audited financial statements.

Therefore, our only way to manufacture product is to contract with an approved facility. We currently do not have any such agreements in place and do not know if we will able to manufacture product in the future. As a result of our inability to use DRC’s manufacturing facilities and the inability to utilize our own facilities we did not produce any Acetochlor for sale during our fiscal year ended September 30, 2007 and do not know when, or if, we will ever be able to continue to manufacture pesticide and herbicide products. If we are not able to manufacture pesticide or herbicide products for sale in China it would have a significant impact on our ability to continue has an operating company.

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; iv) international trade restrictions; and v) 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, including the recent enactment of the “chemical zones.” 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.

Recently, the Chinese government implemented new regulations related to the manufacturing of herbicides and pesticides. Our current manufacturing facilities do not meet these new stricter regulations and, therefore, we cannot use these facilities to manufacture our products. Therefore, our only way to manufacture product is to contract with an approved facility. We currently do not have any such agreements in place and do not know if we will able to manufacture product in the future.

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. Currently, our only manufacturing facility does not have current environmental permits and is not operational, which has meant we could not manufacture any product(s). Additionally, with the new regulation that our plant must be moved to a "chemical zone" we do not know if we will able to comply with this regulation and therefore may not be able to manufacture products and may have to cease doing business.

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 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.

Currently, since our primary operations are in the PRC, all of our revenues will be settled in RMB, not U.S. Dollars. Due to certain restrictions on currency exchanges that exist in the PRC, our ability to use revenue generated in RMB to pay any dividend payments to its shareholders may be limited.
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. Although, as noted above, due to currency restrictions in the PRC we are precluded from paying dividends even if we were in a position to do so.

During our fiscal year ended September 30, 2007, we did not sell any products and had no revenues.

During our fiscal year ended September 30, 2007, we had no revenues. Due to the fact that we were not able to negotiate discounted rates to use the plant and equipment of DRC and the new government regulations and standards on herbicides and pesticides, which our own facilities could not meet for most of the year, combined with the new "chemical zone" regulation, we did not sell any products in the year ended September 30, 2007. We hope this will not continue in future quarters and years, but if we are not able to use DRC's facilities and cannot contract with a third party to use their facilities we will not be able to manufacture any product to sell. If this occurs it would have a significant impact on our ability to continue as an operating company. We are currently looking for additional manufacturing and sales channels utilizing Mr. Wang's connections in the industry but there is no assurance we will be successful.

We give no assurances that any plans for manufacturing products will be implemented.

Currently, we cannot manufacture any of our own product and will not be able to unless we build a new manufacturing facility, at a substantial cost, or enter into an agreement with another company to utilize their manufacturing facilities. If we cannot build a new facility or contract with an approved manufacturing facility we may have to look for alternatives to pesticide and herbicide production and sale as our primary business.

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. Many 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. We do not yet know the impact of the "chemical zone" requirement on our competitors.

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.

Our business is largely seasonal and sales of our products are subject to changes in the weather.

Since we are in the business of manufacturing and selling herbicide and pesticide products our clients and end users are engaged in farming and crop production, which is subject to changes in the seasons and weather. Therefore, the sales of our products will generally substantially decrease during the autumn and winter months. Unusual weather such as prolonged freezing temperatures or particularly hot temperatures also effect crop production and, therefore, could affect the sales of our products.

ITEM 1B – UNRESOLVED STAFF COMMENTS

This Item is not applicable to us as we are not an accelerated filer, a large accelerated filer, or a well-seasoned issuer; however, we did received written comments from the Commission staff regarding our periodic or current reports under the Securities Exchange Act of 1934 within the last 180 days before the end of our last fiscal year. We have responded to those comments and filed a Second Amended Annual Report on Form 10-K/A for the transition period ended September 30, 2006 as a result of these comments.

ITEM 2 - PROPERTIES

Our executive offices in the United States are not yet open. Currently our operations are conducted out of the offices of our manufacturing facility owned by Runze, our subsidiary, located in the city of ZhuangHe, LiaoNing Province, China. The manufacturing facility is approximately 128,291 square feet, with 2,000 square feet being used for our executive offices. We own this facility and therefore do not make any rent payments on this facility. Due to the new regulations in China, we did not utilize our manufacturing facility to produce any of our products and will not be able to do so in the future..

