**QUARTERLY REPORT FOR**
**PERIOD ENDED**
**JUNE 30, 2010**

# SINO AGRO FOOD, INC.

**GZ Office: Unit 11, 37/F**
**China Shine Plaza, No. 9 Lin He Xi Road**
**Tianhe District**
**Guangzhou 510610**
**China**

**Federal ID No.:** NV19741004142 **CUSIP No.:** 829355106

## ISSUER'S EQUITY SECURITIES

**100,000,000 Shares of Common Stock authorized, par value $0. 001 per share**
**53,241,016 Common Shares issued and outstanding**
**10,000,000 Shares of Preferred Stock authorized, par value $0.001 per share**
**No Shares outstanding**

**SINO AGRO FOOD, INC.**
**QUARTERLY REPORT**
**JUNE 30, 2010**

All information in this Quarterly Report has been compiled to fulfill the disclosure requirements of Rule 15c2-11 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The enumerated items and captions contained herein correspond to the format as set forth in that rule.

**Forward-looking Statements**

This Quarterly Report contains various “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements represent the Company’s expectations or beliefs concerning future events. The words “*believe,” ” expect,” “anticipate,” “intend,” “estimate,” “project”* and similar expressions are intended to identify forward-looking statements. The Company cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations, the factors described in this Quarterly Report.

Investors are cautioned not to place undue reliance on such forward-looking statements because they speak only of the Company’s views as of the statement dates. Although the Company has attempted to list the important factors that presently affect the Company’s business and operating results, the Company further cautions investors that other factors may in the future prove to be important in affecting the Company’s results of operations. the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

**Item I. The exact name of the issuer and its predecessors (if any):**

The exact name of the issuer is: **Sino Agro Food, Inc.**

The issuer’s exact name of its predecessor in the past five (5) years:

| Formerly | Date changed |
|---|---|
| Sino Agro Food, Inc. | October 2007 (Current name) |
| A Power Argo Agriculture Development, Inc. | August 2007 |
| Volcanic Gold, Inc. | August 2007 |

**Item II. Shares outstanding:**

As of August 1, 2010, there were 53,241,016 shares of the Company’s Common Stock issued and outstanding.

**Item III. Interim financial statements:**

The Company’s financial statements for the period ended June 30, 2010 are attached hereto.

**Item IV. Management’s discussion and analysis or plan of operation:**

**Forward Looking Statements**

Statements made in this Quarterly Report, including without limitation this Management's Discussion and Analysis of Financial Condition and Results of Operations, other than statements of historical information, are forward -looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Private Securities Litigation Reform Act of 1995 is not available to us as a non-reporting issuer. Further, Section 27A(b)(2)(D) of the Securities Act and Section 21E(b)(2)(D) of the Securities Exchange Act expressly state that the safe harbor for forward looking statements does not apply to statements made in connection with an aim for initial public offering at later days to be announced. These forward-looking statements may sometimes be identified by such words as "may", "will", "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative or other variations, or by discussions of strategy that involve risks and uncertainties. We believe it is important to communicate our future expectations to investors. However, these forward-looking statements involve many risks and uncertainties. Our actual results could differ materially from those indicated in such forward-looking statements as a result of certain factors. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results. Factors that may cause actual results, our performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include without limitation:

- International, national, and local general economic conditions;
- Our ability to sustain, manage, or forecast growth;
- Our ability to successfully make and integrate acquisitions;
- New product development and introduction;
- Existing government regulations and changes in, or the failure to comply with, government regulating statements;
- Our ability to attract and retain management, and to integrate and maintain technical information and management information systems;
- Our ability to raise capital when needed and on acceptable terms and conditions;
- The intensity of competition; and
- General economic conditions.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and other financial information included in this report.

**Information from Management**

We expect our audit reports for the fiscal years ended December 2008 and 2009 to be finalized and issued by our Auditor in the near future. A review of our financials for the twelve months ending June 30, 2010 is currently being carried out with our auditor; however the Audited reports and review will not be complete prior to the issuance of this Quarterly Report.

**Overview**

We are an agriculture company aiming at the production of organic produce and high quality dairy products.

Currently we are generating revenues from three divisional businesses as follows:

"**The Fishery**" means the combination of Capital Award Inc. and SIAF's China operation. Capital Award is currently engaged in modern fishery project management and consultancy services. We provide consulting and management services to fish farms that are adopting the A Power Technology ("APT").

"**The Dairy**" means the combination of Hang Yu Tai Investment Limited and ZhongXingNongMu Co. Ltd. This is a dairy farm operation, including sales of fresh liquid milk, dairy products, fertilizer, livestock feed and cattle since 2006.

"**The Plantation**" means the combination of Macau Eiji Company Limited and HangSingTai Agriculture Development Co. Ltd. The plantation operations include the growing and processing of HU Plants including sales of fresh and dried HU flowers and value added processed HU Flowers.

"**The Beef**" means the combination of HangSingTai Agriculture Development Co. Ltd. and SanJiang A Power United Agriculture Co. Ltd. The beef operations are manufacturing and beef cattle farming, which includes the sales of bio-organic fertilizer, livestock feed and beef cattle. We anticipate revenue and sales to be generated starting from this fiscal year ending June 30, 2011.

- From Our Dairy operation, we produce and sell Fresh Liquid milk, livestock feed, fertilizer and beef cattle in ratio of 85%, 10%, 4% and 1% of our total dairy's revenue $18,084,045 respectively as at end of our fiscal year 2009. Whereas 99% of fresh liquid milk produced in 2009 were sold to the bigger value added dairy products manufacturers of the Country, but we contracted with a value added manufacturer situated within the Fenling District to manufacture a few lines of dairy products in the last quarter of 2009 under our own label of "Green and Natural" that are being sold in two super market chain stores in the Beijing City and their sales are achieving steady flow of demands.
  Our marketing plan with the dairy set for 2010 is to maintain the sales up to 90% of our Fresh Liquid Milk production to the value added manufacturers and to keep the balance of 10% for the manufacturing of our "Green and Natural" labeled dairy products to be sold domestically as well as to the oversea markets (i.e. Singapore, Malaysia and middle east countries), with the aim to increase the production and sales of dairy products to utilize up to 25% of our total fresh liquid milk production by year ended 31st December 2013. As the sales of Dairy Products have better profit when compares to the sales of fresh liquid milk, (i.e. almost twice the earnings as in sales of fresh liquid milk), such that, our management is confident that the gradual increase of dairy product sales will increase our overall net earnings eventually. The reason of why we do not intend to increase our dairy product production and sales much quicker is that we are only a small producer with limited marketing resources when compare to some of the bigger dairy product manufacturers of the Country whom we sold our fresh liquid milk to, as such, we don't want to be seen as their direct competitor in the area of dairy product sales but merely as a diversified marketing plan of the company to generate slightly better profit margin.

  Livestock feed manufacturing is an important link in our business operation, the more land that we can develop to plant more raw materials will reduce our manufacturing cost on our Livestock feed and in term lower our fresh liquid milk's production cost, and, will also govern our rate of growth. It is because our company's policy is to produce high quality standard organic milk such that we only use raw materials produced from our contracted growers using mostly our developed land and our organic fertilizer to fertilize their crops to ensure of their organic originality. Therefore the availability of the supply of livestock feed in term will determine how many cows that we should have in our dairy which is rather different to the general situation within the dairy industry that are having cows before sourcing for livestock feed. (i.e. In general, a mature cow takes up to 6 tons of livestock feed per year, so, if we are to maintain the milking of 4,500 cows for 2010, we shall have a minimum of 27,000 tons of livestock feed, and in this respect, our livestock feed holding capacity currently has been established to store up to 40,000 Tons per year.)

