

**QUARTERLY REPORT FOR  
PERIOD ENDED  
September 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  
51,942,636 Common Shares issued and outstanding  
10,000,000 Shares of Preferred Stock authorized, par value \$0.001 per share  
(7,000,000 Preference Series B and 100 Preference Series A Shares issued and outstanding)**

**SINO AGRO FOOD, INC.**  
**QUARTERLY REPORT**  
**September 31, 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:

<u>Formerly</u>	<u>Date changed</u>
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 September 30, 2010, were 51,942,636 shares of the Company's Common Stock issued and outstanding. As of September 30, 2010, there were 100 shares of the Company's Series A Preferred Stock and 7,000,000 shares of the Company's Series B Preferred Stock issued and outstanding.

**Item III. Interim financial statements:**

The Company's financial statements for the period ended September 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**

Audit reports for the fiscal years ended December 2008 and 2009 were posted on Pinksheets.com on September 30, 2010. A review of our financials for the six months ending June 30, 2010 is being done by our auditor currently, and will be posted on Pinksheets.com in the near future.

### **Overview**

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

Currently we are generating revenues from four 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. Revenue from these operations were generated starting from the beginning of the quarter ended September 30, 2010..

### Consolidated Results of Operations

#### (A) Q3 comparison for fiscal year 2009 and 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 September 30, 2010.

#### Revenues

Category	Q1	Q2	Sub-total 1st half	Q3	Q4	Total yearly
<b>2009</b>						
Fishery	413,650	313,052	<b>726,702</b>	-	-	<b>726,702</b>
Dairy	3,662,403	3,535,515	<b>7,197,918</b>	3,685,058	7,204,996	<b>18,087,972</b>
Plantation	-	151,537	<b>151,537</b>	931,933	1,827,695	<b>2,911,165</b>
Beef	-	-	-	-	-	-
Total fiscal year 2009	4,076,053	4,000,104	<b>8,076,158</b>	4,616,991	9,032,691	<b>21,725,839</b>
<b>2010</b>						
Fishery	250,000	395,531	<b>645,531</b>	1,320,223		
Dairy	3,837,683	8,687,057	<b>12,524,740</b>	5,881,635		
Plantation	-	-	-	3,509,397		
Beef	-	-	-	683,967		
Total fiscal year 2010	4,087,683	9,082,588	<b>13,170,271</b>	11,395,223		
<b>Difference (2010 / 2009)</b>						
Fishery	-163,650	82,479	<b>-81,171</b>	1,320,223		
Dairy	175,280	5,151,542	<b>5,326,822</b>	2,196,577		
Plantation	-	-151,537	<b>-151,537</b>	2,577,465		
Beef	-	-	-	683,967		
Total differences	11,630	5,082,484	<b>5,094,114</b>	6,778,232		

**Revenues** increased by \$6,778,232 or 146.8 % to \$11,395,223 for the quarter ended September 31, 2010 compared to \$4,616,991 for the quarter ended September 30, 2009. The increase was primarily due to the corresponding increase of sales revenues generated from all four (4) segments of businesses rather than from two (2) segments of our businesses for the period ended September 30, 2009.

**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	<b>3,621,200</b>	1,924,997	3,033,540	<b>8,579,737</b>
Plantation	-	70,717	<b>70,717</b>	277,214	457,772	<b>805,703</b>
Beef	-	-	-	-	-	-
Total fiscal year 2009	1,744,944	1,946,973	<b>3,691,917</b>	2,202,211	3,491,312	<b>9,385,440</b>
2010						
Fishery	-	105,572	<b>105,572</b>	472,111		
Dairy	1,770,967	3,877,010	<b>5,647,977</b>	2,622,134		
Plantation	-	-	-	999,954		
Beef	-	-	-	211,969		
Total fiscal year 2010	1,770,967	3,982,582	<b>5,753,549</b>	4,306,169		
<b>Difference (2010 / 2009)</b>						
Fishery	-	-	-	472,111		
Dairy	26,023	2,000,754	<b>2,026,777</b>	697,137		
Plantation	-	-70,717	<b>-70,717</b>	722,740		
Beef	-	-	-	211,969		
Total fiscal year 2009	26,023	1,930,037	<b>1,956,060</b>	2,103,958		

**Cost of goods sold** increased by \$2,103,958 or 195.53 % to \$4,306,169 for the quarter ended September 30, 2010 compared to \$2,202,211 for the quarter ended September 30, 2009. The increase was primarily due to the increase of sales from each of the Company's business operations as set forth above. Additionally \$175,856.49 of depreciation and amortization has been factored into cost of goods sold for the quarter ended September 30, 2010.