ITEM 3 - LEGAL PROCEEDINGS

We are not a party to or otherwise involved in any legal proceedings.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the security holders during the three month period ended September 30, 2007.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

During the quarter ended March 31, 2005, a market maker filed an application to list our securities on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. 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 original trading symbol was MGBD. Following the DHC merger transaction and our name change our trading symbol changed to CHAS, which is our current trading symbol. Our common stock has traded very minimal amounts since we were listed on the OTC Bulletin Board and there is no assurance that there will be liquidity in the common stock.

The following table sets forth the high and low bid information for each quarter within the two most recent fiscal years, as provided by the NASDAQ Stock Markets, Inc. The information reflects prices between dealers, and does not include retail markup, markdown, or commission, and may not represent actual transactions.

Fiscal Year Ended September 30,	Period	Bid Prices High	Bid Prices Low
2005	First Quarter	N/A	N/A
	Second Quarter	N/A	N/A
	Third Quarter	N/A	N/A
	Fourth Quarter	$ -	$ -

2006	First Quarter	N/A	N/A
	Second Quarter	N/A	N/A
	Third Quarter	$2.30	$0.50
	Fourth Quarter	$1.75	$1.05
2007	First Quarter	$1.40	$1.10
	Second Quarter	$1.18	$0.55
	Third Quarter	$0.60	$0.28
	Fourth Quarter	$0.31	$0.06
2008	First Quarter	$0.20	$0.05
	Second Quarter (through January 11, 2008)	$0.07	$0.06

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than $5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

There are currently no outstanding options or warrants to purchase, or securities convertible into, shares of our common stock. The warrants and stock options that were previously issued by us were cancelled pursuant to the terms of the DHC transaction.

Holders

The number of holders of record of shares of our common stock is one hundred twenty three (123).

Dividends

We have never declared or paid any cash dividends on our common stock. We do not anticipate paying any cash dividends to stockholders in the foreseeable future. In addition, any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

As noted above, our directors and shareholders had approved the 2001 Plan and the 2004 Plan but both these Plans were cancelled pursuant to the terms of the DHC merger agreement. There were no stock or options granted under these Plans. There have not been any other equity compensation plans approved by our Board of Directors.

ITEM 6 – SELECTED FINANCIAL DATA

China Agro Sciences Corp. (1)	For the Years Ended September 30,				
	2007	2006	2005	2004	2003
Statement of Operations Data:					

Total revenues	$ -	12,749,788	-	-	-
Net income (loss)	(2,146,721)	1,931,558	(287,204)	-	-
Balance Sheet Data:					
Current assets	$ 819,465	2,537,925	252,708	-	-
Total assets	4,820,815	7,843,728	6,014,573	-	-
Current liabilities	1,029,962	2,159,855	2,504,078	-	-
Total liabilities	1,371,466	2,483,218	2,815,144	-	-
Total stockholders' equity	3,449,349	5,360,510	3,199,429	-	-
Total dividends per common share	-0-	- 0 -	- 0 -	-	-

(1) The selected financial data included in this Section is the financial data for Ye Shun International, which, with its subsidiary, Runze, contains all the operations of the merged company, Dalian Holding Corp. (now China Agro Sciences Corp.).

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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 Annual 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.

Summary Overview

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 entered into an Agreement and Plan of Merger 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.

After the merger transaction between our subsidiary, Dalian, and 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 Ye Shun and Runze the discussion herein relates to the operations of those two entities.

Ye Shun is a Hong Kong registered enterprise that has its ownership in Runze as its primary asset. Runze is a state-appointed pesticide manufacturer in China. Through Runze, we specialize in the manufacturing of various pesticides and herbicides, particularly the herbicide Acetochlor. However, during the fiscal year ended September 30, 2007, 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.” We recently 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. Our manufacturing facility is not currently located in a “chemical zone” and, therefore, if we wish to manufacture our products at our own manufacturing plant we will be forced to build a new facility in an approved “chemical zone.” If we decide to build a new manufacturing plant the cost of building a new facility would be substantial, but do not yet have an estimate as to the cost.

Although we hope to be able to manufacture product in 2008, we may not be able to do so and would have to undertake a significant expense in building a new manufacturing facility if we decided to continue with our current business plan and manufacture herbicides and pesticides.

