

SEN YU INTERNATIONAL HOLDINGS, INC.
Form 10-K/A
July 19, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No.4)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2010

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

For the transition period from _____ to _____.

Commission File No. 000-12792

SEN YU INTERNATIONAL HOLDINGS, INC.
f/k/a CHINA SWINE GENETICS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	84-0916585 (I.R.S. Employer Identification No.)
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19 West 44th Street, Suite 1108 New York, NY 10036 (Address of Principal Executive Offices, including zip code)	212-997-8585 (Registrant's Telephone Number, Including Area Code)
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Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 (Do not check if a smaller reporting company)

Smaller reporting company

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

No Yes

On September 28, 2010, 20,892,982 shares of the registrant's common stock were outstanding.

The aggregate market value of the voting stock held by non-affiliates as of December 31, 2009 was approximately \$6,896,226.

Documents Incorporated by Reference
None

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EXPLANATORY NOTE

Sen Yu International Holdings, Inc. (f/k/a China Swine Genetics, Inc), or the Company, is filing this Amendment No. 4 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal year ended June 30, 2010, or the Form 10-K, which was originally filed with the Securities and Exchange Commission, or SEC, on September 28, 2010 and amended on December 2, 2010 (“Amendment No. 1”), February 18, 2011 (“Amendment No. 2”) and May 20, 2011 (“Amendment No. 3”). Amendment No. 1 includes the following revisions:

- Revised disclosure with regard to the number of Series B Convertible Preferred shares issued in the June 2010 offering (the “Series B Preferred Stock”), the number of outstanding Series B Preferred shares and the description of its conversion price in the financial statements;
- Revision of the number of weighted shares of common stock outstanding on a fully diluted basis and its effect on the diluted earnings per share in the Company’s Consolidated Statements of Operation; and
- Revision of the weighted average effect of the dilutive securities in Note 13 to the Financial Statements as described in the notes to the financial statements.

Amendment No. 2 includes the following revisions:

- Revised disclosure regarding to the fair value of Series B Preferred Stock;
- Revised disclosure with respect to derivative liabilities, warrants, additional paid-in capital and other related changes in the Company’s Consolidated Balance Sheets;
 - Revised disclosure in Item 8 related to (i) the change in fair value of warrants and its effect on the basic and diluted earnings per share, (ii) the net income before noncontrolling interest and foreign currency translation income, (iii) the net income and additional paid-in capital, (iv) the net income and changes in fair value of warrants;

- Revised description of the fair value of the Series B Preferred Stock in the notes to the Financial Statements;
- Revised disclosures in Management’s Discussion and Analysis or Plan of Operation (“MD&A”) related to: (i) the net income for basic and diluted EPS calculation, (ii) the change in fair value of warrants; (iii) the Other Income (Expense or Losses) section; (iv) the Net Income and Comprehensive Income section, (v) the numbers related to working capital in the Liquidity and Capital Resources section, and (vi) the Net Cash (Used in) Provided by Operating Activities section.
- Revised disclosures in Controls and Procedures section with respect to the effectiveness of the internal control and procedure.

Amendment No. 3 includes the following revisions:

- Revised disclosure in the General and Administrative Expenses section of the MD&A based on reclassifications as to the losses on fixed assets and the losses on disposal of inventories in the restated financial statements as of June 30, 2010;
- Restatement of the Consolidated Balance Sheet, the Consolidated Statements of Operations, the Consolidated Statements of Changes in Stockholders’ Equity, the Consolidated Statements of Cash Flows for the fiscal year ended June 30, 2010 and their respective accompanying notes;
 - Addition of certain material agreements attached as Exhibits to Amendment No. 3.

Amendment No. 4 includes the following revisions:

- Revised disclosure in “Business Agents” section as relates to Golden Lotus’ exclusivity to distribute the Company’s breeding swine in Heilongjiang province;
- Revised disclosure in “Business Agents” section as relates to Wang Da’s contractual agreement with the Company;
 - Revised disclosure to the MD&A-Cost of Sales and Gross Profit relating to losses on disposal of inventories;
 - Revised disclosure to the MD&A-Bad Debt for Advance to Suppliers relating to adoption of bad debt allowance;
- Revised disclosure in the General and Administrative Expenses section and in Notes 12(d) and (e) of the financial statements, Stockholders’ Equity relating to Shares Base Compensation and Unearned Compensation;
- Revised MD&A-Other Income and Net Cash Provided by Operating Activities relating to abnormal losses and working capital respectively;
 - Addition of the employment agreements attached as Exhibits to Amendment No. 4;
- Revised the auditors’ report to include an explanatory paragraph that describes the restatement and to dual date the report for the restatement footnote number 17;
 - Revised Consolidated Statements of Operations and Statements of Cash Flow based on 230-10-45-28;
- Revised Note 3 Summary of Significant Accounting Policies - (e) Employee welfare benefits and Note 5 Advances to Suppliers relating to employee welfare plan and components of the advances respectively;

- Revised Note 12 relating to commercial hog sales contracts; and
- Revised Disclosure Controls and Procedures in “Item 9A Controls and Procedures” with respect to the effectiveness of the internal controls and procedures.