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

Category	Q1	Q2	Sub-total 1st half	Q3	Q4	Total of year
<b>Gross Profit of 2009 from</b>						
Fishery	413,650	313,052	<b>726,702</b>	-	-	<b>726,702</b>
Dairy	1,917,459	1,659,259	<b>3,576,718</b>	1,760,061	4,171,456	<b>9,508,235</b>
Plantation	-	80,820	<b>80,820</b>	654,719	1,369,923	<b>2,105,462</b>
Beef	-	-	-	-	-	-
	<b>2,331,109</b>	<b>2,053,131</b>	<b>4,384,240</b>	<b>2,414,780</b>	<b>5,541,379</b>	<b>12,340,399</b>
<b>Gross Profit of 2010 from</b>						
Fishery	250,000	289,956	<b>539,956</b>	848,122		
Dairy	2,136,715	4,740,040	<b>6,876,755</b>	3,259,501		
Plantation	-	-	-	2,509,443		
Beef	-	-	-	471,998		
	<b>2,386,715</b>	<b>5,029,996</b>	<b>7,416,711</b>	<b>7,089,064</b>		
<b>Gross Profit differences 2010 / 2009</b>						
Fishery	-163,650	-23,096	<b>-186,746</b>	848,122		
Dairy	219,256	3,080,781	<b>3,300,037</b>	1,499,440		
Plantation	-	-80,820	<b>-80,820</b>	1,854,724		
Beef	-	-	-	471,998		
	<b>55,606</b>	<b>2,976,865</b>	<b>3,032,471</b>	<b>4,674,284</b>		

**Gross Profit** increased by \$4,674,284 or 293.57 % to \$7,089,064 for the quarter ended September 30, 2010 compared to \$2,414,780 for the quarter ended September 30, 2009. The increase was primarily due to the increase of sales from all four (4) segments of our businesses.

**Depreciation and Amortization**

Depreciation and amortization was booked at \$281,264 for the quarter ended September 30, 2010 of which \$175,856.49 was factored into our cost of goods sold. The Company expects further adjustments to be posted pending the final comments from the auditor regarding the average changes on the exchange rate, rate of depreciation and amortization that may be varied in 2010 due to certain accounting treatments being changed in China in 2010.