Results of Operations

Introduction

Our financial statements for the year ended September 30, 2007 and September 30, 2006 are consolidated with Runze’s since the only operations we have are Runze’s operations, which consist of the in the manufacturing, production, sales, and distribution of various herbicides and pesticides. During the year ended September 30, 2006 sales of these products generated $12,749,788, all to one customer, Jilin Ruiye Pesticide Co., located in China. We did not sell any product in the year ended September 30, 2007 and did not have any revenues.

Year ended September 30, 2007 compared to year ended September 30, 2006

Revenues, Expenses and Loss from Operations

We had revenue of $0 for the year ended September 30, 2007, compared to $12,749,788 for the year ended September 30, 2006. Our revenues, cost of sales, general and administrative expenses, and net loss for the years ended September 30, 2007 and September 30, 2006, respectively, are as follows:

	September 30, 2007	September 30, 2006	Percentage Change
Revenue	$ -	$ 12,749,788	N/A
Cost of Sales	-	9,837,089	N/A
General and Administrative Expenses	1,042,946	981,141	6%
Impairment Loss	1,103,775	-	N/A
Net Income (Loss)	$ (2,146,721)	$ 1,931,558	N/A

Revenues and Income (Loss) from Operations

Our revenues went from $12,749,788 for the year ended September 30, 2006 to $0 for the year ended September 30, 2007. As noted above, this significant decrease in revenue was due to our inability to manufacture product at either DRC's plant or our own manufacturing facility. In 2006 all of our $12,749,788 in revenue was derived from sales by Runze of Acetochlor, an herbicide. 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 do not know if we will be able to manufacture product in the future. If we do build a new manufacturing facility in a "chemical zone" it will be at a substantial cost to the company.

Our cost of sales for the year ended September 30, 2006, totaled $9,837,089, compared to $0 for the year ended September 30, 2007. Our cost of sales for the year ended September 30, 2007 was $0 because we did not sell any products during this period. The cost of sales for the year ended September 30, 2006, consisted primarily of costs associated with the acquisition of raw materials. Included in cost of sales was also the money we paid to DRC for the use of their manufacturing facilities to manufacture our products. Under our agreement with DRC we paid DRC $100 per one ton of product we produced at their facility. This total cost was approximately $175,000 for the twelve months ended September 30, 2006. We believe these costs would have been significantly higher if we were forced to use an unrelated third party manufacturing facility to manufacture our products, likely $1.5 million to $2 million higher based on the amount of product we manufactured in the twelve months ended September 30, 2006.

Our general and administrative expenses of $1,042,946 for the year ended September 30, 2007 consisted primarily of $462,750 in depreciation expense, $252,739 in financial consulting fees, $26,450 for salaries, $17,974 in property tax expenses, and $283,033 in other expenses.

Net Income (Loss)

Our net income (loss) for the year ended September 30, 2007 was ($2,146,721), compared to $1,931,558 for the year ended September 30, 2006. Of our net loss for the year ended September 30, 2007, $1103,775 was attributable to the impairment of asset loss we incurred as a result of our manufacturing facility not being located in a "chemical zone" and, therefore, not being able to be utilized, now or in the future, to manufacture our products, causing us to determine the equipment has little or no residual or future value. The remainder of our net loss was attributable to our general and administrative expenses. We expect to continue at a significant net loss until we are able to contract with a third party with an approved manufacturing facility to manufacture our products, if we are able to do so.

Currently we do not have any operations, income, or expenses in the United States, and, therefore, we do not owe any income taxes in the United States and we are not accruing for income taxes in the United States. If this changes in the future and we become subject to income taxes in the United States and either pay or accrue such taxes it will have a negative impact on our net income (loss).

We did not make a provision for income taxes in China, since we are not subject to income tax during our first two years of operations in China. However, if we had been subject to income taxes in China during the year ended September 30, 2006, we would have been subject to an income tax rate of 27% of net income, which would have totaled approximately $520,000. For the current year that income tax would have been $0 since we did not have any revenues.

Liquidity and Capital Resources

Introduction

During the year ended September 30, 2007 we did not generate positive cash flows as we had in the year ended September 30, 2006. Cash totaled $114,271 and $103,817 at September 30, 2007 and 2006, respectively.