This Form 10-K/A continues to speak as of the date of the Form 10-K and no attempt has been made to modify or update disclosures in the original Form 10-K except as noted above. This Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update any related disclosures and any information not affected by the amendments contained in this Form 10-K/A is unchanged and reflects the disclosure made at the time of the filing of the Form 10-K with the SEC. Currently dated Exhibits 31.1, 31.2, 32.1 and 32.2 are included in this Form 10-K/A.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K/A that are not historical facts are forward-looking statements with respect to our financial condition, results of operations and business, which can be identified by the use of forward-looking terminology, such as “estimates,” “projects,” “plans,” “believes,” “expects,” “anticipates,” “intends,” or negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader of the forward-looking statements that such statements, which are contained in this Annual Report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employee, and general business factors affecting our operations, markets, growth, services, products, licenses and other factors discussed in our other filings with the SEC, and that these statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing us, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events.

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:

our financial position, business strategy and other plans and objectives for future operations;

the ability of our management team to execute our plans to meet our goals;

our ability to attract and retain management;

our growth strategies;

anticipated trends in our business;

our liquidity and ability to finance our operations and acquisition and development activities;

the impact of government regulation in China and elsewhere;

estimates regarding future net revenues or profits;

seasonal fluctuations in our sales, which will affect our quarterly results;

weather and other environmental factors beyond our control;

the loss of one or more customers;

the impact of competition;

general economic conditions, whether internationally, in China generally or in the regional and local market areas in which we are doing business, that may be less favorable than expected; and

other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our businesses, operations and pricing.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by us in those statements. Some of these risks are described in “Risk Factors” in Item 1A of this Annual Report. These risk factors should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward looking statements made in connection with this Annual Report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We do not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Further, the information about our intentions contained in this document is a statement of our intention as of the date of this document and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices, the economy in general and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

PART I

Unless otherwise provided in this Annual Report on Form 10-K/A, the terms “the company,” “Sen Yu International” “CSWG” “we,” “us,” and “our” refer to Sen Yu International Holdings, Inc. together with our wholly-owned subsidiary Advanced Swine Genetics, Inc., a Nevada corporation (“Advanced Swine”), our wholly-owned subsidiary, Heilongjiang Sen Yu Animal Husbandry Co., Ltd., a PRC company (“Heilongjiang Sen Yu”) and a 60% owned indirect subsidiary, Sino-Canadian Sen Yu Polar Swine Genetics Company Limited, a PRC joint venture (“Sino-Canadian Sen Yu”).

Item 1. Description of Business

Overview

We are a holding company whose subsidiaries are in the business of research, development and sale of breeding stock of swine and the sale of their mature offspring in the PRC. Our objective is to establish ourselves as a leading producer and distributor of breeding and commercial hogs in the PRC.

We entered the hog breeding and production business in September 2004. We have developed into one of the largest providers of breeding swine and commercial hogs in Heilongjiang Province. We currently own and operate two breeding farms (with approximately 40% of the products being breeding sows and boars). These farms, in the aggregate, had an annual production capacity of approximately 6,000 and 6,600 breeding swine for the fiscal years ended June 30, 2010 and 2009, respectively. We conduct genetic, breeding and nutrition research to improve the production capabilities of breeding swine. As a result of our dedication to the use of leading-edge technology, the Livestock Bureau of Heilongjiang Province designated Heilongjiang Sen Yu’s Jiamusi City facility as the Breeding Swine Research Center for Heilongjiang Province.

We believe we have a strategic advantage over our competitors due to the fact we have integrated our operations through the entire pork supply chain. We leverage our financial resources to control the production of hogs on myriad independent farms while allocating the risks of hog production among several affiliates and their farmer franchisees. Specifically, we control each phase of pork production in this manner:

We breed and raise high quality breeding boars and sows on our own facilities

We sell the boars and sows at prices slightly higher than cost to a network of farmers through one of our agents

Under the direction of this agent, the farmers breed the boars and sows and raise the piglets until they are marketable as hogs

Through a second agent, we indirectly finance the farmers’ operations by providing fodder on credit, as well as the techniques and trainings for breeding and raising of the piglets

When the piglets mature, we purchase them at the local market price (if they meet our quality control standards)

We then distribute the mature hogs in Beijing

Through our arrangements, we distribute the preponderance of risk involved in the pork production process. Heilongjiang Sen Yu is licensed as a swine breeder, but utilizes the unique business partnership to maximize the litter

under our control and thus maximize our revenues while protecting ourselves from a significant portion of the risks attendant to hog farming.

In December 2004, we purchased 400 Great-Grand Parent generation breeding swine from Dutch Topigs International Breeding Company (“Dutch Topigs”). Dutch Topigs provided us not only the breeding swine, but also full technological support, thus enabling us to initiate operations in the PRC at the same technological level as in Europe and North America. Dutch Topigs’ technological support covered all aspects of a modern pig farm, including the production design of the farm, barn standardization, facility modernization, digital management and zoology. We established our baseline litter of breeding swine using the most advanced process flow available at that time. After three years of purebred selection, we successfully bred our own “Heilongjiang Sen Yu Series” swine.