The Table below shows the summarized performance and records of 2009 and their corresponding projections for 2010:

| Description | Year 2009 (Actual records) | Year 2010 (Projections) |
|---|---|---|
| Land that are producing crops for making of livestock feed (Productive land) | 1,000 acres | 1,250 acres |
| Number of milking cows being milked (productive cows) | 3,500 heads | 5,123 heads |
| Number of standing by milking cows to replace the non-productive cows | 1,250 heads | 1,600 heads |
| Average of productivity / productive cow | 6.8 MT /head/ year | 7.2 MT / head/ year |
| Average of fresh milk sales prices | US$643 / MT | US$643 / MT |
| Average of dairy products' sale prices | US$1,843 / MT | US$1,563 / MT |
| Average of sales prices of Livestock feed<br>For internal usage (at cost)<br>For external sales | <br>US$37 / MT<br>US$56 / MT | <br>US$37 / MT<br>US$56 / MT |
| Average of revenue generated per productive cows | US$4,393 / Cow / year | US$4,630 / cow / year |
| Average of revenue generated per productive acre | US$1,809 / acre / year | US$2,286 / acre / year |
| Average raw materials cropped for making of livestock feed;<br>Internally used by own cows<br>Externally sales to regional farmers<br>Total crops | <br><br>24,750 MT<br>15,840 MT<br>40,590 MT | <br><br>35,538 MT<br>27,545 MT<br>63,083 MT |
| Total production of fresh milk | 23,905 MT | 36,885 MT |
| Sales components in % and amounts of sales for<br>Fresh Milk<br>Dairy Products<br>Livestock Feed<br>Others (combination of fertilizer and cattle)<br>Total Revenue of sales | <br>US$15,374,776 (85%)<br>US$723,519 (4%)<br>US$1,808,797 (10%)<br>US$180,880 (1%)<br>US$18,087,972. | <br>US$23,716,836 (83%)<br>US$1,428,725 (5%)<br>US$2,857,450 (10%)<br>US$571,490 (2%)<br>US$28,574,501. |
| Gross Profit Margins based on sales of<br>Fresh Milk<br>Dairy Products<br>Livestock Feed<br>Others (combination of fertilizer and cattle) | <br>51%<br>57%<br>17%<br>15% | <br>51%<br>51%<br>18%<br>15% |

- From our Plantation operation; out of the plantation's land holding, 285 mu (approximately 47 acres) and 252.3 mu (approximately 41.5 acres) were planted with HU Plants in late 2007 and early 2008 respectively. Therefore the planted HU plants reached three years and two years old respectively. There were only 100 mu (equivalent to

16.5 acres) of HU Plants planted in 2009 as we devoted much of our time and effort on the development of the drying and processing facilities last year.

As explained earlier that, a HU Plant normally takes three years to reach maturity which means that:

- Year 1 plants yield only about 10% of green flowers, as compared to the matured plants.
- Year 2 plants yield about 50% of green flowers, as compared to the matured plants.
- Year 3 fully matured plants yield an average of 100,000 to 120,000 green flowers per year per mu (or 600,000 to 720,000 pieces per acre per year) over the next 25 years, the average production life span of a HU plant.

In 2009, we have a total of 179 acres of HU plants Planted and by July 30, 2010 the total planted acres was increased to 187 acres. The table below shows their performances / records and corresponding projection for 2009 and 2010 respectively:

| Description | Year 2009 (Actual records) | Year 2010 (Projection) |
|---|---|---|
| New Planting | 88 acres | 10 acres |
| Year 1 plants | 42 acres | 88 acres |
| Year 2 plants | 47 acres | 42 acres |
| Year 3 and above plants | 0 acre | 47 acres |
| **Total land planted with HU Flowers** | **179 acres** | **187 acres** |
| Total Harvests of fresh flowers | 16,740,000 pieces | 52,272,000 pieces |
| Average of weight per piece of flower | 250 gram | 270 gram |
| Conversion rate of fresh flowers to Dried flowers | 8.16 Kg. (of flowers) to 1 Kg. of (dried flowers). | 8 Kg. (of fresh flowers) to 1 Kg. of (Dried Flowers) |
| Averaged sales price of fresh flowers | US$0.103 / piece | US$0.103 / piece |
| Averaged sales price of dried flowers | US$5,605 / MT | US$6,785 / MT |
| Average sales price of value added flowers | No sales | US$0.35 / piece |
| Revenue and % of sales from sales of :<br>Fresh Flowers<br>Dried Flowers<br>Value added flowers | <br>US$172,832. (10%)<br>US$2,586,796 (90%)<br>0% | <br>US$308,389 (5%)<br>US$10,772,427 (90%)<br>US$914,760 (5%) |
| Gross Profit % of sales of | 72% | 66% |

We anticipate Year 2010 to be a good year, and our plantation expects a total harvest of no less than 50 million pieces of green flowers, out of which, we intend to process up to 5% of our total harvest into value added HU Flowers Products (i.e. pickled, salted and / or oil brined and vinegar added products etc.).

It is because the shelve-life of the fresh green flowers is short such that they must be sold and used within three days from day of harvest, such that, the fresh green flowers are dried quickly and stored to be sold right through the winter until July of next year (when the new season begins) with limited sales for the fresh flowers.

Their corresponding conversion rate from fresh to dried flowers is normally at an average of 8 Kg of fresh flowers to 1 Kg. of dried flowers with the moisture content of the dried product at an average of 15 to 20%. The fresh green flowers, on an average, are weighing out between 250 to 300 grams per flower subjecting to seasonal variations and maturity of the plants. We did not have enough drying facilities in 2009 to dry all of our harvested flowers such that majority of the drying in 2008 and 2009 were contracted to regional processors with a small portion that was done by our newly installed drying facilities. However this 2010 season we are confident that we shall be able to dry up to 90% of the projected 50 million pieces of fresh green flowers harvested in 2010.

The demands on the dried flowers are extremely high such that we have regular wholesalers waiting to collect our dried flowers soon after we have them dried without us having to deliver them. Therefore, up to now we do not need to build big holding facilities to store our dried flowers however we intend to do so later on in 2010 to ensure that we shall capture part of the higher wholesale prices available during the winter months.

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From the Fishery operation; in 2010, we shall have built our first fish farm on or before the end of September 2010, and through its service contract of US$3.5 million to develop a APM fish farm of 500 Tons of annual production capacity, we are projecting to gross anywhere up to US$2 million in gross profit resulting from the sales of plants and equipment, consulting services, designs and engineering services, training of personnel, and related supervising and installation services etc. In this respect, we shall perform a lot better than in 2009, and also expecting that once when other regional fish farmers have a chance to visit the said fish farm, it is very likely that, further contracts will be generated before the end of year 2010.

We are also anticipating that, fish sales of the said farm will commence within July 2010 whereby in the interim, we intend to take up equity interest in the Sino Joint Venture Company that will be the owner and operator of the said farm such that we shall gain further income from the sales of fish of the said farm.

Our planned business strategy is the combination mentioned below;

* Firstly, incomes will be generated from the referred services contracted to APM fish farm developers.
* Secondly, incomes will be generated through sales of fish and fish products of the APM Fish Farms.
* Thirdly, incomes will be generated via a marketing net work that will be developed by us to market all of the APM fish farms' fish and fish products under our designed labels and brands.

Subsequent events:

On January 15th, 2010, we executed a service and consulting contract with a group of Chinese businessmen to build a Fish Farm in the City of Enping, Guangdong Province, the PRC using the APT RAS. There is an option in the aforesaid Agreement for the Company to take up to 20% equity interest in a newly formed sino-foreign joint venture company for the purposes of development, operation and ownership of the fish farm, with a further option for the Company to take up more equity interest in the new entity at a later time.

The farm in Enping is being designed to have a production capacity of 500 metric tons of fish per year. We shall provide services amounting to about U.S.$3.5 million, includes the APT sub-license fees of U.S.$400,000, supply part of the plant and equipment up to U.S.$2,500,000, supervision and consultancy in the building of the farm structure, the grow out tanks and related installation, training of workers and other associated professional services amounting to US$600,000. The Chinese businessmen are funding this capital development amount.

The species of fish intended to be grown in the Farm will be the "Sleepy Cod", which is a Chinese species in demand in the local market. It commands average wholesale price of US$27.00 (live fish) per kilogram (recorded on June 21, 2010).

The latest development schedule are as follows::

- Construction of the farm building was commenced since July 15, 2010;
- Construction of the grow out tanks was commenced from August 1, 2010;
- Targeted completion of construction of farm building and tanks on or before September 30, 2010; and
- First Income from sales of fish is aiming at on or before July 1, 2011.

