VanEck Vectors ETF Trust
Form N-Q
November 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

INVESTMENT COMPANY ACT FILE NUMBER: 811-10325

VANECK VECTORS ETF TRUST

(Exact name of registrant as specified in its charter)

666 Third Avenue, New York, N.Y.	**10017**
(Address of principal executive offices)	(Zip Code)

John J. Crimmins

Treasurer & Chief Financial Officer

VanEck Vectors ETF Trust

666 Third Avenue

New York, N.Y. 10017

(Name and address of agent for service)

Registrant's telephone number, including area code: (212)293-2000

Date of fiscal year end:	December 31,
Date of reporting period:	September 30, 2016

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1 -5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N -Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

ITEM 1. Schedule of Investments.

AGRIBUSINESS ETF

SCHEDULE OF INVESTMENTS

September 30, 2016 (unaudited)

Number of Shares		Value
COMMON STOCKS: 100.0%		
Australia: 3.7%		
4,295,317	Incitec Pivot Ltd. #	$9,334,306
529,406	Nufarm Ltd. #	3,823,957
2,071,934	Treasury Wine Estates Ltd. #	17,581,566
		30,739,829
Canada: 8.1%		
356,287	Agrium, Inc. (USD)	32,311,668
2,197,001	Potash Corp. of Saskatchewan, Inc. (USD)	35,855,056
		68,166,724
Chile: 0.5%		
161,090	Sociedad Quimica y Minera de Chile SA (ADR)	4,333,321
China / Hong Kong: 1.0%		
11,881,000	China Huishan Dairy Holdings Co. Ltd. † #	4,448,532
6,846,000	Goldin Financial Holdings Ltd. * #	3,907,166
		8,355,698
Denmark: 0.6%		
129,170	Bakkafrost P/F (NOK) #	5,405,315
Germany: 1.4%		
624,717	K+S AG † #	11,867,308
Indonesia: 0.8%		
23,549,700	Charoen Pokphand Indonesia Tbk PT #	6,343,981
Israel: 0.8%		
1,666,108	Israel Chemicals Ltd. (USD) †	6,497,821
Japan: 6.8%		
2,915,130	Kubota Corp. #	44,182,993
546,000	Nippon Meat Packers, Inc. #	13,208,180
		57,391,173
Malaysia: 3.1%		
5,246,300	Felda Global Ventures Holdings Bhd #	2,973,809
8,619,455	IOI Corp. Bhd #	9,287,562
1,251,870	Kuala Lumpur Kepong Bhd #	7,270,187
1,664,900	PPB Group Bhd #	6,522,091
		26,053,649
Netherlands: 0.3%		
164,742	OCI NV * † #	2,428,937
Norway: 4.2%		
1,087,098	Marine Harvest ASA (ADR) †	19,480,796
463,718	Yara International ASA #	15,456,928
		34,937,724
Russia: 0.9%		
418,495	PhosAgro OAO (GDR) Reg S	5,398,585
766,637	Uralkali PJSC * #	2,168,207
		7,566,792
Singapore: 2.6%		

