

CHINA SWINE GENETICS, INC.
Form 10-Q
November 16, 2009

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

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

For the transition period from _____ to _____

Commission File Number 0-12792

CHINA SWINE
GENETICS, INC.
(Name of Registrant as
Specified in its Charter)

Delaware 84-0916585
(State or Other Jurisdiction of incorporation or (I.R.S. Employer
organization) Identification No.)

1077 Ala Napunani Street, Honolulu,
HI 96818
(Address of principal executive
offices)

808-429-5954
(Issuer's telephone number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes _____ No _____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes _____

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer Accelerated filer Non-accelerated filer Small reporting company

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: On November 13, 2009, there were 20,031,181 shares of Common Stock, par value \$.001 per share, outstanding.

CHINA SWINE GENETICS, INC.

FORM 10-Q
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

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Part I
Financial Information

Item 1. Financial Statements

China Swine Genetics, Inc. (f/k/a Apogee Robotics, Inc.) and
Subsidiaries
Condensed Consolidated Balance
Sheets

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
Assets		
Current Assets:		
Cash and equivalents	\$ 1,090,470	\$ 82,854
Accounts receivable	-	634,550
Inventories	784,841	998,600
Advanced to suppliers, net	24,309,278	20,654,804
Prepayments and other current assets	94,023	146,789
Total Current Assets	26,278,612	22,517,597
Property, Plant, Equipment and Breeding Stock, net		
Total Long-Term Assets	2,264,215	2,486,610
Total Assets	28,542,827	25,004,207
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses	364,388	447,565
Customer deposit	28,868	4,270
Loans payable, net, current maturities	1,084,139	1,068,909
Loans from shareholders/officers, net	-	11,024,211
Deferred interest income	14,548	29,077
Other current liabilities	41,995	64,593
Total Current Liabilities	1,533,938	12,638,625
Total Liabilities	1,533,938	12,638,625
Equity:		
China Swine Genetics Inc. Shareholders' Equity:		
Preferred Stock, \$0.001 par value, 9,995,200 shares authorized, zero shares issued and outstanding, respectively *	-	-

Series A Convertible Preferred Stock , \$0.001 par value, 4,800 shares authorized, 4,646.05933 shares issued and outstanding, respectively *	5	5
Common stock, \$0.001 par value, 300,000,000 shares authorized, 72,598 issued and outstanding, respectively *	73	73
Additional paid-in capital *	15,212,412	4,043,176
Reserve funds	2,434,675	1,874,970
Retained earnings	8,296,266	5,295,496
Accumulated other comprehensive income	737,825	720,415
Total China Swine Genetics Inc. Shareholders' Equity	26,681,256	11,934,135
Noncontrolling Interest	327,633	431,447
Total Equity	27,008,889	12,365,582
Total Liabilities and Equity	\$ 28,542,827	\$ 25,004,207

*: As restated to show
recapitalization and reverse split.

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

China Swine Genetics, Inc. (f/k/a Apogee Robotics, Inc.) and
Subsidiaries
Condensed Consolidated
Statements of Operations
(Unaudited)

	For Three Months Ended September 30,	
	2009	2008
	Unaudited	Unaudited
Revenues	\$ 21,895,508	\$ 11,514,522
Cost of Goods Sold	17,167,862	9,301,840
Gross Profit	4,727,646	2,212,682
Operating Expenses		
Selling expenses	671,363	387,757
General and administrative expenses	68,172	163,465
Bad debt for advanced to suppliers	178,830	3,753
Total Operating Expenses	918,365	554,975
Income From Operations	3,809,281	1,657,707
Other Income (Expenses)		
Interest income (expenses), net	554	(19,220)
Other expenses, net	(6,242)	(819)
Loss on fixed assets disposal	(107,753)	(100,643)
Loss on inventory disposal	(239,179)	(60,034)
Total Other Expenses	(352,620)	(180,716)
Income Before Income Taxes	3,456,661	1,476,991
Income Tax Provision	-	-
Net Income Before Noncontrolling Interest	3,456,661	1,476,991
Less: Net income attributable to the noncontrolling interest	(103,814)	(56,064)
Net Income Attributable to China Swine Genetics Inc	\$ 3,560,475	\$ 1,533,055
Earnings Per Share:		
- Basic	\$ 49.04	\$ 21.12
- Diluted	\$ 0.18	\$ 0.08
Weighted Common Shares Outstanding *		
- Basic	72,598	72,598

- Diluted	20,031,181	20,031,181
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*: As restated to show
recapitalization and reverse split.