Currently, our company has two breeding farms which collectively have a capacity to produce up to 11, 000 sows and boars. We continuously explore new technologies and refine our management model. Our company has passed the audit of National ISO9001 Quality Control System, and achieved a series of honorary titles such as “Production Area of Pollution-free Agricultural Product,” “Key Dragon-head Enterprise of Agriculture Industrialization in Jiamusi City,” “Heilongjiang Provincial Private Science and Technology Enterprise,” “Heilongjiang Provincial Top 100 Enterprise,” “Advanced Unit of Project Construction” and “Three-Star Enterprise of Food Security and Good Faith in Jiamusi City.”

Our business model combines the production resources of our own breeding base with those of Wang Da Farmers (as defined below) in order to maximize the return on capital realized by all parties. We sell breeding swine under our brand name to Wang Da Farmers through our agent, repurchase the adult commercial hogs that meet our criteria through another agent, and sell the mature commercial hogs. In this manner, we distribute the preponderance of risk involved in the pork production process, while retaining a large percentage of the profits. We are licensed as a swine breeder, but leverage our business relationships and franchise business model to generate substantial revenues while protecting us from overproduction and missed market opportunities.

Our Corporate Structure and History

Sen Yu International (f/k/a China Swine Genetics, Inc.) was founded as a Colorado corporation on June 29, 1983 and was reinstated in Colorado on March 15, 2007. The company’s Board of Directors and stockholders approved a change of domicile from Colorado to Delaware on December 6, 2007. In connection with the change of domicile from Colorado to Delaware, our authorized capital was increased to 310,000,000, of which 300,000,000 are classified as common stock, par value \$0.001 per share (“Common Stock”), 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 our Board of Directors may fix from time to time by resolution or resolutions.

Advanced Swine was incorporated under the laws of Nevada on June 29, 2007 as an intermediate holding company. On February 28, 2008, Advanced Swine acquired 100% ownership equity of Heilongjiang Sen Yu.

On August 13, 2009, Apogee Robotics, Inc., the predecessor of Sen Yu International, acquired all of the outstanding capital stock of Advanced Swine. In exchange for the outstanding shares of Advanced Swine, Apogee Robotics, Inc., whose name was later changed to Sen Yu International issued 4,646.05933 shares of Series A Convertible Preferred Stock to the stockholders of Advanced Swine (the “Share Exchange”). In November 2009, the Series A shares were converted into 20,044,689 shares of Sen Yu International’s Common Stock, representing approximately 99% of Sen Yu International’s issued and outstanding shares. On May 5, 2010, the Company filed a Certificate of Elimination to eliminate the previously designated 4,800 shares of Series A Convertible Preferred Stock.

Effective on September 30, 2009, we filed an amendment to our certificate of incorporation implementing a 1-for-24 reverse split of the Common Stock.

Our business operations are conducted in the PRC by two subsidiaries:

Heilongjiang Heilongjiang Sen Yu Animal Husbandry Co., Ltd., a corporation
Sen Yu: organized in the PRC. We own 100% of the equity interest in
Heilongjiang Sen Yu.

Sino-Canadian Sino-Canadian Sen Yu Polar Swine Genetics Company Limited, a
Sen Yu: joint venture company organized in the PRC. We own 60% of the
equity interest in Sino Canadian Sen Yu through Heilongjiang Sen
Yu.

Heilongjiang Sen Yu

Heilongjiang Sen Yu was incorporated on September 3, 2004 under the PRC laws with a registered capital of 10 million RMB (approximately \$1,208,211 as of September 3, 2004) which was increased to 50 million RMB (approximately \$6,165,762) and then to 80 million RMB (approximately \$9,933,896) on January 18 and August 29, 2006, respectively.

On December 20, 2007, Advanced Swine entered into a stock transfer agreement with Heilongjiang Sen Yu, which contemplated that Advanced Swine would acquire all the ownership interest in Heilongjiang Sen Yu. The certificate of approval for Heilongjiang Sen Yu to operate with foreign investment in the PRC was issued on February 4, 2008 by Heilongjiang Provincial Government, and the updated operations certificate of Heilongjiang Sen Yu with the new stockholder's name was issued on February 28, 2008 by the Jiamusi Administration for Industry and Commerce. As a result, Heilongjiang Sen Yu became a foreign wholly owned enterprise on February 28, 2008.

Heilongjiang Sen Yu's business model (which is followed by Sino-Canadian Sen Yu) combines the production resources of Heilongjiang Sen Yu's own breeding bases with those of Wang Da Farmers in order to maximize the return on capital realized by all parties. The four stages in Heilongjiang Sen Yu's hog production are:

Employing the advanced technology provided through Sino-Canadian Sen Yu, we breed and raise breeding swine on two farms.

Each year we sell a great portion of our litter to Harbin Golden Lotus Trade Co, Ltd. ("Golden Lotus"), a distributor that resells the breeding swine to Wang Da Farmers (as defined below) throughout northeast China who have contracted with Wang Da (as defined below) to deliver the offspring of the breeding swine to us for resale.

We contract with Heilongjiang Wang Da Feedstuff Co., Ltd. ("Wang Da") to provide fodder to Wang Da Farmers. Wang Da repurchases from various farmers ("Wang Da Farmers") on our behalf the adult hogs that meet our criteria, then immediately transfer the hogs to us in settlement of the fodder loans. We sell the mature hogs to slaughterhouses and pork distributors in Beijing.