The table below shows our assumption, derivation and related projection for revenues generated in 2010 and 2011 of our fishery operation:

| **Description** | **Year 2010 (Partly recorded)** | **Year 2011 (Projection)** |
|---|---|---|
| **Revenue to generated from** | | |
| 1. Service and supply contracts to build A Power Modular Fish Farms (APFF) | 1 APFF | 4 APFF |
| Unit contracted price of an APFF | US$3,500,000. | US$3,500,000 |
| Projected revenue generated from Service and Supply contracts | US$3,500,000 | US$14,000,000 |
| 2. | | |

| | | |
|---|---|---|
| ales of Fish of the APFFs | | |
| Productivity / APFF | 250 MT / year / APFF | 250 MT / APFF / year |
| Total Productivities | 0 MT (construction) | 250 MT (from 2010's APFF) |
| Average of sales price of fish | US$25,000 / MT | US$25,000 / MT |
| Projected Revenue generated from sales of fish | 0 | US$6,250,000. |
| **Gross Margin in % of sales based on** | | |
| Service and supply contracts | 65% of sales | 65% of sales |
| Sales of fish | 60% of sales | 60% of sales |

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From the Beef operation; Although up to June 30, 2010 Sanjiang A Power, (our beef operation company), was still in developing stage, but subsequently as at July 31, 2010 it has sold 2,500 tons of organic fertilizer and 2,000 tons of Livestock feed which was on target within Sanjiang A Power's business plan. The Huangyuan district where Sanjiang A Power's operation is situated, has experienced the worst rainy season of the past 1,000 years whereby 2,000 Mu out of our total 7,000 Mu raw material crops planted for this season has been rain affected, such that we are expecting that there will be a reduction of livestock feed being manufactured from our targeted 30,000 tons to 20,000 tons in 2010.
However, the interesting part of our agriculture business is that, no sooner than we started to worry about our targeted performance of 2010 due to the said rainy affect, the sky opened with another opportunity that our organic fertilizer found an alternative market in the Hunan Province that will potentially increase our fertilizer's gross profit by 2 times (from RMB500/ton to RMB1,000/ ton). In this respect, there is market niche for a specific combined fertilizer, (our organic fertilizer added with higher content of potash), in Hunan Province. Within close proximity of Huangyuan District, there is a potash mine producing potash at the lowest cost in the Country, where we shall source potash from to produce the said combined fertilizer at a very comparable price to give us the referred extra profit.

As at July 31, 2010 we completed the construction of our first 6 beef cattle houses that will house up to 120 heads of cattle for fattening purposes to serve as our demonstration units. These houses were built in accordance with the latest modern designs provided by the Agriculture Department's research and development department specially to suit cattle growing conditions at regional districts of the Qinghai Province and they are environmental friendly.
We intend to build a total of 29 cattle houses in our property within 2010 aiming at a total out-put of 5,000 heads of cattle per year at our property based on the growth period of 6 months per head (meaning that the maximum housing facility will be at 2,500 heads at a six months interval). As such by 2012, we will need to have enough external breeders to help rear the extra 5,000 heads of beef cattle projected for 2010's Operation.

Our strategy plan for the fattening of beef cattle operation is that, within year 2011, fattening operation within its own property will be leased out to the regional farmers on following terms and conditions:

- Our cattle houses (23 of them) will be leased out to the regional farmers who will have the option to lease up to 4 houses at a time, such that they will supply their own young cattle for fattening and they will manage their respective operations.

- We will provide all associated in-house facilities and services (i.e. veterinary service, utilities, laboratory analysis, ration and nutrient formulated mixing machines, etc.) and supply the livestock feed ("the Farmers' cost") and marketing of their grown up beef cattle.

- The breeders will grant us the first option to buy all grown up cattle stocks from them and in the event that they decide to sell to other buyers, such sales will be conducted through our account so that the Farmers' cost will be deducted from the proceeds of sales.

By Year 2012 Operation, similar concept will be adopted with the external breeders. However, the selected external breeders must build their cattle houses in accordance with our designs and guidelines and manage the grow-out operation under our designed management system to be qualified. We plan to grant financial assistance to the qualified breeders, if necessary.

Therefore our Beef operation's revenues will be generated from the following activities:

- Manufacturing and sales of organic and combined fertilizer.
- Manufacturing and sales of Livestock feed.
- Farm services provided to the breeders.
- Marketing and sales of beef cattle.

Table below shows our assumption, derivation and projections for 2010 and 2011 of the Beef Operation:

| Description | Year 2010 (partly recorded) | Year 2011 (Projection) |
|---|---|---|
| **Production of** | | |
| Bio-organic Fertilizer | 10,000 MT | 20,000 MT |
| Livestock Feed | 30,000 MT | 60,000 MT |
| Beef Cattle | 250 heads | 5,000 heads |
| Enzyme | 0 | 3,687 Kg. |
| **Sale components in % of total sales** | | |
| Bio-organic Fertilizer | 31% | 14% |
| Livestock Feed | 59% | 28% |
| Beef Cattle | 10% | 47% |
| Enzyme | 0% | 11% |
| **Average of sales prices** | | |
| Bio-organic Fertilizer | US$125 / MT | US$125 / MT |
| Livestock Feed | US$80 / MT | US$80 / MT |
| Beef Cattle | US$1,622 / head | US$1,622 / MT |
| Enzyme | 0 | US$3,678 / MT |
| **Sales Revenue components in US$** | | |
| Bio-organic Fertilizer | US$1,253,687. | US$2,500,000. |
| Livestock Feed | US$2,389,381. | US$4,800,000 |
| Beef Cattle | US$405,605. | US$8,110,000 |
| Enzyme | 0 | US$1,843,638 |
| Total Revenue | US$4,048,673 | US$17,253,658 |
| **Gross Margins based % on sales of** | | |
| Bio-organic Fertilizer | 59% | 59% |
| Livestock Feed | 31% | 31% |
| Beef Cattle | 8% | 8% |
| Enzyme | 0% | 65% |
| **Other Incomes** (based on Government grants and subsidies; | US$884,956 | US$1,769,912 |
| **Provisional Capital Expenditures on Operational assets;** | | |
| Purchase of additional land (based on 6 acres) | US$0 | US$720,000 |
| Renovation and refurnished of cattle houses | US$309,735 | US$1,187,316. |
| Construction and renovation of fertilizer factory | US$1,050,000 | US$0 |
| Construction and renovation of livestock feed manufacturing factory | US$590,000 | US$472,000. |
| Construction of Enzyme manufacturing factory | US$0 | US$750,000. |

| | | |
|---|---|---|
| Associated plants and equipment<br>New corporate office<br>Capital development funds employed in 2009<br>**Total Capital expenditures** | US$630,985.<br>US$201,493.<br>US$2,156,962.<br>**US$4,938,815** | US$721,239.<br>US$464,602.<br>US$0<br>**US$4,315,157** |
| **Expected financings on the capital expenditures;**<br>1. Registered Capital (in 2009)<br>2. Additional Capital funded in 2010<br>3. Additional Capital to be funded in 2010<br>4. Proceeds from long term loan debts (based on Agriculture Bank loan at 1% interest, 30 years tenure and secured against our Huanyuan Property of our project)<br>5. Net Earnings<br>6. Depreciation and amortization<br>**Total funding in In-flow** | <br>US$1,400,000.<br>US$756,962.<br>US$1,843,038.<br>US$0<br>US$2,378,181.<br>US$19,067.<br>**US$4,554,210** | <br>0<br>0<br>0<br>US$6,500,000<br>US$6,202,511.<br>US$312,579.<br>**US$13,015,090.** |

## Results of Operations

## Consolidated Results of Operations

### (A) Fiscal 2009 Compared to Fiscal 2008

Revenues

Revenues increased by $5,536,371or 34.19% to $21,725,839 for the year ended December 31, 2009 from $16,189,467 for the year ended December 31, 2008. The increase was primarily due to higher fresh liquid milk prices and higher productivity of cows as they became more mature in the dairy's operation. And in the Plantation operation, there were higher yield from the HU Plants when majority of them are reaching two years old (as explained in our overview above)
The following chart illustrates the changes by category from the year-ended December 31, 2009 to December 31, 2008.