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

China Swine Genetics, Inc. (f/k/a
Apogee Robotics, Inc.) and Subsidiaries
Condensed Consolidated Statements of
Comprehensive Income (Unaudited)

	For Three Months Ended September 30,	
	2009	2008
	(Unaudited)	(Unaudited)
Net Income Before Noncontrolling Interest	\$ 3,456,661	\$ 1,476,991
Other Comprehensive (Loss) Income:		
Foreign Currency Translation Income	17,410	207,877
Comprehensive Income	\$ 3,474,071	\$ 1,684,868

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

China Swine Genetics, Inc. (f/k/a Apogee Robotics, Inc.) and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For Three Months Ended September 30,	
	2009	2008
	Unaudited	Unaudited
Cash Flows From Operating Activities		
Net Income	\$ 3,560,475	\$ 1,533,055
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	131,668	241,149
Bad debt adjustment	178,830	3,753
Net income attributable to noncontrolling interest	(103,814)	(56,064)
Loss on disposal of fixed assets	107,753	100,643
Loss on disposal of inventory	239,179	60,034
Changes in operating assets and liabilities:		
Accounts receivable	634,550	335
Inventories	(29,720)	(573,814)
Advanced to suppliers	(3,817,792)	(748,333)
Prepayments and other current assets	52,826	(7,622)
Accounts payable and accrued expenses	(83,410)	208,771
Customer deposit	24,580	30,616
Deferred interest income	(14,538)	(17,759)
Other current liabilities	(22,625)	7,842
Net Cash Provided by Operating Activities	857,962	782,606
Cash Flows From Investing Activities		
Payment for purchase of equipment	(34,571)	(3,944)
Payment for construction in progress	-	(7,609)
Proceeds from sale of property and equipment	23,760	27,018
Net Cash (Used in) Provided by Investing Activities	(10,811)	15,465
Cash Flows From Financing Activities		
Proceeds from loans payable	-	497,356
Repayment of loans payable	-	(441,833)
Proceeds from discount on loan payable	14,538	17,759
Payments for loans to shareholders/officers	(4,585)	(31,665)
Proceeds the repayment of loans by shareholders/officers	147,701	29,910
	157,654	71,527

Net Cash Provided by Financing
Activities

Net Increase in Cash and Equivalents	1,004,804	869,598
Effect of Exchange Rate Changes on Cash	2,811	3,485
Cash and Equivalents at Beginning of Period	82,854	140,270
Cash and Equivalents at End of Period	\$ 1,090,470	\$ 1,013,353

SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION:

Interest paid	\$ -	\$ 8,174
Income taxes paid	\$ -	\$ -

SUPPLEMENTAL SCHEDULE OF
NON-CASH INVESTING AND
FINANCING ACTIVITIES:

Inventory transferred out to be breeding stock in fixed assets	\$ 4,801	\$ 11,601
Construction in progress transferred out to be fixed assets	\$ -	\$ 113,749
Majority shareholder gave up debt of the Company	\$ 11,169,236	\$ -

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

China Swine Genetics Inc (f/k/a Apogee Robotics, Inc.) and Subsidiaries
Notes to Condensed Consolidated Financial Statements

1. Interim financial statements:

The unaudited condensed consolidated financial statements of China Swine Genetics Inc (f/k/a Apogee Robotics, Inc.) (the "Company") and subsidiary have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and pursuant to the requirements for reporting on Form 10-Q. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. However, the information included in these interim financial statements reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of the consolidated financial position and the consolidated results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full year. The consolidated balance sheet information as of June 30, 2009 was derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K. These interim financial statements should be read in conjunction with that report.