1,602,800	First Resources Ltd. #	2,157,553
16,210,545	Golden Agri-Resources Ltd. #	4,239,341
6,596,551	Wilmar International Ltd. #	15,664,318
		22,061,212
South Africa: 0.3%		
242,549	Tongaat Hulett Ltd.	2,082,204
South Korea: 0.5%		
105,694	Komipharm International Co. Ltd. * #	4,144,660
Switzerland: 8.1%		
778,862	Syngenta AG (ADR) †	68,228,311
Taiwan: 0.4%		
2,330,000	Taiwan Fertilizer Co. Ltd. #	3,128,460
Thailand: 1.7%		
15,921,636	Charoen Pokphand Foods (NVDR) #	14,635,772
Ukraine: 0.2%		
117,037	Kernel Holding SA #	1,808,747
United Kingdom: 2.5%		
2,844,019	CNH Industrial NV (USD) †	20,533,817
United States: 51.5%		
150,910	AGCO Corp.	7,442,881
69,953	Andersons, Inc.	2,530,900
1,175,194	Archer-Daniels-Midland Co.	49,557,931
62,968	Balchem Corp.	4,881,909
386,848	Bunge Ltd.	22,913,007
540,254	CF Industries Holdings, Inc.	13,155,185
667,020	Deere & Co. †	56,930,157
253,312	FMC Corp.	12,245,102
172,430	IDEXX Laboratories, Inc. *	19,438,034
647,237	Monsanto Co.	66,147,621
845,830	Mosaic Co. †	20,689,002
85,973	Neogen Corp. *	4,809,330
191,066	Pilgrim's Pride Corp.	4,035,314
53,061	Sanderson Farms, Inc. †	5,111,366
281,864	Toro Co.	13,202,510
322,842	Tractor Supply Co.	21,743,409
629,929	Tyson Foods, Inc.	47,036,798
1,159,763	Zoetis, Inc.	60,319,274
		432,189,730
Total Common Stocks (Cost: $924,885,338)		838,901,185

Principal Amount		
SHORT-TERM INVESTMENTS HELD AS COLLATERAL FOR SECURITIES LOANED: 5.5%		
Repurchase Agreements: 5.5%		
$11,023,296	Repurchase agreement dated 9/30/16 with Citigroup Global Markets, Inc., 0.52%, due 10/3/16, proceeds $11,023,774; (collateralized by various U.S. government and agency obligations, 0.00% to 7.00%, due 2/15/20 to 9/9/49, valued at $11,243,762 including accrued interest)	11,023,296

11,023,296	Repurchase agreement dated 9/30/16 with Daiwa Capital Markets America, Inc., 0.52%, due 10/3/16, proceeds $11,023,774; (collateralized by various U.S. government and agency obligations, 0.00% to 9.00%, due 10/13/16 to 9/9/49, valued at $11,243,762 including accrued interest)	11,023,296
11,023,296	Repurchase agreement dated 9/30/16 with HSBC Securities USA, Inc., 0.46%, due 10/3/16, proceeds $11,023,719; (collateralized by various U.S. government and agency obligations, 0.00% to 7.13%, due 10/3/16 to 7/15/37, valued at $11,243,800 including accrued interest)	11,023,296
2,320,085	Repurchase agreement dated 9/30/16 with Merrill Lynch, Pierce, Fenner & Smith, Inc., 0.50%, due 10/3/16, proceeds $2,320,182; (collateralized by various U.S. government and agency obligations, 2.14% to 6.00%, due 3/1/26 to 9/1/46, valued at $2,366,487 including accrued interest)	2,320,085
11,023,296	Repurchase agreement dated 9/30/16 with Nomura Securities International, Inc., 0.52%, due 10/3/16, proceeds $11,023,774; (collateralized by various U.S. government and agency obligations, 0.00% to 8.00%, due 4/15/17 to 2/20/63, valued at $11,243,762 including accrued interest)	11,023,296
Total Short-Term Investments Held as Collateral for Securities Loaned (Cost: $46,413,269)		46,413,269
Total Investments: 105.5% (Cost: $971,298,607)		885,314,454
Liabilities in excess of other assets: (5.5)%		(46,165,949)
NET ASSETS: 100.0%		$839,148,505

ADR	American Depositary Receipt
GDR	Global Depositary Receipt
NOK	Norwegian Krone
NVDR	Non-Voting Depositary Receipt
USD	United States Dollar
*	Non-income producing
†	Security fully or partially on loan. Total market value of securities on loan is $45,491,689.
#	Indicates a fair valued security which has been valued in good faith pursuant to guidelines established by the Board of Trustees. The aggregate value of fair valued securities is $211,989,876 which represents 25.3% of net assets.
Reg S	Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration.