Our cash, current assets, total assets, current liabilities, and total liabilities as of September 30, 2007 and 2006, respectively, are as follows:

		September 30, 2007		September 30, 2006	Increase (Decrease)
Cash	$	114,271	$	103,817	10,454
Total Current Assets		819,465		2,537,925	(1,718,460)
Total Assets		4,820,815		7,843,728	(3,022,913)
Total Current Liabilities		1,029,962		2,159,855	(1,129,893)
Total Liabilities	$	1,371,466	$	2,483,218	(1,111,752)

Sources and Uses of Cash

Operations

Our net cash provided by (used in) operating activities for the year ended September 30, 2007 totaled $687,519, compared to $785,944 for the same period one year ago. We anticipate that both our cash generated from operations and used for operations will decrease significantly the longer we do not manufacture or sell our products.

Investments

Our investing activities for the year ended September 30, 2007 consisted of the acquisition of property and equipment in the amount of $0. During the year ended September 30, 2006, our net cash provided by (used in) investing activities totaled $31,930, with $349,888 attributable to the receipt of a government grant for the purchase of property and equipment and ($317,958) related to the acquisition of property and equipment.

Financing

During the year ended September 30, 2007, we had ($653,965) net cash used in financing activities, with ($653,965) in loans from affiliated company.For the year ended September 30, 2006, our financing activities totaled ($1,036,017), all of which consisted of loans from an affiliated company.

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.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is deemed by our management to be material to investors.

Contractual Obligations

	Payments due by period (in U.S. Dollars)				
Obligations	Total	1 Year	1-3 Years	3-5 Years	5 Years
Long-Term Debt Obligations	-0-	-0-	-0-	-0-	-0-
Capital Lease Obligations	-0-	-0-	-0-	-0-	-0-
Operating Lease Obligations	-0-	-0-	-0-	-0-	-0-
Purchase Obligations	-0-	-0-	-0-	-0-	-0-
Other Long-Term Liabilities	-0-	-0-	-0-	-0-	-0-
Total Contractual Obligations	-0-	-0-	-0-	-0-	-0-

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary operations are located in China. As a result we are exposed to gains and losses resulting from fluctuations in foreign currency exchange rates relating to certain sales and product purchases. We are also exposed to foreign currency gains and losses resulting from domestic transactions that are not denominated in U.S. dollars, and to fluctuations in interest rates related to our variable rate debt. Furthermore, we are exposed to gains and losses resulting from the effect that fluctuations in foreign currency exchange rates have on the reported results in our consolidated financial statements due to the translation of the operating results and financial position.

Our primary financial instruments are cash in banks and money market instruments. We do not believe that these instruments are subject to material potential near-term losses in future earnings from reasonably possible near-term changes in market rates or prices. We do not have derivative financial instruments for speculative or trading purposes.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
China Agro Sciences Corp.

We have audited the accompanying consolidated balance sheet of China Agro Sciences Corp. as of September 30, 2007 and the related consolidated statements of operations, changes in owners' equity and cash flows for the years ended September 30, 2007 and 2006. Our audits also included the financial statement Schedule 1.These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of September 30, 2007 the Company had no operations and its current liabilities exceeded its current assets by $210,497. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Agro Sciences Corp. as of September 30, 2007, and the results of its operations and its cash flows for the years ended September 30, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

Paritz & Company, P.A.

Hackensack, New Jersey
December 4, 2007

CHINA AGRO SCIENCES CORP.

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2007
(U.S. $)

ASSETS

CURRENT ASSETS:	
Cash	$ 114,271
Prepaid financial consulting expenses	405,271
Due from affiliated company	291,345
Other current assets	8,578
TOTAL CURRENT ASSETS	819,465
Property and equipment, net of accumulated depreciation	4,001,350
TOTAL ASSETS	$4,820,815

LIABILITIES AND OWNERS'EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 996,894
Accrued expenses	33,068
TOTAL CURRENT LIABILITIES	1,029,962
LONG-TERM DEBT	341,504
OWNERS'EQUITY:	
Common stock, $0.001 par value	
100,000,000 shares authorized	
20,000,000 shares issued and outstanding	20,000
Additional paid-in capital	3,738,900
Accumulated deficit	(774,060)
Accumulated other comprehensive income	464,509
TOTAL OWNERS'EQUITY	3,449,349
TOTAL LIABILITIES AND OWNERS'EQUITY	$4,820.815