Heilongjiang Sen Yu's executive office is located at #308 Bao Wei Road, Cultural Palace, 6th Floor, Qianjin District, Jiamusi City, Heilongjiang Province, in Northeast China.

Sino-Canadian Sen Yu

In March 2006, in an attempt to expand our breeding swine business, we formed a joint venture with Canadian Polar Genetics, Inc., a Canadian company that focuses on supplying superior quality Canadian breeding swine and artificial insemination equipment, supplies and technology to swine producers. The joint venture operates under the name “Sino-Canadian Sen Yu Polar Swine Genetics Company Limited (“Sino-Canadian Sen Yu”). Sino-Canadian Sen Yu has registered capital in the amount of 16.7 million RMB (approximately \$2,068,368 as of March 2006). The joint venture agreement provided that Heilongjiang Sen Yu would contribute 10 million RMB in cash (approximately \$1,238,543 as of March 2006) and that Polar Genetics Inc. would contribute 628 breeding swine valued at 6.7 million RMB (approximately \$829,825 as of March 2006). In exchange for those contributions, the equity in Sino-Canadian Sen Yu was allocated 60% to Heilongjiang Sen Yu and 40% to Polar Genetics Inc. The joint venture was approved by the Heilongjiang government on March 30, 2006, and Heilongjiang Sen Yu made its cash contribution of 10 million RMB on May 22, 2006. Polar Genetics Inc. shipped 628 breeding swine to the joint venture in October 2007. The local administration of State Administration of Foreign Exchange or SAFE, however, has not agreed that the registered capital of Sino-Canadian Sen Yu was properly paid. As a result, we are unable to open a foreign exchange account, which renders the joint venture unable to do business with Polar Genetics. We are currently exploring methods of resolving the problem.

The joint venture's mission is to supply swine producers with products and services that will improve their long-term production capabilities, efficiencies and financial returns.

Sino-Canadian Sen Yu is located in Heijinh Township, Tangyuan County, Jiamusi City, Heilongjiang Province. The facility includes a land area of 300,000 square meters and farm construction area of 15,000 square meters. The research and development function of Sino-Canadian Sen Yu is dedicated to the improvement of our breeding technology, in order to quicken the pace of genetic improvement in our litters. Besides supplying us with superior Canadian breeding stock, Polar Genetics Inc. also provided advanced swine artificial insemination (A.I.) technology and facilities. On October 12, 2007, we imported 628 Canadian elite purebred breeding pigs including Duroc, Landrace, Yorkshire and Lacombe breeds selected by Polar Genetics Inc. The breeding and selection program of the Sino-Canadian Sen Yu pig breeding centre is supported by swine experts from Polar Genetics Inc. using the most advanced technology of breeding and selection under the guidance of the Canadian Centre for Swine Improvement (CCSI). All breeding and selection data is managed by CCSI through our E-Farm software.

On February 15, 2009, Sino-Canadian Sen Yu entered into a Breeding Swine Sales Agreement with Golden Lotus, as discussed below, to sell the Canadian-line breeding swine to Wang Da Farmers. In March 2008, Sino-Canadian Sen Yu entered into a Fodder Purchase Agreement with Wang Da, also as discussed below. The dual programs of Heilongjiang Sen Yu and Sino-Canadian Sen Yu, aimed at optimization of the Dutch and the Canadian breeding stock, give us multiple opportunities to achieve the highest quality swine available in China. Specifically, the hogs produced from our breeding swine typically have the following advantages over hogs common to China:

Higher rate of survival;

Higher pregnancy and birth rate, and a higher number of weaned piglets;

Higher adaptability to the weather and other conditions of northern China, where our base and Wang Da Farmers are located; and

Faster growth.

Key Historical and Recent Events

Reverse Stock Split

Effective September 30, 2009, we implemented a 1-for-24 reverse split of our outstanding Common Stock. In connection with the reverse split, we repurchased for \$5.28 per full share, all fractional shares other than those held by stockholders holding between one and 100 shares. To each such stockholder, we issued additional whole and fractional shares sufficient to bring such stockholder's ownership to 100 shares.

February 2010 Offering

On February 22, 2010, we issued 10% Secured Convertible Promissory Notes (the “Notes”) in the principal amount of \$2,165,000. The maturity date of the Notes is February 22, 2011. In the event we complete an equity financing of \$5 million or greater (a “Qualified Financing”), the Notes will automatically convert into the same securities sold in the Qualified Financing, at a 50% discount to the purchase price of such securities in the Qualified Financing. If the Company does not complete such a Qualified Financing prior to the maturity date of the Notes, the Noteholders shall be repaid, in cash, the principal amount of the Notes plus interest, and the Company will be required to issue warrants to the Noteholders to purchase shares of Common Stock at \$1.50 per share, up to the principal amount of the Notes.

June 2010 Offering

On June 11, 2010, we consummated a private placement (the “June 2010 Private Placement”) with certain accredited investors pursuant to a Series B Convertible Preferred Stock and Warrant Purchase Agreement. We raised gross proceeds of \$2,420,000 and issued to the investors an aggregate of (i) 1,152,380 shares of newly created Series B convertible preferred stock, par value \$0.001 per share (“Series B Preferred Stock”), with an initial one-to-one conversion ratio into shares of Common Stock, (ii) Series A Warrants to purchase an aggregate of 1,008,334 shares of Common Stock (the “Series A Warrants”), and (iii) Series B Warrants to purchase an aggregate of 1,008,334 shares of Common Stock (the “Series B Warrants”). Additionally, the Investors were granted an option to purchase up to \$3,000,000 of additional Series Preferred Stock any time on or before December 11, 2010 (the “Option”).