Summary of Investments by Sector Excluding Collateral for Securities Loaned (unaudited)	% of Investments	Value
Consumer Discretionary	2.6 %	$21,743,409
Consumer Staples	31.5	264,295,270
Financials	0.5	3,907,166
Health Care	10.6	88,711,298
Industrials	16.9	142,292,358
Materials	37.9	317,951,684
	100.0%	$838,901,185

The summary of inputs used to value the Fund's investments as of September 30, 2016 is as follows:

	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value
Common Stocks				
Australia	$—	$30,739,829	$ —	$30,739,829
Canada	68,166,724	—	—	68,166,724
Chile	4,333,321	—	—	4,333,321
China / Hong Kong	—	8,355,698	—	8,355,698
Denmark	—	5,405,315	—	5,405,315
Germany	—	11,867,308	—	11,867,308
Indonesia	—	6,343,981	—	6,343,981
Israel	6,497,821	—	—	6,497,821
Japan	—	57,391,173	—	57,391,173
Malaysia	—	26,053,649	—	26,053,649
Netherlands	—	2,428,937	—	2,428,937
Norway	19,480,796	15,456,928	—	34,937,724
Russia	5,398,585	2,168,207	—	7,566,792
Singapore	—	22,061,212	—	22,061,212
South Africa	2,082,204	—	—	2,082,204
South Korea	—	4,144,660	—	4,144,660
Switzerland	68,228,311	—	—	68,228,311
Taiwan	—	3,128,460	—	3,128,460
Thailand	—	14,635,772	—	14,635,772
Ukraine	—	1,808,747	—	1,808,747
United Kingdom	20,533,817	—	—	20,533,817
United States	432,189,730	—	—	432,189,730
Repurchase Agreements	—	46,413,269	—	46,413,269
Total	$626,911,309	$258,403,145	$ —	$885,314,454

During the period ended September 30, 2016, transfers of securities from Level 2 to Level 1 were $ 5,492,880. These transfers resulted primarily from changes in certain foreign securities valuation methodologies between the last close of the securities' primary market (Level 1) and valuation by a pricing service (Level 2), which takes into account market direction or events occurring before the Fund's pricing time but after the last local close, as described in the Notes to Schedule of Investments.

See Notes to Schedules of Investments

COAL ETF

SCHEDULE OF INVESTMENTS

September 30, 2016 (unaudited)

Number of Shares		Value
COMMON STOCKS: 98.7%		
Australia: 17.2%		
1,965,602	Aurizon Holdings Ltd. #	$7,105,989
290,511	Washington H Soul Pattinson & Co. Ltd. #	3,587,151
2,321,343	Whitehaven Coal Ltd. * #	4,402,825
		15,095,965
Canada: 12.5%		
390,420	Teck Cominco Ltd. (USD)	7,039,273
215,704	Westshore Terminals Investment Corp.	3,914,430
		10,953,703
China / Hong Kong: 19.9%		
7,700,095	China Coal Energy Co. Ltd. * #	4,191,496
3,143,408	China Shenhua Energy Co. Ltd. #	6,213,248
10,680,067	Fushan International Energy Group Ltd. #	2,423,693
29,780,000	National United Resources Holdings Ltd. * # §	408,921
6,232,000	Yanzhou Coal Mining Co. Ltd. #	4,225,356
		17,462,714
Indonesia: 15.4%		
48,296,115	Adaro Energy Tbk PT #	4,481,705
1,787,452	Indo Tambangraya Megah Tbk PT #	1,497,731
3,267,700	Tambang Batubara Bukit Asam Tbk PT #	2,419,490
3,800,000	United Tractors Tbk PT #	5,177,217
		13,576,143
Philippines: 4.1%		
1,552,610	Semirara Mining and Power Corp. #	3,651,744
Poland: 5.6%		
288,182	Jastrzebska Spolka Weglowa SA * #	3,977,840
63,078	Lubelski Wegiel Bogdanka SA *	937,101
		4,914,941
Russia: 0.7%		
690,381	Raspadskaya OJSC * #	592,683
South Africa: 4.6%		
661,472	Exxaro Resources Ltd. #	4,058,010
South Korea: 1.1%		
697,024	Kiwi Media Group * #	1,013,488
Thailand: 4.3%		
8,273,900	Banpu PCL (NVDR) #	3,759,461
United States: 13.3%		
227,437	Cloud Peak Energy, Inc. *	1,237,257
224,355	Consol Energy, Inc.	4,307,616
49,998	FreightCar America, Inc.	718,971
136,816	Joy Global, Inc.	3,795,276
203,033	SunCoke Energy, Inc.	1,628,325