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated.

2. Organization and Nature of Operations

China Swine Genetics Inc (f/k/a Apogee Robotics, Inc.) (the "Company") was founded as a Colorado corporation on June 29, 1983 and was reinstated by Colorado on March 15, 2007. The Company's Board of Directors and shareholders approved a change of domicile from Colorado to Delaware on December 6, 2007. In connection with the Company's change of domicile from Colorado to Delaware, the Company's authorized capital stock was changed to increase the authorized capital stock to 310,000,000 of which 300,000,000 are classified as common stock, par value \$0.001 per share, and 10,000,000 are classified as Preferred Stock, par value \$0.001 per share, issuable in series with such powers, designations, preferences and relative, participating, optional or other specific rights, and qualifications, limitations or restrictions thereof, as the Board may fix from time to time by resolution or resolutions. For at least ten years prior to August 13, 2009, the Company had not engaged in any business operations.

On August 13, 2009 China Swine Genetics Inc (f/k/a Apogee Robotics Inc.) acquired all of the outstanding capital stock of Advanced Swine Genetics, Inc., a Nevada corporation ("Advanced Swine"). In exchange for the outstanding shares of Advanced Swine, China Swine Genetics Inc (f/k/a Apogee Robotics Inc.) issued 4,646.05933 shares of its Series A Convertible Preferred Stock to the shareholders of Advanced Swine (the "Share Exchange"). Each share of Series A Preferred Stock is convertible into Four Thousand One Hundred Sixty-Six and (4,166.6666) shares of China Swine Genetics Inc (f/k/a Apogee Robotics Inc.) common stock.

As permitted by Delaware General Corporation Law, in order to better represent the Company's business, the Company has adopted a resolution to change the name of the Company from Apogee Robotics, Inc. to "China Swine Genetics, Inc." The Certificate of Amendment of Certificate of Incorporation was filed on September 9, 2009, effective on September 30, 2009.

Concurrent with the name change, a 1 for 24 reverse split was effected on September 30, 2009. Shareholders with 1 or more but fewer than 100 shares after the reverse split were issued shares to increase their holdings to 100 shares. All other fractional shares resulting from the reverse split were purchased by the Company for \$5.28 per share.

Advanced Swine was incorporated under the laws of Nevada on June 29, 2007. It has initiated no business activity. On February 28, 2008, Advanced Swine acquired 100% ownership equity of Heilongjiang Senyu Animal Husbandry Co., Ltd. (“Senyu”). Most of Advanced Swine’s activities are conducted through its wholly own subsidiary in PRC.

Senyu was incorporated on September 3, 2004, under the law of Heilongjiang Jiamusi District of the People Republic of China (“PRC”). On December 20, 2007, Advanced Swine signed a stock transfer agreement with Senyu, which contemplated that it would acquire all the ownership interest in Senyu. The certificate of approval for Senyu to accept foreign investment in PRC was issued on February 4, 2008 by the Investment Promotion Bureau of Heilongjiang Province, and the updated operation certificate of Senyu with the new shareholder’s name was issued on February 28, 2008 by Jiamusi Administration for Industry and Commerce. As a result, Senyu became a foreign wholly owned enterprise on February 28, 2008.

Senyu was originally founded with registered capital of \$1,208,211 (equivalent to RMB10 million) on August 27, 2004 and increased its registered capital to \$6,165,762 (equivalent to RMB50 million) and \$9,933,896 (equivalent to RMB80 million) on January 18 and August 29, 2006, respectively.

Senyu remained development stage and incurred minor selling expenses and significant general and administrative expenses prior to September, 2005. In September 2005, Senyu accepted its order for the sale of merchandise hogs and genetic boars that it had raised. Since then Senyu has operated its business as a farmer enterprise for breeding, feeding, and marketing the grandparent and parent generation boars, and merchandise hogs.