See notes to financial statements

CHINA AGRO SCIENCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S.$)

	YEAR ENDED SEPTEMBER 30, 2007	2006
SALES	$ -	$12,749,788
COST OF SALES (Note 8)	-	9,837,089
GROSS PROFIT	-	2,912,699
COSTS AND EXPENSES:		
General and administrative expenses	1,042,946	914,385
Impairment loss	1,103,775	-
Government grant	-	66,756
TOTAL COSTS AND EXPENSES	2,146,721	981,141
NET INCOME (LOSS)	$(2,146,721)	$1,931,558
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	(0.11)	$ 0.10
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	20,000,000	20,000,000

See notes to financial statements

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CHINA AGRO SCIENCES CORP.

STATEMENT OF CHANGES IN OWNERS' EQUITY
(U.S. $)

	--------COMMON STOCK-------- SHARES (See Note 6)	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	OTHER COMPREHENSIVE INCOME	TOTAL
BALANCE – SEPTEMBER 30, 2005	-	$3,738,900	$ -	$ (558,896)	$ 19,425	$3,199,429
Common stock, $0.001 par value, 100,000,000 shares authorized, 20,000,000 shares issued and outstanding	20,000,000	20,000	-	-	-	20,000
Effect of stock splits and return of shares		(3,738,900)	3,738,900	-	-	-
Foreign currency translation adjustment	-	-	-	-	209,523	209,523
Net income	-	-	-	1,931,558	-	1,931,558
BALANCE – SEPTEMBER 30, 2006	20,000,000	20,000	3,738,900	1,372,662	228,948	5,360,510
Foreign currency translation adjustment	-	-	-	-	235,561	235,561
Net income (loss)	-	-	-	(2,146,722)	-	(2,146,722)
BALANCE – SEPTEMBER 30, 2007	20,000,000	$20,000	$3,738,900	$ (774,060)	$464,509	$3,449,349

See notes to financial statements

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CHINA AGRO SCIENCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. $)

	YEAR ENDED SEPTEMBER 30, 2007	2006
OPERATING ACTIVITIES:		
Net income (loss)	$(2,146,721)	$ 1,931,558
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	462,749	420,667
Impairment loss	1,103,757	
Changes in operating assets and liabilities:		
Accounts receivable	2,121,681	(2,013,529)
Inventories	-	(274,069)
Prepaid expenses	(405,271)	35,560
Other current assets	13,490	(6,036)
Accounts payable	(495,251)	691,793
Accrued expenses	33,067	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	687,519	785,944
INVESTING ACTIVITIES:		
Government grant for purchase of property and equipment	-	349,888
Acquisition of property and equipment	-	(317,958)
NET CASH USED IN INVESTING ACTIVITIES	-	31,930
FINANCING ACTIVITIES:		
Loans from affiliated company	(653,965)	(1,036,017)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(653,965)	(1,036,017)
EFFECT OF EXCHANGE RATE ON CASH	(23,100)	244,710
INCREASE IN CASH	10,454	26,567
CASH – BEGINNING OF YEAR	103,817	77,250
CASH – END OF YEAR	$ 114,271	$ 103,817
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 3,911	$ 66,707
Non-cash operating activities:		
Repayment of accounts payable by inventory	$ 421,101	$ -

See notes to financial statements

CHINA AGRO SCIENCES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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. ("DRC" or 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 was 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, DHC is considered to be the surviving entity.

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 (ARMB@). 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.

2 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.

2 PROPERTY AND EQUIPMENT

A summary of property and equipment and the estimated lives used in the computation of depreciation and amortization as of September 30, 2007 is as follows:

	AMOUNT	LIFE
Furniture, fixtures and office equipment	$ 21,082	5-7 years
Building and building improvements	4,247,499	40 years
Automobile	28,420	5 years
	4,297,001	
Accumulated depreciation	295,651	
	$4,001,350	

3 DUE TO AFFILIATED COMPANY

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

4 LONG-TERM DEBT

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 installments of approximately 233,000 RMB ($29,000) commencing in August 2010.

5 INCOME TAX STATUS

No provision for income taxes has been made, since the Company is not subject to income tax during the first two years of operations in China.