Subject to the terms and restrictions set forth in the Certificate of Designations of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (the “Certificate of Designations”), the Series B Preferred Stock is convertible into Common Stock (i) at the option of the holders, at any time and from time to time after the original issue date, or (ii) automatically, upon the consummation of any transaction resulting in a change of control of the Company. The Series B Preferred Stock will have no voting rights other than those relating to (i) any action by the Company that alters or changes the powers, preferences or rights given to the Series B Preferred Stock, (ii) any amendment to the Certificate of Designations, (iii) any authorization or creation of any class or stock ranking as to dividends or distribution of assets upon a liquidation equal or senior to the Series B Preferred Stock or possessing greater voting rights than the Series B Preferred Stock, or (iv) any increase in the authorized number of shares of the Series B Preferred Stock. Upon liquidation, the holders of Series B Preferred Stock will be entitled to receive, out of the assets of the Company, \$2.10 for each share of Series B Preferred Stock held, subject to certain restrictions.

The Series A Warrants and Series B Warrants are exercisable for \$3.00 and \$4.10 per share of Common Stock, respectively. Both of the aforesaid warrants will expire on June 10, 2013.

As long as any Series B Preferred Stock, Series A Warrant or Series B Warrant is outstanding, the Company is prohibited from entering into any subsequent financing involving issuances of Company securities (the “Subsequent Financing”), if (i) the securities issued therein are convertible into Common Stock at variable conversion rates, or (ii) investors in the subsequent financing are granted the right to receive additional shares based on future transactions of the Company on more favorable terms than those granted to investors in the June 2010 Private Placement.

The exercise prices of the Series A Warrants and Series B Warrants are subject to adjustment based on our performance as follows: (i) in the event the Company's after-tax net income earnings per share for our 2010 fiscal year are between \$0.55 and \$0.27 per share, the then-current warrant exercise prices will decrease proportionately: by 0% if the earnings are \$0.55 per share or greater and by 50% if the earnings are \$0.27 per share, and (ii) in the event our earnings are between \$0.67 and \$0.33 per share for our fiscal year 2011, the then-current warrant exercise prices will decrease proportionately: by 0% if the earnings are \$0.67 per share or greater and by 50% if the earnings are \$0.33 per share. In addition, the exercise prices of the aforesaid warrants will be adjusted and reduced to the prices (if lower) of any shares or other instruments convertible into Common Stock issued by the Company.

In connection with the June 2010 Private Placement, we also issued to Global Arena Capital Corp., the placement agent ("Global"), and certain individuals affiliated with Global: (i) Series C Warrants to purchase an aggregate of 70,583 shares of Common Stock, exercisable for five years at \$3.00 per share, (ii) Series D Warrants to purchase an aggregate of 70,583 shares of Common Stock, exercisable at \$4.10 per share, and (iii) Series E Warrants to purchase an aggregate of 80,000 shares of Common Stock, exercisable for five years at \$2.10 per share.

Business Agents

Our business model combines the production resources of our own breeding base with those of the Wang Da Farmers in order to maximize the return on capital realized by all parties. We sell breeding swine to Wang Da Farmers under our brand name, repurchases the adult commercial hogs that meet the our criteria, and sell the mature commercial hogs in Beijing market. In this manner, we distribute to our agents the preponderance of risk involved in the pork production process, while retaining a large percentage of the profits. We are licensed as a swine breeder, but leverage our business relationships and franchise business model to generate substantial revenues while protecting us from overproduction and missed market opportunities.

Our business plan has been implemented through the establishment of contractual relationships with third parties, including:

- a Cooperation Agreement with Wang Da under which we finance the supply of fodder by Wang Da to Wang Da Farmers;

- a Sales Agreement with Golden Lotus and a Supplemental Agreement among Golden Lotus, Wang Da and us, under which Golden Lotus sells our breeding swine to qualified farmers; and

- the Fodder Supply and Commercial Hog Buyback Agreements between Wang Da and Wang Da Farmers.

Wang Da: Fodder Supply and Commercial Hog Repurchase

The Cooperation Agreement with Wang Da which is the key to the implementation of our business plan, was entered into on January 1, 2009 for an indefinite term. We finance Wang Da, with fixed profit margins set by us, and Wang Da in turn finances Wang Da Farmers, providing fodder on credit at discount rates obtained through volume purchasing power. Wang Da also guarantees the repurchase of mature hogs that meet our quality standards. The farmer is thus able to operate with minimum cash outlay and achieve a higher potential profit. In exchange, the Wang Da Farmer bears the preponderance of the costs and risks in the rearing of the hog.

The Cooperation Agreement makes Wang Da responsible for supplying fodder to the Wang Da Farmers. We, in turn, are obligated to advance payment for the fodder to Wang Da. To fulfill its supply obligation, Wang Da purchases

fodder in bulk quantities at the best available prices. Wang Da achieves the best available prices by purchasing futures contracts for fodder and making spot purchases when market conditions are favorable. These practices allow us to experience relatively smooth and predictable cash flow, which facilitates production planning and forecasts.