In December 2005, Senyu established a joint venture with Polar Genetics Co., Ltd., a Canadian corporation (the “foreign partner”), called Sino-Canadian Senyu-Polar Swine Genetics Company Limited (“Sino-Canadian”) with expected registered capital of \$2,068,368 (equivalent to RMB16.7 million). According to the joint venture agreement, Senyu and its foreign partner are required to contribute \$1,238,543 (equivalent RMB10 million) and 600 primary genetic boars worth \$829,825 (equivalent RMB6.7 million) in order to own 60% and 40% of the joint venture, respectively. This joint venture had been approved by Heilongjiang government on March 30, 2006, and the actual capital \$1,246,028 (equivalent RMB10 million) was contributed by Senyu on May 22, 2006. Its foreign partner did not contribute 600 primary genetic boars worth \$891,788 (equivalent RMB6.7 million) until October 12, 2007, which, due to customs processing, were not released to the Sino-Canadian until November 27, 2007. Accordingly, Senyu fully owned this joint venture until November 27, 2007. This joint venture remained development stage and incurred start-up cost prior to November, 27, 2007

3. Basis of Presentation

a. Fiscal Year

The Company's fiscal year ended on June 30. The accompanying condensed consolidated financial statements of operations and cash flows included activities for the three months ended September 30, 2009 and 2008, respectively.

b. Principle of Consolidation

The accompanying unaudited condensed consolidated financial statements present the financial position, results of operations and cash flows of the Company and all entities in which the Company has a controlling voting interest. The unaudited condensed consolidated financial statements also include the accounts of any variable interest entities in which the Company is considered to be the primary beneficiary and such entities are required to be consolidated in accordance with accounting principles generally accepted in the United States ("US GAAP"). These consolidated financial statements include the financial statements of China Swine Genetics, Inc (f/k/a Apogee Robotics, Inc.) and its subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with US GAAP. This basis of accounting differs from that used in the statutory accounts of some of the Company's subsidiaries, which were prepared in accordance with the accounting principles and relevant financial regulations applicable to enterprises with foreign investment in the PRC ("PRC GAAP"). Necessary adjustments were made to the Subsidiary's statutory accounts to conform to US GAAP to be included in these consolidated financial statements.

4. Summary of Significant Accounting Policies

a. Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in United States requires management to make estimates and assumptions that affect the amount reported in the unaudited condensed consolidated financial statements and the accompany notes. Significant estimates in 2009 and 2008 include the estimated useful lives and fair values of the assets. Actual results could differ from those estimates.

b. Foreign Currency Translation

The accompanying unaudited condensed consolidated financial statements are presented in United States dollars. The Company's functional currency is the Renminbi ("RMB"). The unaudited condensed consolidated financial statements are translated to U.S. dollars using year-end rates of exchange for assets and liabilities, average rates of exchange for the period for revenues, costs, and expenses, and historical capital contribution rate of exchange for capital contribution. Net gains and losses resulting from foreign exchange transactions are included in the statements of operations.

The following rates are used in translating the RMB to the U.S. Dollar presentation disclosed in these condensed consolidated financial statements for the three months ended September 30, 2009 and 2008, respectively.

		For The Three Months Ended September	
		30,	
		2009	2008
Assets and liabilities	the three months ended rate of US	\$ 0.14649	\$ 0.14728 /RMB
Revenue and expenses	average rate of US	\$ 0.14639	\$ 0.14625 /RMB

c. Revenue Recognition

Revenues from products sales are recorded when both title to the goods and risk of ownership have transferred to the customer upon shipment, provided that no significant obligations remain. Net sales reflect units shipped at selling prices reduced by certain sales allowances.

d. Income Taxes

The Company and its USA subsidiary, Advanced Swine, are subjected to U.S. federal income taxes, and State of Delaware and State of Nevada annual franchise tax, respectively. Its PRC subsidiaries were exempt from the income tax per PRC tax laws and regulation that exempt companies engaged in the agricultural breeding of livestock. Therefore, for the three months ended September 30, 2009 and 2008, the Company was not subject to any income taxes.

The Company follows ASC 740 - "Accounting for Income Taxes," which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Recent Accounting Pronouncements

e.

In June 2009, the FASB issued ASC 105, the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162. The FASB Accounting Standards Codification TM ("Codification") will become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of ASC 105, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Adoption of ASC 105 is not expected to have a material impact on the Company's results of operations or financial position.