**General and Administrative Expenses**

Category	Q1	Q2	Sub-total 1st Half	Q3	Q4	Total of year
<b>2009</b>						
Office and corporate operation expenses	162,091	165,781	<b>327,872</b>	154,709	162,091	<b>644,672</b>
Wages and salaries	254,689	256,535	<b>511,224</b>	256,535	256,535	<b>1,024,294</b>
Office rentals	21,984	21,984	<b>43,968</b>	21,984	21,984	<b>87,936</b>
Traveling and related lodging	18,707	21,917	<b>40,624</b>	18,657	24,200	<b>83,481</b>
Motor vehicle and transports	5,162	6,386	<b>11,548</b>	6,942	7,059	<b>25,549</b>
Entertainment, meals & micellaneous	37,773	33,337	<b>71,110</b>	36,042	31,381	<b>138,533</b>
Financial Charges & costs	117,079	118,349	<b>235,428</b>	117,063	117,528	<b>470,019</b>
Depreciation & amortization	212,062	212,062	<b>424,124</b>	212,062	212,065	<b>848,251</b>
	829,547	836,351	<b>1,665,898</b>	823,994	832,843	<b>3,322,735</b>
<b>2010</b>						
Office and corporate operation expenses	192,289	355,875	<b>548,164</b>	74,089		
Wages and salaries	274,422	533,737	<b>808,159</b>	76,186		
Office rentals	25,502	35,193	<b>60,695</b>	18,073		
Traveling and related lodging	27,367	63,193	<b>90,560</b>	11,134		
Motor vehicle and transports	24,832	40,065	<b>64,897</b>	5,996		
Entertainment, meals & micellaneous	7,638	18,127	<b>25,765</b>	8,494		
Financial Charges & costs	117,083	237,926	<b>355,009</b>	49,824		
Depreciation & amortization	209,335	209,349	<b>418,684</b>	105,408		
	878,468	1,493,465	<b>2,371,933</b>	345,271		
<b>Difference between (2010 / 2009)</b>						
Office and corporate operation expenses	30,198	190,094	<b>220,292</b>	-80,620		
Wages and salaries	19,733	277,202	<b>296,935</b>	-180,349		
Office rentals	3,518	13,209	<b>16,727</b>	-3,911		
Traveling and related lodging	8,660	41,276	<b>49,936</b>	-7,523		
Motor vehicle and transports	19,670	33,679	<b>53,349</b>	-946		
Entertainment, meals & micellaneous	-30,135	-15,210	<b>-45,345</b>	-27,549		
Financial Charges & costs	4	119,577	<b>119,581</b>	-67,239		
Depreciation & amortization	-2,727	-2,713	<b>-5,440</b>	-106,654		
	48,921	657,114	<b>706,035</b>	-478,723		

**General and administrative expenses** decreased by \$478,723 or (58.09) % to \$345,271 for the quarter ended September 30, 2010 compared to \$823,994 for the quarter ended September 30, 2009. The decrease was primarily due to the decrease in corporate expenses, a decrease in professional fees and the saving of interest as a result of the repayment of a short term loan that was repaid during the quarter ended June 30, 2010.

**Depreciation and Amortization**

Please be noted that \$105,408 of Depreciation and Amortization have been charged under General and Administration making total Depreciation and Amortization amount of \$281,264 inclusive amount of \$175,856 charged into Cost of Goods sold during quarter ended September 30, 2010.

**Impairment Loss (on Pre-payments)**

There was no impairment loss (on pre-payments) for the periods mentioned herein.

**Income Taxes**

There was no income tax payable during the quarter ended September 30, 2010.



### **Liquidity and Capital Resources**

At September 30, 2010, we had cash and cash equivalents of \$2,275,436 compared to our cash and cash equivalent of \$1,192,307 as at June 30, 2010.

As of September 31, 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
										5

Cash provided in operating activities totaled \$3,004,564 for the quarter ended September 30 2010. This compares with cash provided in operating activities of \$4,171,938 for the quarter ended June 30, 2010. The decrease in cash provided in operations activities was primarily the result effected by lesser inventory. .

Cash used in investing activities totaled \$1,922,820 for the quarter ended September 30, 2010. This compares with cash used in investing activities of \$3,959,966 for the quarter ended June 30, 2010. The decrease in cash employed in investing activities primarily resulted from less capital expenditures being employed during quarter ended September 30, 2010.

Cash used in financing activities totaled \$1,348 for the quarter ended September 30, 2010. This compares with cash used in financing activities of \$1,792,692 for the quarter ended June 30, 2010. The decrease in cash being employed in financing activities primarily resulted from the repayment of short term debt as during the quarter ended June 30, 2010.

### **Off Balance Sheet Arrangements**

At September 30, 2010, there is a long term loan debt guaranteed by a third party as shown in the notes to the financial bank loan in the audited financial statement 2008 and 2009 posted on Pinksheets.com.

### **OTHER SIGNIFICANT TRANSACTIONS THAT AFFECT CASH/LIQUIDITY:**

At September 30, 2010, we had no other significant transactions that may affect our cash / liquidity other than the seasonal variation effects and the effects stated herein:

### **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 (i.e. non-stop milking on a daily basis during the year ) 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.