6 EARNINGS PER SHARE

Outstanding shares prior to March 15, 2006, the date of the merger, are undeterminable. The total shares issued are therefore used as the average shares outstanding.

7 RELATED PARTY TRANSACTIONS

The Company utilized the manufacturing facilities of an entity controlled by the sole officer and director of the Company during the year ended September 30, 2006. The Company believes that the costs to manufacture the products it sold may have been $1.5 Million to $2.0 Million if an unrelated party manufactured the goods. The Company was unable to negotiate the same discounted rate for the year ended September 30, 2007.

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 is primarily cash. 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.

9 SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

	QUARTER				
	First	Second	Third	Fourth	TOTAL
2007					
Revenue	$ -	$ -	$ -	$ -	$ -
Operating loss	(208,644)	(218,490)	(187,153)	(1,532,434)	(2,146,721)
Net loss	(208,644)	(218,490)	(187,153)	(1,532,434)	(2,146,721)
Basic and diluted earnings per common share	(0.01)	(0.01)	(0.01)	(0.08)	

	QUARTER				
	First	Second	Third	Fourth	TOTAL
2006					
Revenue	$986,894	$4,827,290	$4,094,201	$2,841,403	$12,749.788
Operating income (loss)	169,038	1,060,959	786,506	(84,945)	1,931,558
Net income (loss)	169,038	1,060,959	786,506	(84,945)	1,931,558
Basic and diluted earnings per common share	N/A	N/A	0.039	0.004	

Schedule 1 – Condensed Financial Information of Registrant

CHINA AGRO SCIENCES CORP.
BALANCE SHEET
SEPTEMBER 30, 2007

ASSETS

INVESTMENT IN SUBSIDIARIES	$3,449,349
TOTAL ASSETS	$3,449,349

LIABILITIES AND STOCKHOLDERS' EQUITY

STOCKHOLDERS' EQUITY	$3,449,349
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,449,349

CHINA AGRO SCIENCES CORP.
STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2007

LOSS FROM EARNINGS OF SUBSIDIARIES	$(2,146,721)
NET INCOME BEFORE INCOME TAXES	$(2,146,721)

CHINA AGRO SCIENCES CORP.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2007

OPERATING ACTIVITIES:	
Net loss	$(2,146,721)
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss from earnings of subsidiaries	(2,146,721)
NET CASH PROVIDED BY OPERATING ACTIVITIES	-
CASH – BEGINNING OF PERIOD	-
CASH – END OF PERIOD	$ -

F-5

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no events required to be reported by this Item 9.

ITEM 9A – 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 theExchange Act, as of September 30, 2007, 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 September 30, 2007, 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 weaknessis 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 September 30, 2007, 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 evaluatedthe impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and proceduresand 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 toremediate the material weaknesses in our disclosure controls and procedures identified abovebyworking with our independent registered public accounting firm and refiningour 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 9A(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.

ITEM 9B – OTHER INFORMATION

All information required to be filed on a Form 8-K during the three months ended September 30, 2006 was filed with the Commission on a Form 8-K.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNACE

The following table sets forth the names and ages of the current directors and executive officers of the Company, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. The executive officers of the Company are elected annually by the Board of Directors. The directors serve one-year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. Unless described below, there are no family relationships among any of the directors and officers.

Name	Age	Position(s)
Zhengquan Wang	63	Chief Executive Officer, Chief Financial Officer, Secretary, and Director (2006)

Zhengquan Wang was born on July 18, 1942. Mr. Wang is currently a professor emeritus at the Shenyang Agricultural University. From 1993 through 2002, he served as chairman of the board of Dalian Ruize Pesticides, Inc. From 2002 to the present, he has been serving as the president and chairman of Dalian Runze Chemurgy Co., Ltd. ("DRC"). His duties include overseeing day to day operations along with being the chief research architect of new products. At Dalian University, he specialized in the research of chemical and dye material production. His research has lead to the development of products and production processes that have been nationally recognized as new technical products. He has also been recognized by the Liaoning province for "Outstanding New Product" awards, the office of Liaoning province of Petrochemicals, and by other scientific and technology profession journals and publications. Mr. Wang currently acts as senior level engineering advisor to the Dalian Municipal People's Congress, the Liaoning Provincial Party Committee, and other provincial government expert advisory boards. He serves also on the board of the China Institute of Pesticides, the China Industrial Chemicals Association, and the China Pesticide Professionals Committee.