Wang Da enters into a Fodder Supply and Commercial Hog Buyback Agreement with each of the Wang Da Farmers. In addition to guaranteeing the supply of fodder, the contract also provides that Wang Da will purchase each mature hog produced by the farmer that satisfies our quality standards. Wang Da is responsible for payment to the Wang Da Farmers of 40% of the profits, less the cost of fodder and the cost of the breeding swine delivered by us to Wang Da Farmers. We then reimburse Wang Da the amount it paid Wang Da Farmers for the hog.

As of June 30, 2010, we had net advances to Wang Da outstanding in the amount of \$30,823,747. Wang Da will offset the advances against the market value of the hogs that it purchases during the 2011 fiscal year from Wang Da Farmers, and delivers to us. The net amount of the advances is expected to continue to grow, however, as our business expands.

Our agreement with Wang Da provides that if Wang Da fails to satisfy its obligations, we can assume the rights of Wang Da under its Fodder Supply and Commercial Hog Buy-Back Agreements with Wang Da Farmers. This assumption of rights would enable us to take direct delivery of the full-grown hogs due to Wang Da. In the event that the sale of those hogs did not provide sufficient returns to satisfy Wang Da's obligations to us, we would have access to Wang Da's additional assets to meet the shortfall, including cash, account receivables, prepayments, inventory and other receivables. The Company is not responsible for Wang Da's liabilities and is under no obligation to succeed to Wang Da's business upon assumption of Wang Da's rights. The Company does not have a priority claim over the other creditors and all creditors will have equal access proportional to their claims to Wang Da's assets.

In addition, pursuant to the Amended and Restated Cooperation Agreement entered into between Sen Yu and Wang Da on March 28, 2011, Wang Da agreed to pay RMB7,000,000 to the Company as the performance bond, which was fully paid on April 18, 2011. Such bond will be returned to Wang Da when the agreement is terminated. The parties also agree that if Wang Da breaches this agreement during the agreement term, the Company has the right to deduct its losses from the bond.

Wang Da is an independent entity and should be able to finance its activities without additional financial support provided by Sen Yu despite the significant revenues earned from Sen Yu. The Company has no direct or indirect ability to make decisions about Wang Da's activities through voting rights or similar rights. The Company has no control over Wang Da's economic interests and activities relating to their shareholders. The Company has no power to direct the activities of Wang Da that most significantly impact Wang Da's economic performance. The Company has no obligation to absorb losses of Wang Da that could potentially be significant to Wang Da or the right to receive benefits from Wang Da that could potentially be significant to Wang Da. In light of the above conditions and given the independent relationship between Wang Da and the Company, we do not believe Wang Da should be considered a variable interest entity or consolidated with the Company.

Golden Lotus: Sale of Breeding Swine

We have an Exclusive Sales Agreement with Golden Lotus, which was entered into on December 20, 2008 for a term of two years. Under the agreement Golden Lotus is responsible for the sale of breeding swine to qualified Wang Da Farmers. Golden Lotus also engages technicians experienced in hog production to perform information collection services for us, and to provide after-sale technical support to Wang Da Farmers. We are in the process of renewing the agreement with Golden Lotus which will expire at the end of 2010.

Golden Lotus is our exclusive sales agent in Heilongjiang Province, where all Wang Da Farmers are located. The breeding boars and sows ("breeding swine") that we produce at our two breeding farms are sold to Golden Lotus at local market price, at which point of sale we recognize revenue, and the payments of the purchase price from Golden Lotus to the Company is due within 30 days after delivery of the breeding swine. To maintain its exclusivity, Golden Lotus is required to sell a minimum of 1,950 breeding swine per quarter. Golden Lotus is permitted to fix its sales price to

the Wang Da Farmers based on demand. However, the price of the breeding swine that Golden Lotus sells to qualified Wang Da Farmers is subject to a maximum markup of 20% of the original purchase price between the Company and Golden Lotus. If Golden Lotus is not able to sell the minimum quarterly amount, it is required to pay a fee equal to 20% of the unaccomplished sales, and we have the right to sell our breeding swine through other agents. If we fail to deliver qualified breeding swine on schedule or if Golden Lotus defaults in making timely payment, the agreement provides for a penalty equal to 20% of the defaulted amount.

Among Golden Lotus's responsibilities is the recruitment of farmers that meet our standards. Golden Lotus is also responsible for processing the necessary data regarding Wang Da Farmers, their requirements of breeding swine, their productivity, and an estimate of their fodder requirements. The data formulated by Golden Lotus is then used by Wang Da and us to determine Wang Da Farmers' fodder requirements and our financial obligations to Wang Da.

Other than the Sales Agreement with Golden Lotus, whereby Golden Lotus has exclusivity to sell the Company's breeding swine in the Heilongjiang province, there is no related party relationship or contractual arrangements between the Company and Golden Lotus. Golden Lotus is an independent company and Sen Yu has no financial, voting interest or operational control over Golden Lotus.