		11,687,445
Total Common Stocks (Cost: $92,444,368)		86,766,297
RIGHTS: 0.0% (Cost: $114,311)		
Thailand: 0.0%		
284,936	Banpu Power PCL Rights (THB 21.00, expiring 08/26/17) * #	0
WARRANTS: 0.9% (Cost: $0)		
Thailand: 0.9%		
2,576,100	Banpu PCL 06/05/17 Warrants (THB 5.00, expiring 06/05/17) * #	783,523
MONEY MARKET FUND: 0.2% (Cost: $144,715)		
144,715	Dreyfus Government Cash Management Fund	144,715
Total Investments: 99.8% (Cost: $92,703,394)		87,694,535
Other assets less liabilities: 0.2%		169,067
NET ASSETS: 100.0%		$87,863,602

NVDR	Non-Voting Depositary Receipt
THB	Thai Baht
USD	United States Dollar
*	Non-income producing
#	Indicates a fair valued security which has been valued in good faith pursuant to guidelines established by the Board of Trustees. The aggregate value of fair valued securities is $63,971,571 which represents 72.8% of net assets.
§	Illiquid Security — the aggregate value of illiquid securities is $408,921 which represents 0.5% of net assets.

Summary of Investments by Sector (unaudited)	% of Investments	Value
Energy	63.8	55,944,419
Industrials	18.2	15,943,587
Materials	17.8	15,661,814
Money Market Fund	0.2	144,715
	100.0%	$87,694,535

The summary of inputs used to value the Fund’s investments as of September 30, 2016 is as follows:

	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value
Common Stocks				
Australia	$—	$ 15,095,965	$ —	$ 15,095,965
Canada	10,953,703	—	—	10,953,703

China / Hong Kong	—	17,462,714		—	17,462,714
Indonesia	—	13,576,143		—	
Income Before Income Taxes	13,251,662	9,269,122	2,248,030	1,935,548	
Provision for Income Taxes	4,248,314	3,023,680	730,540	604,367	
Net Income	$ 9,003,349	$ 6,245,442	$ 1,517,490	$ 1,331,181	
Basic and Diluted Income Per Common Share					
Basic	$ 2.04	$ 0.76	$ 0.12	$ 0.16	
Diluted	$ -	$ 0.53	$ -	$ 0.11	
Weighted Average Number Common Shares Oustanding					
Basic	4,416,240	8,196,521	12,703,159	8,196,521	
Diluted	-	11,846,064	-	11,846,064	

The accompanying notes are an integral part of the condensed consolidated statements.

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CHINA DONGSHENG INTERNATIONAL, INC.
(FORMERLY PAPERCLIP SOFTWARE, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended March 31, 2007 and 2006