| Category | 2009 | 2008 | Difference |
|---|---|---|---|
| **Fishery** | $ 726,702 | $ 562,497 | $ 164,205 |
| **Dairy** | 18,084,045 | 14,388,014 | 3,696,031 |
| **Plantation** | 2,915,091 | 1,238,956 | 1,676,135 |
| **Beef** | 0 | 0 | 0 |
| **Totals** | $ 21,725,839 | $ 16,189,467 | $ 5,536,371 |

Cost of Goods Sold

Cost of goods sold increased by $1,437,783 or 18.09% to $9,385,442 for the year ended December 31, 2009 from $7,947,659 for the year ended December 31, 2008. The increase primarily due to increase of sale's revenue and reduction on direct production cost as our operations are gradually moving into the efficient economical scale of operation.
The following chart illustrates the changes by category from the year-ended December 31, 2009 to December 31, 2008.

| Category | 2009 | 2008 | Difference |
|---|---|---|---|
| **Fishery** | $ 0 | $ 0 | $ 0 |
| **Dairy** | 8,578,651 | 7,553,002 | 1,025,649 |
| **Plantation** | 806,790 | 394,656 | 412,134 |
| **Beef** | 0 | 0 | 0 |
| **Totals** | $ 9,385,442 | $ 7,947,659 | $ 1,437,783 |

The gross profit by category is as follows:

| | **Years-ended December 31,** | |
|---|---|---|
| **Category** | 2009 | 2008 |
| **Fishery** | 726,702 (100%) | 562,497 (100%) |
| **Dairy** | 9,505,394 (52.56%) | 6,835,012 (47.5%) |
| **Plantation** | 2,108,301 (72.32%) | 844,300 (68.15%) |
| **Beef** | 0 | 0 |

Depreciation and Amortization

Depreciation and amortization increased by $254,093 or 42.76% to $848,251 for the year ended December 31, 2009 from $594,158 for the year ended December 31, 2008. The increase was primarily due to full year amortized sum of $364,319 being charged on the "Live stock feed manufacturing" technology instead of 3 months of amortized sum of $91,080 being charged on the said technology in year ended December 31, 2008.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (excluding depreciation and amortization) decreased by $158,083 or 6% to $2,473,482 for the year ended December 31, 2009 from $2,631,565 for the year ended December 31, 2008. The decrease was primarily due to better control on the overall expenses of the corporate sector to $648,362 during year ended December 31, 2009 from $808,472 in year ended December 31, 2008.

| Category | 2009 | 2008 | Difference |
|---|---|---|---|
| **Office and corporate expenses** | $ 648,362 | $ 880,472 | $ -232,110 |
| **Wages and Salaries** | $ 1,018,757 | $ 1,008,487 | $ 10,270 |
| **Office Rentals** | $ 87,936 | $ 63,320 | $ 24,616 |
| **Traveling and related lodging** | $ 74,827 | $ 84,769 | $ -9,942 |
| **Motor vehicles and local transportation** | $ 20,646 | $ 20,160 | $ 486 |
| **Entertainments and meals** | $ 151,090 | $ 147,298 | $ 3,792 |
| **Financial charges and expenses** | $ 471,864 | $ 426,609 | $ 45,255 |
| **Sub-total** | 2,473,482 | 2,631,565 | -158,083 |
| **Depreciation and amortization** | $ 848,251 | $ 594,158 | $ 254,093 |
| **Total** | $ 3,321,733 | $ 3,225,723 | $ 96,010 |

Other Income

Other income decreased by $3,666,508 or 100% to $16 for the year ended December 31, 2009 from $3,666,524 for the year ended December 31, 2008. The decrease was primarily due to an extra-ordinary gain from sales of investment assets of $3,604,441 for year ended December 31, 2008, whereas there was no extra-ordinary gain for the year ended December 31, 2009.

Impairment Loss (Good will)

Good Will Impairment Loss decreased by $293,403 or 100% to $0 for the year ended December 31, 2009 from $293,403 for the year ended December 31, 2008. The decrease was primarily due to the increase of earnings to $1,460,910 of the Plantation in year ended December 2009 from earnings of $288,827 in year ended December 31, 2008, that effectively ceased further good will impairment losses on the Plantation in year ended December 31, 2009.

Income Taxes

There was no income tax payable in year ended December 31, 2008 and 2009.

Cash provided by operating activities totaled $3,193,732 for the year ended December 31, 2009. This compares with cash provided by in operating activities of $7,052,074 for the year ended December 31, 2008. The decrease in cash flows from operations primarily resulted from following activities:
There was debt derived from the disposal of unconsolidated equity investee of $(3,604,441) in 2008 whereas there was no such event in 2009, and, changes in operating liabilities to $(5,292,953) in 2009 from operating assets of $1,941,291 in 2008.

Cash used in investing activities totaled $2,272,530 for the year ended December 31, 2009. This compares with cash used in investing activities of $6,342,792 for the year ended December 31, 2008. The decrease in cash flows from investing activities primarily resulted from there was proceeds of US$4,405,000 from disposal of unconsolidated equity investee in 2008 whereas there was no such event in 2009.

Cash used in financing activities totaled $449 for the year ended December 31, 2009. This compares with cash provided by in financing activities of $447,498 for the year ended December 31, 2008. The decrease in cash flows from financing activities primarily resulted from there was no repayments of short term debt in 2009 compares to the repayments of short term debt of US$2,275,812) in 2008.

**Off Balance Sheet Arrangements**

At December 31, 2009, we had no off balance sheet arrangements or guarantees of third party obligations.

**OTHER SIGNICICANT TRANSACTIONS THAT AFFECT CASH/LIQUIDITY:**

## Seasonal Factors Affecting our Operations

In China, winter season is from mid-November to mid-March. The Chinese lunar year holiday falls during this period in February each year. During the Chinese lunar holiday, Chinese workers take a 30-day holiday (although the Government's official holiday period is for 10 days). The months of March and April are the times for ground preparation and seedling for the new season.

These seasonal factors have certain influences on our overall operations explained as follows:

- **The Dairy** - We are able to produce a stable quantity of fresh liquid milk year round as our cows are on a rotational system where we maintain a number of "stand-by" cows to ensure consistent fresh liquid milk production. The raw materials for our livestock feed manufacturing sector are harvested and stored during September each year and sales occur primarily from October through December, which creates a large increase in sales revenue during the last quarter of the year. (i.e. livestock feed revenue was US$7,204,995 for the three months ended December 31, 2009 compared to livestock feed revenue of US$3,685,058 for the three months ended September 30, 2009).

- **The Plantation -** The HU flowers' harvesting season is from July to the end of October. During this time, the bulk of our freshly harvested flowers are dried and stored. Although the dried flowers are sold year round, the bulk of sales are from November to June each year. In general, we sell the dried flowers at their highest prices from April through June. During 2009, we did not have enough dried flowers to store and sell throughout the entire year and our harvest was sold by the end of December. However, we expect our 2010 harvest to be more than three times the volume of our 2009 harvest (i.e. we expect 50 million pieces of fresh flowers in 2010 compared to approximately 16.5 million in 2009) and our target is to store enough dried flowers during 2010 to smooth our annual sales through the year, rather than experiencing the bulk of our sales during the fourth quarter, as in 2009.

- **The Fishery –** As discussed previously, during 2010 we expect to complete the construction of our first APM Fish Farm in China. We were unable to complete the construction sooner due to the following reasons:

  (1) Building costs and imported costs of plants and equipment were at their highest in China during 2008 and the early months of 2009.

  (2) It was not until after the first six months of 2009 that we finalized our investigations and tests to enable the manufacture of parts and components for our fishery plants and equipment. By waiting, we were able to experience substantial cost savings while obtaining durable quality standard components as compared to the imports.

  (3) It was not until recently that we were able to develop a management system that will provide enough security in our farm operation to protect our technology from being pirated.

**(B) Half yearly comparison for fiscal year ended December 31$^{st}$, 2009 and June 30$^{th}$ 2010 presented with Quarterly results, information and analysis.**

The following charts illustrate the changes by category of the quarters for fiscal year ended December 31, 2009 to fiscal year ended June 30, 2010.