Allocation of Risk and Profit

Our business plan requires us to bear financial responsibility for all steps of the hog supply chain. At the same time, however, we are able to share the risks inherent in the production of hogs. In the first instance, Golden Lotus bears the risk of stagnant growth in production by guaranteeing a minimal sales level. The franchisee farmers bear the risk of hog mortality and illness. The risk of sudden changes in the prices of raw materials is shared between Wang Da and the Wang Da Farmers. The risk of reduced wholesale prices for hogs is shared between us and the Wang Da Farmers. In this manner, we are able to engage in large scale hog farming with far more financial predictability than is enjoyed by pork producers who carry their hog litters in inventory.

Although a significant portion of the production risk is imposed on the Wang Da Farmers by this program, the demand for positions within our network is high. At most times Golden Lotus has significantly more candidates than the number of franchises that can be financed. We believe the reason for the demand is the significant increase in profitability that most farmers realize upon joining us.

A pig farmer, operating independently, allocates his working capital between breeding stock and fodder. The farmer's investment in fodder, however, typically accounts for 80% of his expenses. As a result, it is very difficult for farmers to expand their livestock, given the limited funds remaining after payment for fodder and other operating expenses. Association with us allows the farmer to expand his litter much more rapidly, as we meet all of the farmer's fodder requirements in exchange for the farmer's commitment to purchase breeding swine only from us and deliver mature hogs to us at a fair market price. The farmer can devote a much larger portion of his resources to the purchase of breeding swine from us. By carefully monitoring the farmer's practices, we assure ourselves of a supply of high quality commercial hogs. Typically, these farmers significantly increases in their annual income.

Industry and Market Background

China is the world's largest hog producing and pork consuming country. China has accounted for nearly half of both the world's pork production and consumption for more than five years. United Nations Food and Agricultural Organization statistics show that China has more hogs than the next 43 pork-producing countries combined. According to the U.S. Department of Agriculture, China is again expected to be the driving force behind global pork production and consumption in 2010.

According to the report "2010 Trade Forecast Revision: Pork Higher; Beef and Broiler Meat Stable" from the US Department of Agriculture, China is the world's largest pork producer, accounting for nearly half of the world's total production. For 2010, China is expected to produce 50 million metric tons of pork out of an estimated world production of approximately 102 million metric tons.

According to the Foreign Agricultural Services of the PRC government, China is the world's largest producer of pork and pork is the most widely-consumed meat in China.

China's Demand for Pork

Not only does China consume more pork in the aggregate than any other country, Chinese per-capita pork consumption is among the highest in the world, as pork is China's most popular meat. China consumes over 600 million pigs a year. While the average Chinese consumes approximately one-half of a pig per year, the average American consumes approximately one-third of a pig per year.

From 1990 through 2007, overall meat consumption in China doubled. Beef accounts for approximately 9%, poultry for approximately 21% and pork for approximately 65% of total Chinese meat consumption, according to the National

Statistics Bureau of China.

China's 2010 projected per-capita pork consumption places it behind the European Union but ahead of the United States. China's pork consumption has more than quadrupled since 1981.

Consumption of pork in China has grown from 31.19 kilograms in 2000 to an estimated 37.50 kilograms per person in 2010. During the same period in America, per capita consumption decreased from 29.9 kilograms in 2000 to an estimated 27.6 kilograms per person in 2010.

The USDA Foreign Agricultural Service in March 2010 projected that Chinese total pork consumption in 2010 will rise nearly four percent to approximately 50.56 million metric tons, which follows a five percent increase in 2009.

The 2010 projections are based on the following factors:

strong consumer preference for pork as the meat of choice in China;

projected overall economic growth in 2010 of nearly 9% over 2009;

relatively low pork prices; and

China's Hog Industry and Competitors

China's hog industry is in the midst of a transition from a large number of small household farms to larger, more commercial farms. Hog production in the PRC is currently dominated by backyard farms (those that sell 5-10 hogs annually) and small farms (those that sell less than 100 hogs annually). Farms that sell less than 100 hogs per year comprise approximately 75% of the hog farms in China and account for approximately one-third of the hogs sold annually in China. These farms sell their products to local rural markets. Farms that sell between 100 and 500 head a year account for 21% of China's hog farms and approximately one-third of the hogs sold annually in China. Farms that sell between 500 and 3,000 hogs represent less than 3% of China's hog farms but account for approximately 19% of the hogs sold in China. Those that sell more than 3,000 hogs annually account for less than one-half of a percent of all hog farms but sell more than 15% of China's hogs annually.

Hog production in the PRC is dominated by backyard farms (those that sell 1-50 hogs annually) and small farms (those that sell less than 500 hogs annually). According to a report issued by Pingan Securities Co., a PRC securities firm, these farms accounted for an estimated 73 % of all PRC hog production during 2009. These farms sell their products to local rural markets. The remaining 27 % of the PRC's hog production comes from larger farms - those that sell between 501 and 3000 heads a year - 17 % of the total market, those that sell between 3001 and 10,000 heads account for an additional 6 % and estimated that those that sell above 10,000 hogs account for the remaining 5 % of the annual production.