In June 2009, the FASB issued ASC 810, Amendments to FASB Interpretation No. 46(R), which improves financial reporting by enterprises involved with variable interest entities. ASC 810 addresses (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166 and (2) concerns about the application of certain key provisions of FIN 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. ASC 810 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within the first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Adoption of ASC 810 is not expected to have a material impact on the Company's results of operations or financial position.

In May 2009, the FASB issued ASC 855, Subsequent Events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. An entity should apply the requirements of ASC 855 to interim or annual financial periods ending after June 15, 2009. Adoption of ASC 855 did not have a material impact on the Company's results of operations or financial position.

5. Inventories

Inventories on September 30, 2009 and June 30, 2009 consisted of the following:

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
Raw materials	\$ 56,045	\$ 57,106
Work in progress	591,127	615,487
Finished goods	137,669	326,007
Total	\$ 784,841	\$ 998,600

6. Advanced to suppliers, net

In order to raise good quality commercial hogs, and control the quality of feeding materials and procedures, Senyu signed a cooperation agreement with Heilongjiang WangDa Feedstuff Co., Ltd. ("WangDa"), a professional feeding materials provider and a purchasing agent for good quality commercial hogs, on October 11, 2007. Pursuant to the terms of the agreement, Senyu agreed to loan money to WangDa to support WangDa's farmers using good quality feedstuffs to raise their commercial hogs, and then sell those hogs to Senyu once they mature. WangDa can offset the loan amount from Senyu once it delivered the farmers' commercial hogs to Senyu. In order to extend farmer- base production model and acquire significant amounts of hogs in the near future from WangDa, Senyu loaned the amounts of \$25,326,489 (equivalent to approximately RMB 172.89 million) to WangDa as of September 30, 2009. Senyu adopted a bad debt allowance of 5% of the principal amount that it advanced to the supplier for the three months ended September 30, 2009 and for the fiscal year ended June 30, 2009. Accordingly, the bad debt allowances were \$1,266,324 and \$1,086,681 as of September 30, 2009 and June 30, 2009, respectively. Including the amount of advance to suppliers by the joint venture, Sino-Canadian, the Company had total net amount advanced to suppliers as of September 30, 2009 and June 30, 2009 consisted of the following:

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
Advanced to suppliers	25,575,602	21,741,485
Less: Accumulated bad debt allowance	1,266,324	1,086,681
Advanced to suppliers, net	24,309,278	20,654,804

Senyu also signed a supplementary agreement with WangDa on December 12, 2008 to secure Senyu's loan to WangDa. Pursuant to the supplementary agreement, once WangDa breached the term of cooperation agreement, Senyu can execute the following rights to secure its loans to WangDa: (1) step into WangDa's shoes with no other condition, and acquire all creditor's right of WangDa from contracted farmers, (2) If these creditor's rights still could not satisfy the loss from Senyu, then Senyu will have a creditor's right on WangDa's assets, these assets include and not limited to the building, equipment, and working capital of WangDa.

Senyu has renewed corporation agreement with WangDa effective January 1, 2009. SenYu still finances WangDa, with fixed profit margins set by SenYu, and WangDa in turn finances the farmers, providing fodder on credit at discount rates obtained through volume purchasing power. WangDa also guarantees the repurchase of mature hogs that meet SenYu's quality standards. Once WangDa breached the term of cooperation agreement, Senyu can still execute the above rights to secure its loans to Wangda.

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7. Prepayments and Other Current Assets

As of September 30, 2009 and June 30, 2009, prepayments and other current assets consisted of the following:

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
Prepaid rent	\$ 61,881	\$ 46,263
Advance to employees	15,230	39,313
Other receivable	16,912	61,213
Total	\$ 94,023	\$ 146,789

8. Property, Plant, Equipment, and Breeding Stock, net

Property, Improvements, Equipment, and Breeding Stock, less accumulated depreciation, consisted of the following:

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
Land improvements	\$ 278,350	\$ 278,173
Leasehold improvements	100,146	65,533
Buildings	1,764,277	1,763,151
Machinery and equipment	687,505	687,065
Breeding stock	491,358	866,821
Sub-Total	3,321,636	3,660,743
Less: Accumulated depreciation	1,057,421	1,174,133
Total	\$ 2,264,215	\$ 2,486,610

Depreciation expenses for the three months ended September 30, 2009 and 2008 were \$131,668 and \$241,149 respectively. Loss on disposal of fixed assets for the three months ended September 30, 2009 and 2008 was \$107,753 and \$100,643 respectively.