	2007 (Unaudited)	2006 (Unaudited)
Cash Flows From Operating Activities:		
Net income	$ 9,003,349	$ 6,245,442
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	193,550	51,667
Changes in operating assets and liabilities:		
Accounts receivable	113,665	(193)
Inventory	(49,800)	28,864
Advances to suppliers	3,710,814	(8,775,448)
Prepaid expenses	(80,611)	-
Accounts payable	(211,739)	-
Unearned revenue	83,151	31
Taxes payable	8,464,057	6,146,269
Accrued expenses and other payables	(192,502)	(87,578)
Cash provided by operating activities	21,033,934	3,609,054
Cash Flows From Investing Activities:		
Purchase of land use right	(2,714,785)	-
Purchase of property and equipment	(23,674)	(4,082,961)
Additions to construction in process	(17,994,813)	-
Cash used in investing activities	(20,733,272)	(4,082,961)
Cash Flows From Financing Activities:		
Proceeds from capital contribution	-	12,081
Payment of notes payable	(104,368)	-
Cash provided by (used in) financing activities	(104,368)	12,081
Effect of exchange rate changes on cash and cash equivalents	187,455	47,443
Increase in cash and cash equivalents	383,749	(414,383)
Cash and Cash Equivalents - Beginning of period	184,842	601,657
Cash and Cash Equivalents - Ending of period	$ 568,591	$ 187,274

Supplemental disclosures of cash flow information:

Interest paid	$	50,688	$	-
Income Taxes paid	$	-	$	-

The accompanying notes are an integral part of the condensed consolidated statements.

CHINA DONGSHENG INTERNATIONAL, INC.
(FORMERLY PAPERCLIP SOFTWARE, INC.)
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

China Dongsheng International, Inc. (“the Company” or “CDSG”) was incorporated under the laws of the State of Delaware in October, 1991 and formerly known as Paperclip Software, Inc.

On November 9, 2006, the Company acquired 100% of the issued and outstanding capital stock of American Sunrise international, Inc. (“ASI”), a Delaware corporation, thereby making ASI a wholly-owned subsidiary of the Company, in consideration for a cash payment of $280,000 and in exchange for the issuance of (i) 18,153,934 shares of the Company's common stock and (ii) 1,762,472 shares of the Company's newly-designated Series B Convertible Preferred Stock, of which series each share can be convert into 500 shares of the Company's common stock. After giving effect to the transactions contemplated by the Share Exchange Agreement (the "Transaction"), the ASI Shareholders and the former shareholders of the Company own 98.7% and 1.3%, respectively, of the Company's common stock on a fully-diluted basis, thereby resulting in a substantial dilution to the Company's shareholders of record as of November 6, 2006 (the "Historic PaperClip Shareholders") and constituting a change in control of the Company.

For accounting purposes, the transaction described above has been accounted for as a reverse acquisition under the purchase method of accounting. Accordingly, ASI is treated as the continuing entity for accounting purposes

The Company operates its business primarily through its wholly-owned subsidiary, Jilin Dongsheng Weiye Science and Technology Co., Ltd. (“Dongsheng”), which is engaged in the manufacturing and distributing of nutritional supplements, beauty care products and other alternative health care products.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements, In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the full year.

CHINA DONGSHENG INTERNATIONAL, INC.
(FORMERLY PAPERCLIP SOFTWARE, INC.)
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries, American Sunrise International, Inc., Jilin Dongsheng Weiye Science and Technology Co., Ltd and the Spinco. Inter-company transactions and balances have been eliminated in consolidation and combination.

CONCENTRATIONS OF CREDIT RISK

After merging with ASI, the principle operations of the Company are now located in the PRC. Accordingly, the Company’s business, financial condition, and results of operations may be influenced by the political, economic, and legal environments in the PRC, in addition to the general state of the PRC economy. The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments legal environments and foreign currency exchange.

The Company’s results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

FOREIGN CURRENCY TRANSLATION

The functional currency for the Company’s operations in China is the Renminbi (“RMB”). Foreign currency transactions are translated at the applicable rates of exchange in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. Revenues and expenses are translated at the average exchange rates in effect during the reporting period.