**Revenues**

| | Category | Q1 | Q2 | Sub-total 1st half | Q3 | Q4 | Total yearly |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| | Fishery | 413,650 | 313,052 | **726,702** | - | - | **726,702** |
| | Dairy | 3,662,403 | 3,535,515 | **7,197,918** | 3,685,058 | 7,204,996 | **18,087,972** |
| | Plantation | - | 151,537 | **151,537** | 931,933 | 1,827,695 | **2,911,165** |
| | Beef | - | - | **-** | - | - | **-** |
| | Total fiscal year 2009 | 4,076,053 | 4,000,104 | **8,076,158** | 4,616,991 | 9,032,691 | **21,725,839** |
| | | | | | | | |
| **2010** | | | | | | | |
| | Fishery | 250,000 | 395,531 | **645,531** | | | |
| | Dairy | 3,837,683 | 8,687,057 | **12,524,740** | | | |
| | Plantation | - | - | **-** | | | |
| | Beef | - | - | **-** | | | |
| | Total fiscal year 2010 | 4,087,683 | 9,082,588 | **13,170,271** | | | |
| | | | | | | | |
| **Difference (2010 / 2009)** | | | | | | | |
| | Fishery | -163,650 | 82,479 | **-81,171** | | | |
| | Dairy | 175,280 | 5,151,542 | **5,326,822** | | | |
| | Plantation | - | -151,537 | **-151,537** | | | |
| | Beef | - | - | **-** | | | |
| | Total differences | 11,630 | 5,082,484 | **5,094,114** | | | |

**Revenues** increased by $5,094,114 or 68% to $13,170,210 for the 1st half year ended June 30, 2010 from $8,016,158 for the 1st yearly ended June 30, 2009. The increase was primarily due to an adjustment made to 2009's revenue being carried to this quarter, and there was an increase of sales revenue in the dairy due to the increase number of active milking cows from its 3,500 heads in 2009 to almost 5,500 heads of this quarter, with the average of productivity / cow increased from 23.3 kg / day to 25 kg / day that generated over $7,233,750 in revenue for the quarter coupled with the quarter's heavy launching of the sales amounting to US$939,000 from 600 MT sales of dairy products .

## Cost of Goods Sold

| Category | | Q1 | Q2 | **Sub-total 1st half** | Q3 | Q4 | **Total of year** |
|---|---|---|---|---|---|---|---|
| 2009 | | | | | | | |
| | Fishery | - | - | **-** | - | - | **-** |
| | Dairy | 1,744,944 | 1,876,256 | **3,621,200** | 1,924,997 | 3,033,540 | **8,579,737** |
| | Plantation | - | 70,717 | **70,717** | 277,214 | 457,772 | **805,703** |
| | Beef | - | - | **-** | - | - | **-** |
| | Total fiscal year 2009 | 1,744,944 | 1,946,973 | **3,691,917** | 2,202,211 | 3,491,312 | **9,385,440** |
| | | | | | | | |
| 2010 | | | | | | | |
| | Fishery | - | 105,572 | **105,572** | | | |
| | Dairy | 1,770,967 | 3,877,010 | **5,647,977** | | | |
| | Plantation | - | - | **-** | | | |
| | Beef | - | - | **-** | | | |
| | Total fiscal year 2010 | 1,770,967 | 3,982,582 | **5,753,549** | | | |
| | | | | | | | |
| **Difference (2010 / 2009)** | | | | | | | |
| | Fishery | - | - | | | | |
| | Dairy | 26,023 | 2,000,754 | **2,026,777** | | | |
| | Plantation | - | -70,717 | **-70,717** | | | |
| | Beef | - | - | **-** | | | |
| | Total fiscal year 2009 | 26,023 | 1,930,037 | **1,956,060** | | | |
| | | | | | | | |

**Cost of goods sold** increased by $1,956,060 or 52.9% to $5,753,549 for the 1st half year ended June 30, 2010 from $3,691,917 for the 1st half year ended June 30, 2009. The increase primarily due to the increase on the Dairy's production cost of fresh milk and dairy products correspondingly to their respective increase of sales.

**The gross profit difference is shown as follows:**

| Category | | Q1 | Q2 | Sub-total 1st half | Q3 | Q4 | Total of year |
|---|---|---|---|---|---|---|---|
| **Gross Profit of 2009 form** | | | | | | | |
| | Fishery | 413,650 | 313,052 | **726,702** | - | - | **726,702** |
| | Dairy | 1,917,459 | 1,659,259 | **3,576,718** | 1,760,061 | 4,171,456 | **9,508,235** |
| | Plantation | - | 80,820 | **80,820** | 654,719 | 1,369,923 | **2,105,462** |
| | Beef | - | - | - | - | - | - |
| | | 2,331,109 | 2,053,131 | **4,384,240** | 2,414,780 | 5,541,379 | **12,340,399** |
| **Gross Profit of 2010 form** | | | | | | | |
| | Fishery | 250,000 | 289,956 | **539,956** | | | |
| | Dairy | 2,136,715 | 4,810,046 | **6,946,761** | | | |
| | Plantation | – | – | – | | | |
| | Beef | – | – | – | | | |
| | | 2,386,715 | 5,100,002 | **7,486,717** | | | |
| **Gross Profit differences 2010 / 2009** | | | | | | | |
| | Fishery | -163,650 | -23,096 | **-186,746** | | | |
| | Dairy | 219,256 | 3,150,787 | **3,370,043** | | | |
| | Plantation | - | -80,820 | **-80,820** | | | |
| | Beef | - | - | - | | | |
| | | 55,606 | 3,046,871 | **3,102,477** | | | |

**Gross Profit** increased by $3,102,477 or 70.76% to $7,486,717 for the 1st half year ended June 30, 2010 from $4,384,240 for the 1st half year ended June 30, 2009. The increase primarily due to the increase on the increase of sales of the Dairy's Fresh Milk and dairy products.

**Depreciation and Amortization**

Depreciation and amortization decreased by $5,440 or 1.28% to $418,683 for the 1st half yearly ended June 30, 2010 from $424,124 for the 1st half yearly ended June 30, 2009. The decrease was primarily due to the translation of exchange gain.

**Selling, General and Administrative Expenses**

| Category | Q1 | Q2 | Sub-total 1st Half | Q3 | Q4 | Total of year |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| Office and corporate operation expenses | 162,091 | 165,781 | **327,872** | 154,709 | 162,091 | **644,672** |
| Wages and salaries | 254,689 | 256,535 | **511,224** | 256,535 | 256,535 | **1,024,294** |
| Office rentals | 21,984 | 21,984 | **43,968** | 21,984 | 21,984 | **87,936** |
| Traveling and related lodging | 18,707 | 21,917 | **40,624** | 18,657 | 24,200 | **83,481** |
| Motor vehicle and transports | 5,162 | 6,386 | **11,548** | 6,942 | 7,059 | **25,549** |
| Entertainment, meals & micellaneous | 37,773 | 33,337 | **71,110** | 36,042 | 31,381 | **138,533** |
| Financial Charges & costs | 117,079 | 118,349 | **235,428** | 117,063 | 117,528 | **470,019** |
| Depreciation & amortization | 212,062 | 212,062 | **424,124** | 212,062 | 212,065 | **848,251** |
| | 829,547 | 836,351 | **1,665,898** | 823,994 | 832,843 | **3,322,735** |
| **2010** | | | | | | |
| Office and corporate operation expenses | 192,289 | 355,875 | **548,164** | | | |
| Wages and salaries | 274,422 | 533,737 | **808,159** | | | |
| Office rentals | 25,502 | 35,193 | **60,695** | | | |
| Traveling and related lodging | 27,367 | 63,193 | **90,560** | | | |
| Motor vehicle and transports | 24,832 | 40,065 | **64,897** | | | |
| Entertainment, meals & micellaneous | 7,638 | 18,127 | **25,765** | | | |
| Financial Charges & costs | 117,083 | 237,926 | **355,009** | | | |
| Depreciation & amortization | 209,335 | 209,349 | **418,684** | | | |
| | 878,468 | 1,493,465 | **2,371,933** | | | |
| **Difference between (2010 / 2009)** | | | | | | |
| Office and corporate operation expenses | 30,198 | 190,094 | **220,292** | | | |
| Wages and salaries | 19,733 | 277,202 | **296,935** | | | |
| Office rentals | 3,518 | 13,209 | **16,727** | | | |
| Traveling and related lodging | 8,660 | 41,276 | **49,936** | | | |
| Motor vehicle and transports | 19,670 | 33,679 | **53,349** | | | |
| Entertainment, meals & micellaneous | -30,135 | -15,210 | **-45,345** | | | |
| Financial Charges & costs | 4 | 119,577 | **119,581** | | | |
| Depreciation & amortization | -2,727 | -2,713 | **-5,440** | | | |
| | 48,921 | 657,114 | **706,035** | | | |

**Selling, general and administrative expenses** increased by $706,036 or 42.26% to $2,371,932 for the 1st half yearly ended June 30, 2010 from $1,665,896 for the 1st half yearly ended June 30, 2009. The increase was primarily due to the increase in corporate expenses involving additional professionals carrying work in auditing reports, quarterly reporting to Pinksheets, preparation of Form 10 for the submission to SEC and other related works etc.