9. Loan payable

Loan payable as of September 30, 2009 and June 30, 2008 consisted of the following:

Loans payable, net, current maturities	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)
On December 1 and 16, 2005, the Company obtained loans in amounts of RMB2.8 million (equivalent to \$410,176 and \$409,915 as of September 30, 2009 and June 30, 2009, respectively) and RMB0.7 million (equivalent to \$102,545 and \$102,479 as of September 30, 2009 and June 30, 2009, respectively) from Jiamusi Government Financial Bureau ("JGFB") by pledging certain buildings in Huanan, which have a carrying value of approximately RMB2.6 million (equivalent to \$380,878). The term of the debt was originally from October 31, 2005 to 2007. Since the Company is an agricultural enterprise and its business is supported by the Chinese Government, these loans do not bear interest, and the original due date had been extended to December 31, 2008. Furthermore, before December 31, 2008, the due dates of these loans have been rescheduled to December 31, 2009.	\$ 512,721	\$ 512,394
On April 20 and September 25, 2007, the subsidiary of the Company, Sino-Canadian, obtained loans in amounts of RMB1.5 million (equivalent to \$219,737 and \$219,597 as of September 30, 2009 and June 30, 2009, respectively) and RMB0.5 million (equivalent to \$73,246 and \$73,199 as of September 30, 2009 and June 30, 2009, respectively) from TangYuan Government Financial Bureau ("TGFB") by pledging certain buildings in Heijjinhe, which have a carrying value of approximately RMB5.1 million (equivalent to \$747,107). The term of the debt was originally from January 1, 2007 to December 31, 2008. Since the Chinese government supports the Company's business, these loans do not bear interest and all of their due dates have been extended to December 31, 2009.	292,983	292,796
On May 9, 2007, the Company obtained a loan in amount of RMB2 million (equivalent to \$292,983 and \$292,796 as of September 30, 2009 and June 30, 2009, respectively) from JGFB by pledging certain buildings in Huanan, which have a carrying value of approximately RMB1.5 million (equivalent to \$219,737). The term of the debt was originally from January 1, 2007 to December 31, 2008. Since the government support the Company's business, this loan does not bear interest and the due date have been extended to December 31, 2009 by JGFB on June 16, 2008.	292,983	292,796
Total loans payable, current maturities	\$ 1,098,687	\$ 1,097,986
Less: discount on loans payable, current	14,548	29,077
Total loans payable, net, current maturities	\$ 1,084,139	\$ 1,068,909

10. Loan from Shareholders/Officers, Net

Amounts loan from shareholders/officers are unsecured, non-interest bearing, and have no set repayment date.

At the end of the fiscal quarter, in order to increase the working capital of the Company, the majority shareholder, Mr. Ligang Shang, waived his right to collect the Company's debt to him in amount of \$11,169,236. That sum was added to paid-in capital as of September 30, 2009.

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11. Commitments

The Company enters into forward commercial hog sales contracts with its major customers to decrease its market risk in the ordinary course of business. The Company utilizes forward contracts to establish adequate sales to minimize the risk of market fluctuations. The Company continually monitors its overall market position and fair value. The contracts information listed as follows:

Contract #	Sales Contracts	Client's Name	Contract Term	Sales Quantities
1	Merchandise hogs sales	Beijing Da Hongmen	from September 28, 2009 to September 28, 2010	120 thousand hogs per year
2	Merchandise hogs sales	Beijing Fifth Meat Processing Factory	from August 29, 2009 to August 28, 2010	180 thousand hogs per year