Board Meetings and Committees

During the fiscal years ended September 30, 2007 and 2006, the Board of Directors did not meet, but did take action by unanimous written consent on several occasions.

Audit Committee

We do not currently have an audit committee or an audit committee financial expert.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, none of the required parties are delinquent in their 16(a) filings.

Code of Ethics

We have not adopted a written code of ethics, primarily because we believe and understand that our officers and directors adhere to and follow ethical standards without the necessity of a written policy.

ITEM 11 - EXECUTIVE COMPENSATION

None of our employees are subject to a written employment agreement. Our sole officer and director has elected to forego a salary during the early developmental stages, and also provided office space. As of September 30, 2007 we did not have any amounts owed to our president and director as he elected to forego a salary until further notice.

On May 15, 2001, our directors and shareholders approved the M-GAB, Inc. 2001 Stock Option Plan, effective June 1, 2001. The plan offers selected employees, directors, and consultants an opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. The plan allows for the award of stock and options, up to 600,000 shares of our common stock. In November 2003, we agreed to issue options to acquire 600,000 shares under the Plan to our two independent directors; however, in accordance with the rules governing business development companies, these options could not be issued until approved by the Commission. We previously filed an Application For an Order Pursuant to Section 61(a)(3)(B) of The Investment Company Act of 1940 to Permit the Issuance of Stock Options to Non-Interested Directors. With our decision to terminate our status as a business development company we withdrew this application.

The Summary Compensation Table shows certain compensation information for services rendered in all capacities for the fiscal years ended September 30, 2007, 2006 and 2005. Other than as set forth herein, no executive officer's salary and bonus exceeded $100,000 in any of the applicable years. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options SARs (#)	LTIP Payouts ($)	All Other Compensation ($)
Zhengquan Wang	2007	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Chief Executive Officer, Chief Financial Officer, Secretary, and Director	2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-
John C. Leo Ex-Secretary, Ex-Director	2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Carl M. Berg	2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Ex-Chairman, Ex-President, Ex-Secretary, Ex-Treasurer	2005	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Kevin J. Gadawski	2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Ex-Director	2005	-0-	-0-	5,000	-0-	-0-	-0-	-0-
Mark Stewart	2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Ex-Director	2005	-0-	-0-	-0-	-0-	-0-	-0-	-0-

OPTION/SAR GRANTS IN LAST FISCAL YEAR
(Individual Grants)

Name	Number of Securities Underlying Options/SARs Granted (#)	Percent of Total Options/SARs Granted to Employees In Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date

Zhengquan Wang	-0-	N/A	N/A	N/A

AGGREGATED OPTIONS/SAR EXERCISES IN LAST FISCAL YEAR
AND FY-END OPTION/SAR VALUES

Name	Shares Acquired On Exercise (#)	Value Realized ($)	Number of Unexercised Securities Underlying Options/SARs at FY-End (#) Exercisable/Unexercisable	Value of Unexercised In-The-Money Option/SARs at FY-End ($) Exercisable/Unexercisable
Zhengquan Wang	N/A	N/A	N/A	N/A

Compensation of Directors

In November 2003, we agreed to issue to each of Mr. Gadawski and Mr. Stewart options to acquire 300,000 shares of our common stock for serving as directors of the Corporation. Each of Mr. Gadawski and Mr. Stewart agreed to terminate any rights they had to these options effective at the time of the Merger.

In addition, we agreed to pay Mr. Gadawski $1,250 per quarter for additional consulting services. This agreement terminated effective at the time of the Merger.

Compensation Discussion and Analysis

As set forth in the above tables, with the exception of $5,000 paid to Kevin Gadawski during our 2005 fiscal year, we have not paid any compensation to any of our officers or directors during the last three fiscal years.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of January 11, 2008, certain information with respect to the Company's equity securities owned of record or beneficially by (i) each Officer and Director of the Company; (ii) each person who owns beneficially more than 10% of each class of the Company's outstanding equity securities; and (iii) all Directors and Executive Officers as a group.