CHINA DONGSHENG INTERNATIONAL, INC.
(FORMERLY PAPERCLIP SOFTWARE, INC.)
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS ENDED MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity as "Accumulated Other Comprehensive Income". Gains and losses resulting from foreign currency translations are included in Accumulated Other Comprehensive Income.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements,” which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 should be applied prospectively. The Company is currently analyzing whether this new standard will have impact on its financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans”, which amends SFAS No. 87 “Employers’ Accounting for Pensions” (SFAS No. 87), SFAS No. 88 “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits” (SFAS No. 88), SFAS No. 106 “Employers’ Accounting for Postretirement Benefits Other Than Pensions” (SFAS No. 106), and SFAS No. 132R “Employers’ Disclosures about Pensions and Other Postretirement Benefits (revised 2003)” (SFAS No. 132R). This Statement requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. SFAS No. 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor’s year end. The standard provides two transition alternatives related to the change in measurement date provisions. The recognition of an
asset and liability related to the funded status provision is effective for fiscal year ending after December 15, 2006 and the change in measurement date provisions is effective for fiscal years ending after December 15, 2008 The implementation of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

CHINA DONGSHENG INTERNATIONAL, INC.
(FORMERLY PAPERCLIP SOFTWARE, INC.)
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS ENDED MARCH 31, 2007 AND 2006 (UNAUDITED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140.” SFAS No. 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract under a transfer of the servicer’s financial assets that meets the requirements for sale accounting, a transfer of the servicer’s financial assets to a qualified special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale or trading securities in accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities” and an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. Additionally, SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the use of an amortization or fair value method for subsequent measurements, permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and requires separate presentation of servicing assets and liabilities subsequently measured at fair value and additional disclosures for all separately recognized servicing assets and liabilities. SFAS No. 156 is effective for transactions entered into after the beginning of the first fiscal year that begins after September 15, 2006. This standard did not have a material impact on the Company’s consolidated financial position, results of operations, or cash flows.

In February 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (“SFAS No. 155), and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. The Company does not expect the adoption of SFAS No. 155 to have a material impact on its financial position, results of operations or cash flows as the Company currently has no financial instruments within the scope of SFAS No. 155.

NOTE 3. INVENTORY

Inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a sellable condition. At March 31, 2007, the Company’s inventory consists of the finished goods only.

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NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

Machinery and Equipment	$ 398,224
Building and Plant	4,216,902
Subtotal	4,615,126
Less: Accumulated Depreciation	(260,344)
Construction in progress	24,392,371
Total property and equipment, net	$ 28,747,153

Depreciation expense for the nine months ended March 31, 2007 and 2006 was $126,304 and $51,667, respectively.

Construction in progress represents direct costs of construction or acquisition and design fees incurred for the Company's new operating site and equipments. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until it is completed and ready for its intended use.

NOTE 6. LAND USE RIGHT

The Company's operating subsidiary, Dongsheng, purchased the right to use land from the local government for the period of 30 years to build a new research facility. The land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over 30 years. The amortization expense was $67,246 and $ - 0 - for the nine months ended March 31, 2007 and 2006, respectively.

NOTE 7. DEPOSIT ON LAND

In June 2005, the Company's operating subsidiary also signed an agreement with the Land Committee of Jilin City Hi-Tech Zone to purchase the land use right for a planned new manufacturing site.

As of March 31, 2007, the Company has not received the official Certificate of Approval for the land use right from the local government. The total payment of $2,719,080 made on purchase of land use right were recorded as deposit on land and no amortization on land use right will be booked until the official approval is received.

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NOTE 8. INCOME TAX PAYABLE

The Company’s operating subsidiary, Dongsheng, is located in China and governed by the Income Tax Law of China concerning the private-run enterprises, which are normally subject to income tax at a statutory rate of 33% (30% state income tax plus 3% local income tax) on its taxable income. Dongsheng has been accruing the income tax payable since the first year it had profits.

In 2006, Dongsheng changed its status from the private-run enterprise to foreign-invested enterprise following the acquisition by ASI. In accordance with Chinese laws, the subsidiary is now eligible to the income tax holiday of 5 years commencing from its first profit-making year. The subsidiary is applying for the income tax exemption from Chinese tax authority and is expected to be approved soon. Until then, the subsidiary is continuing to accrue the income taxes as usual. The accrued income tax payable will be reversed and recorded as income tax benefit in the period when the certificate of approval and tax clearance are granted by the Chinese authority.