**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.

Others factors affecting our operation:

“The Company considers all highly liquid securities with original maturities of three months or less when acquired to be cash equivalents. Cash and cash equivalents kept with financial institutions in People’s Republic of China (“PRC”) are not insured or otherwise protected. Should any of those institutions holding the Company’s cash become insolvent, or the Company is unable to withdraw funds for any reason, the Company could lose the cash on deposit on that institution.”

### **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**

The Company does not expect any recent accounting pronouncements to have a material effect on the Company's financial position, results of operations, or cash flows.

In June 2009, the FASB approved the "FASB Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP to be launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All

existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The Codification is effective for interim and annual periods ending after September 15, 2009.

In June 2009, the FASB amended its guidance on accounting for variable interest entities ("VIE"). The new accounting guidance will result in a change in our accounting policy effective January 1, 2010. Among other things, the new guidance requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE; requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE; enhances disclosures about an enterprise's involvement with a VIE; and amends certain guidance for determining whether an entity is a VIE. Under the new guidance, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company is evaluating the impact that this change in accounting policy will have on our consolidated financial statements. Based on our initial assessment, we anticipate that certain entities that are consolidated under our current accounting policy may not be consolidated subsequent to the effective date of the new guidance.

In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-05 "Fair Value Measurement and Disclosures Topic 820 – Measuring Liabilities at Fair Value", which provides amendments to subtopic 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1. A valuation technique that uses: a. The quoted price of the identical liability when traded as an asset b. Quoted prices for similar liabilities or similar liabilities when traded as assets. 2. Another valuation technique that is consistent with the principles of topic 820; two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments in this update also clarify that both a quoted price in an active market for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-08 "Earnings Per Share – Amendments to Section 260-10-S99", which represents technical corrections to topic 260-10-S99, Earnings per share, based on EITF Topic D-53, Computation of Earnings Per Share for a Period that includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock and EITF Topic D-42, The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock.

**Balance Sheet as at December 31, 2008 / 2009 and as at September 30, 2010.**

	30-Sep-10	Dec. 31. 2009	Dec. 31. 2008
	\$	\$	\$
<b><u>Current Assets</u></b>			
Cash and bank balance	2,458,739	2,333,687	1,730,556
Trade receivable	17,035,017	16,207,983	11,398,741
Amount due from officer	-	42,882	42
Other receivable	881,657	1,900,360	5,576,234
Deposits and prepayments	12,252,974	9,890,672	5,733,471
Inventory	8,127,509	6,099,411	4,801,967
Other assets	-	1	1
Amount due from director	-	-	799,101
<b>Total Current Assets</b>	<b>40,755,896</b>	<b>36,474,995</b>	<b>30,040,115</b>
<b><u>Non Current Assets</u></b>			
Property, plant and equipment	3,739,205	7,564,664	7,367,797
Construction in progress	8,164,586	5,995,939	4,224,253
Bearer Biological assets	10,146,264		
Land lease prepayment		13,769,496	13,464,781
Intellectual property	22,445,545	7,634,636	7,680,000
Investment New Project (Meiji/Jiangmen HST)	-	275,102	119,816
Investment New Project (Sino/APWA)	-	10,000	-
Investment New Project (APWA / Sanji)	-	242,669	-
Other non-current assets	391,056		
Goodwill	12,000,000	12,000,000	14,202,914
<b>Total Non-current Assets</b>	<b>56,886,656</b>	<b>47,492,506</b>	<b>47,059,560</b>
<b>Total Assets</b>	<b>97,642,552</b>	<b>83,967,501</b>	<b>77,099,675</b>
<b><u>Long Term Liabilities</u></b>			
<b>Long term loan</b>	<b>3,731,343</b>	<b>4,401,002</b>	<b>6,836,223</b>
<b><u>Current Liabilities</u></b>			
Amount due to directors		133,633	-
Accounts payable and accruals	373,736	1,084,351	1,031,739
Other payable	5,435,108	4,201,894	4,615,587
Amount due to officer	-	-	1,414
Tax payable	184	4,678	4,678
Short term loan	-	2,435,221	0
<b>Total Current Liabilities</b>	<b>5,809,028</b>	<b>7,859,776</b>	<b>5,653,418</b>
<b>Total Liabilities</b>	<b>9,540,371</b>	<b>12,260,777.68</b>	<b>12,489,640.19</b>
<b>Net Assets</b>	<b>88,102,181</b>	<b>71,706,722.95</b>	<b>64,610,034.65</b>
<b><u>Shareholders Equity</u></b>			
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	2,560,334	-	-
Capital reserve	-	-	2,202,914.16
Retained profits	17,091,691	10,283,394.64	3,174,089.16
Current profits	8,971,532	6,808,296.19	7,109,327.03
Exchange difference	4,354,115	2,151,290.57	1,871,699.34
Minority	11,582,352	8,921,584.56	6,709,847.96
<b>Total shareholders Equity</b>	<b>88,102,181</b>	<b>71,706,722.95</b>	<b>64,610,034.65</b>
<b>Total Shareholders Equity and Liabilities</b>	<b>97,642,552</b>	<b>83,967,500.64</b>	<b>77,099,674.84</b>