**Other Income**
There was no other income for the periods mentioned herein.

**Impairment Loss (Good Will)**
There was no Good will impairment loss for the periods mentioned herein.

**Income Taxes**
There was no income tax payable in both of 1st half yearly ended June 30, 2009 and 2010.

**Liquidity and Capital Resources**

At June 30, 2010, we had unrestricted cash and cash equivalents of $1,192,307, our working capital as of June 30, 2010 was at $8,130,900,.

As of June 30, 2010, our total contractual cash obligations were as follows:

| Contractual Obligations | | Less than 1 year | | | 1-3 years | | | 3-5 years | | | More than 5 years | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Long Term Bank Debts | $ | | | $ | | | $ | | | $ | 3,681,885 | | $ | 3,681,885 |
| | | | | | | | | | | | | | | |

Cash provided in operating activities totaled $4,171,938 for the year ended June 30 2010. This compares with cash provided in operating activities of $3,193,732 for the year ended December 31, 2009. The increase in cash flows from operations primarily resulted from the increase in inventory from $900,170 at December 31, 2009 to $2,054,767 as at June 30, 2010 consisting mainly with Dairy Products..

Cash used in investing activities totaled $3,959,966 for the year ended June 30, 2010. This compares with cash used in investing activities of $2,272,530 for the year ended December 31, 2009. The increase in cash flows from investing activities primarily resulted from the increase of purchases of property, plants and equipment during the Q2 of 2010.

Cash used in financing activities totaled $1,792,692 for the year ended June 30m 2010. This compares with cash used in financing activities of $449,380 for the year ended December 31, 2009. The increase in cash flows from financing activities primarily resulted from the repayment of a short term debt during Q2 2010.

**Off Balance Sheet Arrangements**

At June 30, 2010, we had no off balance sheet arrangements or guarantees of third party obligations.

**OTHER SIGNICICANT TRANSACTIONS THAT AFFECT CASH/LIQUIDITY:**

At June 30, 2010, we had no other significant transactions that may affect our cash / Liquidity other than the seasonal variation effects mentioned earlier in this Chapter.

## Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments 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. Those estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates.

A summary of our significant accounting policies is contained in Note 1 of Notes to Consolidated Financial Statements. Our critical accounting policies are where we have made the most difficult, subjective or complex judgments in making estimates, and/or where these estimates can significantly impact our financial results under different assumptions and conditions. Our management has discussed the critical accounting policies described below with our audit committee.

***Goodwill, Other Intangible Assets and Impairment of Long-Lived Assets***

Goodwill represents the excess purchase price over the fair value of net assets acquired, or net liabilities assumed, in a business combination. In accordance with ASC Topic 350, we perform an annual impairment test of goodwill. We evaluate goodwill as of October 1 each year and more frequently if events or changes in circumstances indicate that goodwill might be impaired. As required by ASC Topic 350, the impairment test is accomplished using a two-step approach. The first step screens for impairment and, when impairment is indicated, a second step is employed to measure the impairment.

Our annual goodwill impairment test was performed as of October 1, 2009. Our fair value as of the annual testing date exceeded our book value and consequently, no impairment was indicated.

Our fair value was determined by weighting the results of two valuation methods: 1) market capitalization based on the average price of our common stock, including a control premium, for a reasonable period of time prior to the evaluation date (generally 15 days) and 2) a discounted cash flow model. The fair value calculated using our average common stock price (including a control premium) was weighted 40% while the value calculated by the discounted cash flow model was weighted 60% in our determination of our overall fair value. While the use of our average common stock price, plus a control premium, may be considered the best evidence of fair value in ASC Topic 350, we believe the declines in our stock price over the past two years, and in the market overall, are not consistently aligned with our financial results or outlook. The discounted cash flow approach allows us to calculate our fair value based on operating performance and meaningful financial metrics.

A key assumption used in the calculation of our fair value using our average common stock price was the consideration of a control premium. We reviewed industry premium data and determined an appropriate control premium for the analysis based on the low end of any premium received in transactions over the past several years.

Significant estimates used in the discounted cash flow model included projections of revenue growth, net income margins, discount rate, and terminal business value. The forecasts of revenue growth and net income margins are based upon our long-term view of the business and are used by senior management and the Board of Directors to evaluate operating performance. The discount rate utilized was estimated using the weighted average cost of capital for our industry. The terminal business value was determined by applying a growth factor to the latest year for which a forecast exists.

Other intangible assets include Land Usage Right of our land obtained under Land Use Certificates are being amortized over the assets' contractual tenures using the straight-line method. We periodically review the contractual tenures of our identifiable intangible assets, taking into consideration any events or circumstances that might result due to any major Government Laws and Regulation changes that may affect their contractual tenures.

During the fourth quarter of 2009, our stock price continued trading above its book value. Based on the continued upward trend of our stock price and positive business and market outlook for the information technology services industry, we did not experience a significant adverse change in our business climate and therefore do not believe a triggering event occurred that would require a detailed test of goodwill for impairment as of December 31, 2009. We will continue to monitor the trend of our stock price and other market indicators to determine whether there is a triggering event that may require us to perform an interim impairment test in the future and record impairment charges to earnings, which could adversely affect our financial results.

***Revenue Recognition***

We generate services revenue from professional services fees. All services revenue is recorded as the services are provided based on the fair value of each element. Fair value is determined based on the sales price of each element when sold separately. Most AS services revenue consists of fixed monthly fees based upon the specific business process for which the service is being provided, and the related costs are incurred ratably over the contract period. When recovering from an interruption, customers generally are contractually obligated to pay additional fees, which typically cover our incremental costs of supporting customers during recoveries.

License fees result from contracts that permit the customers' right to use our Technologies and Management Systems for the development and operation of their projects. Generally, these contracts are simple arrangements since they provide for the right to develop projects using our technologies and management system calculated in accordance with the number of standard models that will be employed in the projects based on a fixed price per model. Their respective rights are normally set at 55 years. In these instances, license fees are recognized upon the signing of the contract and certain payments are paid in advance, further periodical payment's collections are probable. Revenue is earned and recorded when billed without any attached contingent condition.

Revenues and receivables from sales of goods including but not limited to the sales of farm produces, products, manufacturing products and plants and equipment and parts and component, are recognized upon the signing of contract and / or delivery of goods sold.

We believe that our revenue recognition practices comply with the complex and evolving rules governing revenue recognition. Future interpretations of existing accounting standards, new standards or changes in our business practices could result in changes in our revenue recognition accounting policies that could have a material effect on our financial results.

***Accounting for Income Taxes:***

*In accordance with the Income tax law of China, all primary producers of the agriculture industry are exempted from income tax started from year 2008, as such, there was no income tax paid.*

***Accounting for treatment of receivables from Government grants and other incentive Compensation***

Receivables from Government grants and other incentives compensation derived either from the compensation given by the local regional Government to us for reasons of trades generated between the regional customers and us or for other operational purposes, or, as direct compensation given by the PRC Central Government through any Government Policies applicable to the Agriculture Industry are recognized and recorded as other incomes upon the receipt of the compensation either in kind of cash payments or in kind of work done that add fair values to the assets of the company. And in this instance the fair values of such assets will be subject to depreciation and / or amortization calculated in accordance with the general accounting principle of GAAP.

***LONG LIVED ASSETS***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment evaluations involve fair values and management estimates of useful asset lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management, and this could have a material effect on operating results and financial position. No impairments were identified as of June 30, 2010.

**EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS**

In April 2009, the Financial Accounting Standards Board ("FASB") issued FSP FAS 107-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP 107-1"). FSP 107-1 increases the frequency of fair value disclosures from annual only to quarterly, in an effort to provide financial statement users with more timely and transparent information about the effects of current market conditions on financial instruments. FSP 107-1 is effective as of April 1, 2009. The Company is evaluating the impact of this standard but does not expect it to have a material impact on the consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 141R, Business Combinations, ("SFAS 141R"), which changes accounting principles for business acquisitions. SFAS No. 141R requires the recognition of all the assets acquired and liabilities assumed in the transaction based on the acquisition-date fair value. Certain provisions of this standard will, among other things, impact the determination of consideration paid or payable in a business combination and change accounting practices for transaction costs, acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. SFAS No. 141R is effective for business combinations and adjustments to all acquisition-related deferred tax asset and liability balances occurring after December 31, 2008. This standard could have a significant impact on our consolidated financial statements.

In December 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 ("SFAS 160"). The objective of SFAS 160 is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective January 1, 2009. The financial statements included in this filing are prepared in accordance with SFAS 160 and all prior period information has been retrospectively adjusted.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"). SFAS 161 is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. SFAS 161 is effective as of January 1, 2009. We do not expect the adoption of SFAS 161 to have a material impact on the consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 142-3, Determination of the Useful Life of Intangible Assets. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). FSP 142-3 is intended to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other GAAP. FSP 142-3 is effective as of January 1, 2009. We do not expect the adoption of FSP 142-3 to have a material impact on the consolidated financial statements.

## Balance Sheet as at Dec. 31, 2008 / 2009 and as at June 30, 2010.

| | June 30. 2010 | Dec. 31. 2009 | Dec. 31. 2008 |
|---|---|---|---|
| | $ | $ | $ |
| **Non Current Assets** | | | |
| Property, plant and equipment | 11,547,050 | 7,564,664 | 7,367,797 |
| Construction in progress | 6,612,150 | 5,995,939 | 4,224,253 |
| Land lease prepayment | 19,370,682 | 13,769,496 | 13,464,781 |
| Intellectual property | 7,476,301 | 7,634,636 | 7,680,000 |
| Investment New Project (Meiji/Jiangmen HST) | 138,931 | 275,102 | 119,816 |
| Investment New Project (Sino/APWA) | 10,000 | 10,000 | - |
| Investment New Project (APWA / Sanji) | 843,202 | 242,669 | - |
| Goodwill | 12,000,000 | 12,000,000 | 14,202,914 |
| **Total Non-current Assets** | **57,998,316** | **47,492,506** | **47,059,560** |
| **Current Assets** | | | |
| Trade receivable | 10,083,068 | 16,207,983 | 11,398,741 |
| Amount due from officer | - | 42,882 | 42 |
| Other receivable | 901,287 | 1,900,360 | 5,576,234 |
| Deposits and prepayments | 7,413,337 | 9,890,672 | 5,733,471 |
| Inventory | 7,863,422 | 6,099,411 | 4,801,967 |
| Other assets | 1 | 1 | 1 |
| Amount due from director | - | - | 799,101 |
| Cash and bank balance | 1,192,308 | 2,333,687 | 1,730,556 |
| **Total Current Assets** | **27,453,422** | **36,474,995** | **30,040,115** |
| **Total Assets** | **85,451,738** | **83,967,501** | **77,099,675** |
| **Long Term Liabilities** | | | |
| **Long term loan** | **3,681,885** | **4,401,002** | **6,836,223** |
| **Current Liabilities** | | | |
| Amount due to directors | - | 133,633 | - |
| Accounts payable and accruals | 199,863 | 1,084,351 | 1,031,739 |
| Other payable | 2,952,694 | 4,201,894 | 4,615,587 |
| Amount due to officer | - | - | 1,414 |
| Tax payable | - | 4,678 | 4,678 |
| Short term loan | - | 2,435,221 | 0 |
| **Total Current Liabilities** | **3,152,557** | **7,859,776** | **5,653,418** |
| **Total Liabilities** | **6,834,442** | **12,260,777.68** | **12,489,640.19** |
| **Net Assets** | **78,617,296** | **71,706,722.95** | **64,610,034.65** |
| **Shareholders Equity** | | | |
| Common stock | 52,944 | 52,944.00 | 52,944.00 |
| Additional paid up capital | 43,489,213 | 43,489,213.00 | 43,489,213.00 |
| Capital surplus | 2,520,634 | - | - |
| Capital reserve | - | - | 2,202,914.16 |
| Retained profits | 18,193,072 | 10,283,394.64 | 3,174,089.16 |
| Current profits | 1,765,449 | 6,808,296.19 | 7,109,327.03 |
| Exchange difference | 2,165,377 | 2,151,290.57 | 1,871,699.34 |
| Minority | 10,430,606 | 8,921,584.56 | 6,709,847.96 |
| **Total shareholders Equity** | **78,617,296** | **71,706,722.95** | **64,610,034.65** |
| **Total Shareholders Equity and Liabilities** | **85,451,738** | **83,967,500.64** | **77,099,674.84** |

# Income Statements of fiscal years ended December 31 2008 / 2009 and June 30, 2010.

| | 1/2 yearly to June 30. 2010 $ | Year to December 31, 2009 $ | Year to December 31, 2008 $ |
|---|---|---|---|
| **Revenue** | | | |
| Dairy operation (Consolidated) | 12,524,741 | 18,084,046 | 14,388,014 |
| Fishery | 645,531 | 726,702 | 562,497 |
| Plantation Operation (Consolidated) | - | 2,915,092 | 1,238,955 |
| Beef cattle operation (Consolidated) | - | - | - |
| | 13,170,272 | 21,725,839 | 16,189,467 |
| **Cost of sales** | | | |
| Dairy operation (Consolidated) | 5,647,978 | 8,578,652 | 7,553,003 |
| Fishery | 105,575 | - | - |
| Plantation Operation (Consolidated) | - | 806,790 | 394,656 |
| Beef cattle operation (Consolidated) | - | | - |
| | 5,753,553 | 9,385,442 | 7,947,659 |
| **Gross Profits** | 7,416,718 | 12,340,397 | 8,241,807 |
| Other income | 14 | 16 | 62,084 |
| Discountinued income | - | - | 3,604,441 |
| Marketing and selling expenses | - | - | - |
| Administrative expenss | | | |
| Office and corporate expenses | 552,164 | 648,362 | 880,472 |
| Wages and salaries | 808,159 | 1,018,757 | 1,008,487 |
| Office rentals | 60,694 | 87,936 | 63,320 |
| Traveling and related lodging expenses | 90,682 | 74,827 | 84,769 |
| Motor vehicles and local transportation | 64,897 | 20,646 | 20,160 |
| Entertainments and meals anf miscellaneous | 30,454 | 152,935 | 155,227 |
| | 1,607,050 | 2,003,463 | 2,212,435 |
| Depreciation and Amortization | 418,684 | 848,251 | 594,158 |
| Finance costs | 355,009 | 470,019 | 419,130 |
| Adjustment to earnings 2009 | 1,166,253 | - | - |
| Income tax expense | - | - | - |
| Impairment losses | - | - | 293,404 |
| Minority interest | 1,005,479 | 2,210,384 | 1,279,878 |
| | 2,866,831 | 6,808,296 | 7,109,327 |
| **Earnings per share** | | | |
| Diluted from continuing of operation | 0.06 | 0.13 | 0.13 |
| **Weighted average number of shares** | | | |
| Diluted | 51,942,636 | 52,683,579 | 52,943,579 |