The total tax payable of $16,456,908 accrued in the Company’s book as of March 31, 2007 includes $16,350,531 for the Company’s operating subsidiary, Dongsheng, and $106,377 for the parent company, Paperclip Software, Inc. Majority of the tax payable for Dongsheng is the accrued income tax liability, which is expected to be forgiven.

NOTE 9. STOCKHOLDERS' EQUITY

On November 9, 2006, in accordance with the Share Exchange Agreement with ASI, the Company issued 18,153,934 shares of its common stock and 1,762,472 shares of its newly-designated Series B Convertible Preferred Stock, of which series each share will convert into 500 shares of the Company’s common stock (upon the increase of the Company’s authorized common stock to an appropriate amount to satisfy full conversion of all Series B Convertible Preferred Stock shares).

On February 25, 2007, the Company effectuated a 1-for-37 reverse stock split on all of its issued and outstanding shares of common stock and preferred stock. Simultaneously, all preferred stock was converted into common stock at the designated ratio.

As of March 31, 2007, there were 31,546,134 shares of Common Stock issued and outstanding and no preferred stock.

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NOTE 10. NOTES PAYABLE - RELATED PARTY

At March 31, 2007, the Company has a balance of $100,814 notes payable to its former Chief Executive Officer, Mr. William Weiss. It represents the deferred compensation payments for his services to the Company prior to the reverse merger.

Item 2. Management's Discussion and Analysis or Plan of Operation.

THE FOLLOWING INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS FORM 10-QSB.

SAFE HARBOR REGARDING FORWARD-LOOKING STATEMENTS

The information contained in Item 2 contains 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. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

Results of Operations for the Nine and Three Months Ended March 31, 2007 compared to the Nine and Three Months Ended March 31, 2006

Revenue

The Company generated $23,280,402 in net sales for the nine months ended March 31, 2007, an increase of $ 5,641,794 or 31.9% as compared to the revenue of $17,638,608 for the nine months ended March 31, 2006. For the three months ended March 31, 2007, net sales totaled $4,544,019, an increase of $315,472 or 7.4% as compared to net sales of $4,238,547 for the three months ended March 31, 2006. Although we did experience a marginal increase in our sales revenues for the three months ended March 31, 2007, compared to the net sales we achieved for the nine months ended March 31, 2007, our growth in the quarter was limited due to primarily seasonal factors associated with both the calendar and lunar new year. As we expand our operations to bring in more distributors throughout the country, we expect our Aidong Nutritionals and Jiujiu Ozone Purifiers to comprise the majority of our net sales.

Cost of Sales

The cost of sales was $9,402,668 for the nine months ended March 31, 2007, an increase of $ 1,438,707 or 18.1% as compared to the cost of sales of $7,963,961 for the nine months ended March 31, 2006. The cost of sales was $1,774,086 for the three months ended March 31, 2007, an decrease of $ 162,029 or 8.4% as compared to $1,936,115 for the three months ended March 31, 2006. The increase in costs of sales during the nine month period ended March 31, 2007 is fully attributable to the 31.9% increase in revenues. For the three months ended March 31, 2007, despite a 7.4% increase in net sales, our costs of sales decreased by 8.4% due to the fact that we were able to negotiate lower prices for the products we purchased from our suppliers, as compared with the same period last year.

Total Operating Expenses

Total operating expenses were $1,330,034 for the nine months ended March 31, 2007, an increase of $ 666,185 or 100.0% as compared to total operating expenses of $663,849 for the nine months ended March 31, 2006. Total operating expenses were $560,801 for the three months ended March 31, 2007, an increase of $ 114,648 or 25.7% as compared to total operating expenses of $446,153 for the three months ended March 31, 2006. The increase in operating expenses was principally attributable to the expansion of our operation as we recruited more distributors and trained more independent sales agents. Our selling and administrative expenses rose with our higher revenues and fully reflect the increase in operating expenses.