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

	As at September 30, 2010 \$	Year to December 31, 2009 \$	Year to December 31, 2008 \$
<b>Revenue</b>			
Dairy operation (Consolidated)	18,406,375	18,084,046	14,388,014
Fishery	1,965,754	726,702	562,497
Plantation Operation (Consolidated)	3,509,397	2,915,092	1,238,955
Beef cattle operation (Consolidated)	683,967	-	-
	24,565,494	21,725,839	16,189,467
<b>Cost of sales</b>			
Dairy operation (Consolidated)	8,375,683	8,578,652	7,553,003
Fishery	472,111	-	-
Plantation Operation (Consolidated)	999,954	806,790	394,656
Beef cattle operation (Consolidated)	211,969	-	-
	10,059,718	9,385,442	7,947,659
<b>Gross Profits</b>	14,505,775	12,340,397	8,241,807
Other income	14	16	62,084
Discontinued income		-	3,604,441
Marketing and selling expenses	-	-	-
Administrative expenses			
Office and corporate expenses	626,253	648,362	880,472
Wages and salaries	884,345	1,018,757	1,008,487
Office rentals	78,767	87,936	63,320
Traveling and related lodging expenses	101,816	74,827	84,769
Motor vehicles and local transportation	68,493	20,646	20,160
Entertainments and meals and miscellaneous	39,592	152,935	155,227
	1,799,265	2,003,463	2,212,435
Depreciation and Amortization	524,092	848,251	594,158
Finance costs	290,511	470,019	419,130
Adjustment to earnings 2009	309,569	-	-
Non-operating expenses	84,427	-	-
Income tax expense	-	-	-
Comprehensive exchange gain (Loss)	2,202,824	279,591	1,871,699
Impairment losses	-	-	293,404
Minority interest	2,610,820	2,210,384	1,279,878
	11,174,356	7,087,887	8,981,026
<b>Earnings per share</b>			
Diluted from continuing operation	0.19	0.13	0.17
Basic from continuing of operation	0.22	0.13	0.17
<b>Weighted average number of shares</b>			
Basic	51,942,636	52,683,579	52,943,579
Diluted	58,942,636	52,683,579	52,943,579

Net Profit for Q3 period ended September 30, 2010 is \$7,220,202 netting off from Gross profit of \$7,089,064 plus Exchange gain \$2,202,824 minus all General administration expenses and minority interest etc. of \$2,071,686 for the Q3 period ended September 30, 2010.

Fully diluted stocks are including common shares of 51,942,636 plus 7,000,000 of Preference Series B shares totaling to 58,942,636 shares as September 30, 2010.