Common Stock

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Common Stock	Zhengquan Wang (2)(3)	16,000,000 (4)	80.0% (4)
Common Stock	All Directors and Officers As a Group (2 persons)	16,000,000 (4)	80.0% (4)

(1) Unless otherwise indicated, based on 20,000,000 shares of common stock issued and outstanding following the Merger. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60

days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for the purposes of computing the percentage of any other person.

(2) Indicates one of our officers or directors.

(3) Unless indicated otherwise, the address of the shareholder is 101 Xinanyao Street, Jinzhou District, Dalian, Liaoning Province, PRC 116100.

(4) Includes 3,000,000 shares held by Xiufen Bi, 3,000,000 shares held by Qiming Wang, 2,000,000 shares held by Yinghua Wang, and 2,000,000 shares held by Feng Yang, Mr. Wang's spouse, son, daughter, and son-in-law, respectively.

The issuer is not aware of any person who owns of record, or is known to own beneficially, five percent or more of the outstanding securities of any class of the issuer, other than as set forth above. There are no classes of stock other than common stock issued or outstanding. Other than as set forth herein, there are no options, warrants, or other rights to acquire common stock outstanding.

There are no current arrangements which will result in a change in control.

ITEM 13 - CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

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.

We had an agreement with Dalian Raiser Chemurgy Co., Ltd. ("DRC"), a related-party that our sole officer and Director is the President and Chairman of the Board. We manufactured all of our products at DRC's manufacturing facility during fiscal year ended September 30, 2006, but none for our most recent fiscal year end. Under our past agreement with DRC, we paid DRC $100 per one ton of product we produced at their facility. This total cost was approximately $175,000 for the twelve months ended September 30, 2006. We believe these costs would have been significantly higher if we were forced to use an unrelated third party manufacturing facility to manufacture our products, likely $1.5 million to $2 million higher based on the amount of product we manufactured in the twelve months ended September 30, 2006. We are no longer manufacturing any products under this agreement.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

During the fiscal years ended September 30, 2007 and 2006, our current independent auditor, Paritz & Company, P.A. billed us $25,000 and $25,000, respectively, in fees for professional services for the audit of our annual financial statements and review of financial statements included in our Forms 10-K and 10-Q. Prior to our change in fiscal year to September 30, for the fiscal year ended December 31, 2005, our former auditors, Ramirez International, billed us $19,000 in fees for professional services for the audit of our annual financial statements and review of financial statements included in our Forms 10-K and 10-Q.

Audit – Related Fees

During the fiscal years ended September 30, 2007 and 2006, our current independent auditor, Paritz & Company, P.A. billed us $25,000 and $25,000, respectively, in fees for assurance and related services related to the performance of the audit and review of the Company's financial statements. Prior to our change in fiscal year to September 30, for the fiscal year ended December 31, 2005, our former auditors, Ramirez International, billed us $19,000 in fees for assurance and related services related to the performance of the audit and review of the Company's financial statements.

Tax Fees

During the fiscal years ended September 30, 2007 and 2006, our current independent auditor, Paritz & Company, P.A. billed us $0 and $0, respectively, in fees for professional services for tax planning and preparation. Prior to our change in fiscal year to September 30, for the fiscal year ended December 31, 2005, our former auditors, Ramirez International, billed us $1,020 in fees for professional services for tax planning and preparation.

All Other Fees

During the fiscal years ended September 30, 2007 and 2006, our current independent auditor, Paritz & Company, P.A. billed us $0 and $0, respectively, for other fees. Prior to our change in fiscal year to September 30, for the fiscal year ended December 31, 2005, our former auditors, Ramirez International, did not bill us for any other fees.

Of the fees described above for the fiscal years ended September 30, 2007 and 2006, 100% were approved by our Board of Directors. Of the fees described above for the fiscal year ended December 31, 2005, 100% were approved by the by the then Audit Committee of the Board of Directors of the Company.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following financial statements are filed as part of this report:

Report of Independent Certified Public Accountants

(a)(2) Financial Statement Schedules

We do not have any financial statement schedules required to be supplied under this Item.

(a)(3) Exhibits

Refer to (b) below.

(b) 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 Section 13 or 15(d) 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:	January 15, 2008	/s/ Zhengquan Wang
		By: Zhengquan Wang
		Its: President, Director,
		Chief Executive Officer,
		Chief Financial Officer