Net Income

Net income for the nine months ended March 31, 2007 increased by $ 2,757,907 to $9,003,349 from $6,245,442 for the nine months ended March 31, 2006. Net income for the three months ended March 31, 2007 increased by $186,309 to $1,517,490 from $1,331,181 for the three months ended March 31, 2006. Overall increase in income before income taxes for the nine months period can be mainly attributed the expansion of our sales network. For the three months ended March 31, 2007, as compared to the same quarter of the previous year, the increase in our net income was primarily attributed to our ability to negotiate lower prices for the goods we purchased from our suppliers due to our increasing sales volume..

Liquidity and Capital Resources

As of March 31, 2007, the Company had cash and cash equivalents of $568,591, as compared to $603,716 at December 31, 2006. As of March 31, 2007, the Company had working capital of ($16,070,251), as compared to ($14,465,259) as of December 31, 2005. The working capital component for both the nine month period and the three month period includes a significant tax payable amount of $17,091,825 and $14,723,568 respectively. As we completed a reverse merger transaction in November of 2006, in accordance with applicable Chinese Law, the Company is therefore eligible for an exemption of income tax in PRC for the first two profitable years and a 50% income tax reduction for the next three years. We believe that when we are granted the status of a Foreign-Invested Enterprise ("FIE"), we will be exempt from most of these tax liabilities.

Net cash provided by operating activities totaled $21,033,934 for the nine months ended March 31, 2007, a increase of $17,424,880 or 482.8%, as compared to cash provided by operating activities of $3,609,054 for the nine months ended March 31, 2006. The increase in net cash provided by operating activities was primarily due to the decrease in our advances to suppliers account in the amount of $3,710,814 as we are near the end of building our new manufacturing facilities.. Also, with our increased net income, our accrued tax payable has increased sharply by $8,464,057 as compared to $6,146,269 to the same period of last year. As discussed earlier, upon the official recognition from the local tax authority of our FIE status, we believe we will be exempt from most of those tax liabilities and recognize a tax benefit instead.

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Net cash used in investing activities totaled $20,733,272 for the nine months ended March 31, 2007, an increase of $16,650,311 or 407.8%, as compared to $4,082,961 for the nine months ended March 31, 2006. This increase can be attributed directly to the purchase of land use rights which totaled $2,714,785 and the additions to construction for our manufacturing facilities which totaled $17,994,813.

Net cash used in financing activities totaled $104,368 for the nine months ended March 31, 2007, as compared to net cash provided by financing activities of $12,081 provided for the nine months ended March 31, 2006. The $12,081 is a result of a capital contribution into the company compared to the $104,368 note payable which was paid.

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

We do not foresee any event or uncertainty nor is there any evidence in consumer demand or confidence that would reflect any trend to impact our short-term or long-term liquidity. By selling products through retail outlets and also franchise bases, the Company limits the commitments it must make to suppliers related to the manufacture of its products. In short, the Company only manufactures products based upon fully paid existing orders or orders partially paid with deposits. Using this mechanism, the Company has limited the amount of inventory it keeps on hand. The Company funds its operations internally or through contributions by management as reflected in the additional paid in capital.

The construction of our production plants is financed internally through cash on hand and contributions by the management as reflected in additional paid in capital. We do not have any material external commitments for these capital expenditures.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of March 31, 2007. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that our disclosure and controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the fiscal quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

To the best of our knowledge, neither the Company nor any of its subsidiaries is a party to any pending or threatened legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Title of Document
31.1	Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002
32.1	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002

SIGNATURES

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

CHINA DONGSHENG INTERNATIONAL, INC.

Date: May 21, 2007 By: */s/ Aidong Yu*

AIDONG YU
Chief Executive Officer
Chief Financial Officer