**Statement of Stockholders' Equity as at years ended December 2008 / 2009 and at year ended June 30 2010.**

Common Stocks at par of US$0.001 each

| Description | Date | Number of shares issued | Nominal amount $ | Additional Paid in capital $ | Retained Earnings $ | Accumulated other comprehensive income $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance as at** | **Dec. 31. 2007** | **52,943,579** | **52,944** | **43,489,213** | **3,174,089** | **398,520** | **47,114,766** |
| Net income of the year as at | Dec. 31. 2008 | - | - | - | 7,109,327 | - | 7,109,327 |
| Foreign currency translation gain of the year | 2008 | - | - | - | - | 1,739,846 | 1,739,846 |
| **Balance as at** | **Dec. 31. 2008** | **52,943,579** | **52,944** | **43,489,213** | **10,283,416** | **2,138,366** | **55,963,939** |
| **Issuance of shares to / for** | | | | | | | |
| New shareholders | Oct. 01. 2009 | 150,000 | 150 | 52,500 | - | - | 52,650 |
| | Nov. 25. 2009 | 150,000 | 150 | 52,500 | - | - | 52,650 |
| | Dec. 11 & 12 2009 | 315,000 | 315 | 110,250 | - | - | 110,565 |
| Net Income for the year as at | Dec. 31. 2009 | - | - | - | 6,808,296 | - | 6,808,296 |
| Foreign currency translation gain of the year | 2009 | - | - | - | - | 12,925 | 12,925 |
| Retirement (or cancellation) of shares | Dec. 23. 2009 | -875,000 | -875 | - | - | - | -875 |
| **Balance as at** | **Dec. 31. 2009** | **52,683,579** | **52,684** | **43,704,463** | **17,091,712** | **2,151,291** | **63,000,150** |
| **Issuance of shares to / for** | **2010** | | | | | | |
| Settlement of accrued debts | Jan. 01 to 27 | 1,342,000 | 13,420 | 254,980 | - | - | 268,400 |
| | Feb. 10. | 780,000 | 780 | 233,220 | - | - | 234,000 |
| | March. 12 to 19 | 2,625,000 | 2,625 | 653,625 | - | - | 656,250 |
| | April. 15 to 27 | 1,055,000 | 10,550 | 147,700 | - | - | 158,250 |
| | May. 13. | 800,000 | 800 | 159,200 | - | - | 160,000 |
| | May. 14. | 350,000 | 350 | 139,650 | - | - | 140,000 |
| | June. 10. | 1,000,000 | 1,000 | 199,000 | | | 200,000 |
| | As at June. 30. | 7,952,000 | 29,525 | 1,787,375 | - | - | 1,816,900 |
| Employees' compensation | May. 4. | 497,059 | 497 | 496,562 | - | - | 497,059 |
| Shares being retired or voided | Jan. 11. | -150,002 | -150 | - | - | - | -150 |
| | March. 23. | -2,000,000 | -2,000 | - | - | - | -2,000 |
| | May. 17. | -40,000 | -40 | - | - | - | -40 |
| | June. 26 | -7,000,000 | -7,000 | - | - | - | -7,000 |
| | As at June. 30 | -9,190,002 | -9,190 | - | - | - | -9,190 |
| Net Income for the year | as at June. 30 | | | | 3,872,310 | | 3,872,310 |
| Foreign currency translation gain of the year | as at June 30. | | | | | 14,086.78 | 14,086.78 |
| **Balance as at** | **June. 30. 2010** | **51,942,636.00** | **73,515.64** | **45,988,400.36** | **20,964,022.62** | **2,165,377.35** | **69,191,315.97** |

**Statement of Cash-flow for fiscal years ended December 31 2008 / 2009 and June 30, 2010**.

| | As at June 30<br>2010<br>$ | As at December 31<br>2009<br>$ | As at December 31<br>2008<br>$ |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income for the year | 2,866,831 | 6,808,296 | 7,109,327 |
| Adjustments to reconcile net income to net cash from operations: | | | |
| Impairment loss | - | - | 293,404 |
| Depreciation | 306,701 | 820,193 | 706,912 |
| Profit from disposal of unconsolidated equity investee | - | - | (3,604,441) |
| Amortisation | 111,983 | 858,196 | 605,581 |
| Changes in operating assets and liabilities | | | |
| Increase in inventory | (2,054,767) | -900,170 | -4,572,440 |
| Increase in construction in progress | (176,614) | -391,869 | (391,869) |
| Increase in deposits and prepaid expenses | (488,348) | - | (2,407,013) |
| Increase in due from directors | - | 835,553 | (826,867) |
| Increase in noncontrolling interest | (1,005,479) | 1,302,516 | 1,302,516 |
| (Decrease) increase in accounts payable and accruals | (580,819) | -115,880 | (2,310,953) |
| Decrease in due to directors | - | 142,626 | - |
| (Decrease) increase in other payable | 97,403 | -416,215 | 4,033,565 |
| (Increase)/ decrease in accounts receivable | 5,034,487 | -4,809,242 | 7,844,989 |
| Increase in other receivable | 60,560 | -940,272 | (730,637) |
| Net cash provided by operating activities | 4,171,938 | 3,193,732 | 7,052,074 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | (3,959,966) | -1,414,335 | (1,983,664) |
| Acquisition of proprietary technologies | - | - | (8,000,000) |
| Proceeds from disposal of unconsolidated equity investee | - | - | 4,405,000 |
| Acquisition of land use rights | - | -858,195 | (764,128) |
| Net cash used in investing activities | (3,959,966) | -2,272,530 | (6,342,792) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of long term debt | - | -2,435,221 | 2,723,310 |
| Repayment of short term debt | (3,181,149) | - | (2,275,812) |
| Proceed from shareholders | 233,148 | - | - |
| Proceeds from issuance of short term debt | 1,155,309 | 2,435,221 | - |
| Net cash provided by financing activities | (1,792,692) | (449,380) | 447,498 |
| Effects on exchange rate changes on cash | | 131,309 | 215,262 |
| Increase in cash and cash equivalents | (1,580,720) | 603,131 | 1,372,042 |
| Cash and cash equivalents, beginning of year | 2,773,028 | 1,730,556 | 358,514 |
| Cash and cash equivalents, end of year | 1,192,308 | 2,333,687 | 1,730,556 |
| Supplementary disclosures of cash flow information: | | | |
| Cash paid for interest | - | 470,019 | 419,130 |
| Cash paid for income taxes | - | - | - |

**Item V. Legal Proceedings:**

The Company is not engaged in any legal proceedings.

**Item VI. Default upon senior securities:**

None for the period ended June 30, 2010 and through the date of this report.

**Item VII. Other Information:**

**A. Entry into a material definitive agreement.**

None for the period ended June 30, 2010 and through the date of this report.

**B. Termination of material definitive agreement:**

None for the period ended June 30, 2010 and through the date of this report.

**C. Completion of acquisition or disposition of assets, including but not limited to merger**

None for the period ended June 30, 2010 and through the date of this report.

**D. Creation of a direct financial obligation or an obligation under an off-balance sheet arrangement of an Issuer:**

None for the period ended June 30, 2010 and through the date of this report.

**E. Triggering events that accelerate or increase a direct financial obligation or an obligation under an off-balance sheet arrangement:**

None for the period ended June 30, 2010 and through the date of this report.

**F. Costs associated with exit or disposal activities:**

None for the period ended June 30, 2010 and through the date of this report.

**G. Material Impairments:**

None for the period ended June 30, 2010 and through the date of this report.

**H. Sales of equity securities:**

As per Statement of shareholders equity.

**J. Changes in issuer’s certifying accountant**

None for the period ended June 30, 2010 and through the date of this report.

**K. Non-reliance on previously issued financial statements or a related audit report or completed interim review:**

None for the period ended June 30, 2010 and through the date of this report.

**L. Changes in control of issuer:**

None for the period ended June 30, 2010 and through the date of this report.

**M. Departure of directors or officers, election of directors, appointment of principal officers:**

None for the period ended June 30, 2010 and through the date of this report.

**N. Amendments Article of Incorporation or Bylaws; Change in Fiscal Year:**

None for the period ended June 30, 2010 and through the date of this report.

**O. Amendments to the Issuer's Code of Ethics or Waiver of a provision of the Code of Ethics:**

None for the period ended June 30, 2010 and through the date of this report.

**Item XIII. Exhibits**

None

**Item IX. Issuer's Certification:**

I, Solomon Lee, Chief Executive Officer of the issuer, certify that:

a. I have reviewed the Quarterly Report including the financial statements for the period ended June 30, 2010 and the footnotes of Sino Agro Food, Inc.
b. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
c. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented.

August 12, 2010

/s/ Solomon Lee

Solomon Lee
Chief Executive Officer