**Statement of Stockholders' Equity as at years ended December 2007 to 2009 and at 30<sup>th</sup> September 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 \$
<b>Balance as at</b>	<b>Dec. 31. 2007</b>	<b>52,943,579</b>	<b>52,944</b>	<b>43,489,213</b>	<b>3,174,089</b>	<b>398,520</b>	<b>47,114,766</b>
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
<b>Balance as at</b>	<b>Dec. 31. 2008</b>	<b>52,943,579</b>	<b>52,944</b>	<b>43,489,213</b>	<b>10,283,416</b>	<b>2,138,366</b>	<b>55,963,939</b>
<b><u>Issuance of shares to / for</u></b>							
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
<b>Balance as at</b>	<b>Dec. 31. 2009</b>	<b>52,683,579</b>	<b>52,684</b>	<b>43,704,463</b>	<b>17,091,691</b>	<b>2,151,291</b>	<b>63,000,150</b>
<b><u>Issuance of shares to / for</u></b>							
<b>2010</b>							
<u>Settlement of accrued debts</u>	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
<u>Employees' compensation</u>	May. 4.	497,059	497	496,562	-	-	497,059
<u>Shares being retired or voided</u>	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	-6,993,000	-	-	-7,000,000
	Sub. Total	-9,190,002	-9,190	-6,993,000	-	-	-7,002,190
Net Income for the year	As at Sept. 30,	-	-	-	8,971,532	-	8,971,532
Foreign currency translation gain of the year	As at Sept. 30,	-	-	-	-	2,202,824	2,202,824
<b><u>Issuance of shares</u></b>							
Preference A Shares	June. 26. 10	7,000,000	7,000	6,993,000	-	-	7,000,000
Preference B shares	June. 26. 10	100	0.10	99.9	-	-	100
<b>Balance as at</b>	<b>Sept. 30 2010</b>		<b>73,516</b>	<b>45,988,500</b>	<b>26,063,223</b>	<b>4,354,115</b>	<b>76,486,375</b>
Basic # of shares		<b>51,942,636</b>					
Dilute # of shares		<b>58,942,736</b>					



The Company is expecting an adjustment to be made to the end balance of the Equity count for the quarter ended September 30, 2010 due to the change of Transfer Agent during the period caused delay in the the finalization and updating of and / or recording of the overall transactions dealing in equity of the company. However management is not expecting any abnormal changes during the course of this event.

Series A Preferred Stock

Shareholders	# of Preference Series A Shares	Percentage of Series A Preferred Stock
Lee Yip Kun Solomon	70	70%
Tan Poay Teik	25	25%
Chen Bor Hann	5	5%
All officers and directors as a group [3 persons]	100	100%

This table is based upon information derived from our stock records. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, each of the shareholders named in this table has sole or shared voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based upon 100 shares of Common Stock outstanding as of September 30, 2010.

Rights and Preferences of Series A Preferred Stock

**VOTING RIGHTS:** The Holders of the Series A Preferred Stock have no voting power whatsoever, except as otherwise provided by law or otherwise in the Certificate of Rights and Preferences, the Holders of the Series A Preferred Stock shall vote together with the shares of Common Stock as a single class and, regardless of the number of shares of Series A Preferred Stock outstanding and so long as at least one of such shares of Series A Preferred Stock is outstanding, shall represent 80% of all votes entitled to be voted at any annual or special meeting of shareholders of the Corporation or action by written consent of the shareholders. Each outstanding share of the Series A Preferred Stock shall represent its proportionate share of the 80% which is allocated to the outstanding shares of Series A Preferred Stock.

Series B Convertible Preferred Stock

Shareholders	# of Preference Series B Shares	Percentage of Series B Preferred Stock
Lee Yip Kun Solomon	4,900,000	70%
Tan Poay Teik	1,750,000	25%
Chen Bor Hann	350,000	5%
All officers and directors as a group [3 persons] Held under a company namely Capital Adventure Inc.	7,000,000	100%

This table is based upon information derived from our stock records. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, each of the shareholders named in this table has sole or shared voting and investment power with respect to the shares indicated as

beneficially owned. Applicable percentages are based upon 7,000,000 shares of Series B Convertible Preferred Stock outstanding as of September 30, 2010.

#### Rights and Preferences of Series B Preferred Stock

CONVERSION AT THE OPTION OF THE HOLDER: Each holder of Series B Stock shall have the at any time or from time to time to convert each share of Series B Stock into One fully-paid and non-assessable share of Common Stock.

VOTING RIGHTS: The Holders of the Series B Convertible Preferred Stock have no voting power whatsoever, except as otherwise provided by the Nevada Business Corporation Act and in the Certificate of Rights and Preferences, which provides in part that to the extent that under the Nevada Business Corporation Act the vote of the Holders of the Series B Convertible Preferred Stock, voting separately as a class or series, as applicable, is required to authorize a given action of the Company, the affirmative vote or consent of the Holders of at least a majority of the shares of the Series B Convertible Preferred Stock represented at a duly held meeting at which a quorum is present or by written consent of a majority of the shares of Series B Convertible Preferred Stock (except as otherwise may be required under the Nevada Business Corporation Act) shall constitute the approval of such action by the class. To the extent that under the Nevada Business Corporation Act Holders of the Series B Convertible Preferred Stock are entitled to vote on a matter with Holders of Common Stock, voting together as one class, each share of Series B Convertible Preferred Stock shall be entitled to one (1) vote.

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

	As at September 30 2010 \$	As at December 31 2009 \$	As at December 31 2008 \$
Cash flows from operating activities			
Net income for the year	8,566,835	6,808,296	7,109,327
Adjustments to reconcile net income to net cash from operations:			
Impairment loss		-	293,404
Depreciation	169,264	820,193	706,912
Profit from disposal of unconsolidated equity investee		-	(3,604,441)
Amortisation	112,000	858,196	605,581
Changes in operating assets and liabilities	220,248		
Increase in inventory	95,915	-900,170	-4,572,440
Increase in construction in progress	1,181,516	-391,869	(391,869)
Increase in deposits and prepaid expenses	271,027	-	(2,407,013)
Increase in due from directors	-	835,553	(826,867)
Increase in noncontrolling interest	-	1,302,516	1,302,516
(Decrease) increase in accounts payable and accruals	150,681	-115,880	(2,310,953)
Decrease in due to directors	-	142,626	-
(Decrease) increase in other payable	3,445,429	-416,215	4,033,565
(Increase)/ decrease in accounts receivable	(5,992,466)	-4,809,242	7,844,989
Increase in other receivable	2,034,639	-940,272	(730,637)
Net cash provided by operating activities	<u>3,088,894</u>	<u>3,193,732</u>	<u>7,052,074</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	(2,077,934)	-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	<u>(2,077,934)</u>	<u>-2,272,530</u>	<u>(6,342,792)</u>
Cash flows from financing activities			
Proceeds from issuance of long term debt	-	-2,435,221	2,723,310
Repayment of short term debt	-	-	(2,275,812)
Proceed from shareholders	1,348	-	-
Proceeds from issuance of short term debt	-	2,435,221	-
Net cash provided by financing activities	<u>1,348</u>	<u>(449,380)</u>	<u>447,498</u>
Effects on exchange rate changes on cash		131,309	215,262
Increase in cash and cash equivalents	<u>1,012,308</u>	<u>603,131</u>	<u>1,372,042</u>
Cash and cash equivalents, beginning of year	<u>1,432,070</u>	<u>1,730,556</u>	<u>358,514</u>
Cash and cash equivalents, end of year	<u><u>2,444,377</u></u>	<u><u>2,333,687</u></u>	<u><u>1,730,556</u></u>
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 September 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 September 30, 2010 and through the date of this report.

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

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

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

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

**G. Material Impairments:**

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

**H. Sales of equity securities:**

For the Quarter period from January 01, 2010 to June 30, 2010, there were 7,952,000 shares issued at value of \$1,787,375 for settlement of accrued debts, 497,059 shares issued in employees' compensation at \$496,562 and 9,190,002 shares have been retired for value of (\$7,002,190) and the issuance of a total of 7,000,100 Preference Series (A&B) shares for value of \$7,000,000.

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

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

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

None for the period ended September 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 September 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 September 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 September 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 September 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.

November 08, 2010

/s/ Solomon Lee

---

Solomon Lee  
Chief Executive Officer

---