Until 2009, a growing middle class in China with more disposable income had resulted in an increase in the market for pork, which was accompanied by an increase in prices for pork as well as live hogs. China's pork producers suffered during the first half of 2009 from a combination of the effects of the general economic downturn, which affected China as well as the rest of the world, combined with a weak demand, and oversupply of pork and the psychological effect of the H1N1 influenza virus, known as the swine flu. Since the start of the second half of 2009, however, a rapid rise in pork prices has re-energized the industry. The recovery was started by government intervention to buy up frozen pork supplies to help support prices. This has come along with a drop in pig numbers as farmers reduce their herds. As a result, the live hog prices reflected a 29% increase in the first week of 2010 as compared with the price six months earlier.

According to the USDA, China's hog industry has transitioned toward larger commercial farms partly as a result of government efforts to encourage such growth. In 2009, the Chinese government gave subsidies worth approximately \$366 million to invest in larger farms, \$95 million to subsidize high-quality breeding swine and \$307 million to large hog-producing counties. For the fiscal year ended June 30, 2010 and 2009, the Company received \$0 and \$7,314 (equivalent to RMB50,000) in government grants under the Farmers Comprehensive Development Project, respectively.

As China's urban population grows, however, the large slaughter houses that serve the urban population are eager to reduce the number of suppliers with which they deal - both for the sake of efficiency and for the added assurance of quality that comes from a known source. Our company is designed to meet that demand, and we have directed our early selling efforts in Beijing. Our main competitors are primarily private or state owned Chinese enterprises in northeast China, including:

Guangdong Wenshi Group - China's largest pig breeding company, with annual production of 2 million hogs

Luoniushan Limited - China's second largest pig breeding company, with a production of 560,000 hogs in 2009. (Luoniushan Limited trades on the Shenzhen Stock Exchange under the symbol "SZ: 000735.")

Hunan Xinwufeng Limited - China's third largest pig breeding company, with a production of 220,000 pigs in 2009. (Hunan Xinwufeng Limited trades on the Shanghai Stock Exchange under the symbol "SH: 600975.")

Our Strengths and Competitive Advantages

The pork industry in China is highly diversified, including a large number of participants. The challenge for a relatively new company, such as ours, is to establish a reputation and the resulting relationships that we hope will set us apart from other suppliers. We believe the principal strengths we have are:

The only purebred Canadian-line-swine breeding center in the PRC.

Our location in Heilongjiang Province provides us with a winter season. This reduces the incidence of animal disease, compared to locations in southern China, where parasites need not face winter.

We believe the "Heilongjiang Sen Yu" brand name is well recognized in our local major markets, and associated with quality and food safety.

Our comprehensive quality control, from genetics to fodder to veterinary medicine for the entire life cycle of the hogs, minimizes the risk of damaging sanitation disasters. Involvement in the complete manufacturing process reduces disease risk and increases product quality.

We utilize the most advanced technologies in swine breeding and raising at breeding bases that carry the most advanced equipment available in China. Higher breeding rate of our pigs generates higher margins.

We can be price competitive because we obtain low cost fodder through our buying contracts and because of our location in Heilongjiang, one of the largest agriculture provinces in China. Recently the cost of corn (the primary ingredient in the fodder we provide to the farmers) in Heilongjiang Province has been approximately 700 RMB lower per ton than in China's southern provinces.

Our unique business model mitigates production and corn procurement risk to the farmers. Currently in China, pork products are usually locally sourced due to the under-developed transportation infrastructure. Our business model enables us to diversify the locations from which our hogs are sourced, and expand our markets. With the increasing market for high quality pork products in China, a commercial hog producer that can assure a large supply of quality products at a competitive price is attractive to large commercial slaughter houses.

We have strong supplier and distributor relationships.

Prepayment of fodder allows farmers to operate on a greater scale and locks in their return of commercial pigs.

We believe the above strengths contribute to the growth of our competitive position in China.

Product lines

Under the “Sen Yu” brand, we market a full range of swine and swine industry products:

- ü Breeding Swine:
 - Dutch-line Breeding Swine:
 - m 020 Grandparent-level Gilts
 - m 030 Grandparent-level Boars
 - m C40 Parent-level Gilts
 - m 080 Terminal Line Boars
 - Canadian-line Breeding Swine:
 - m Canadian Lacombe Boars and Gilts
 - m Canadian Duroc Boars and Gilts
 - m Canadian Yorkshire Boars and Gilts
 - m Canadian Landrace Boars and Gilts
 - ü Sen Yu Piglets
 - ü Sen Yu Commercial Hogs
 - ü Senyu-Polar Semen and Artificial Insemination Equipment, Supplies and Technology

Facilities and Production

We believe we maintain the most advanced technologies and equipment in our breeding bases, including artificial insemination equipment, farrowing beds, nursing fences, sanitation equipment, disinfection equipment, and vaccine equipment. As a result of our dedication to the use of leading-edge technology, the Livestock Bureau of Heilongjiang Province designated our Jiamusi City facility as the Breeding Swine Research Center for Heilongjiang Province.

We have two breeding bases with a total land area of 351,000 square meters (with breeding and administration areas of 16,742 and 2,872 square meters respectively) located in Tangyuan County and Huanan County of Jiamusi City of Heilongjiang Province in the PRC. We also had leased 20,000 square meters (with breeding area of approximately 6,000 square meters) in Tangyuan County, which was terminated on June 30, 2010.

The meat and meat processing industry in the PRC is regarded by the central government of China as a “key” industry. Certain participants in the industry, including us, receive special tax incentives and subsidies for technological development. Both the central and provincial governments of China have made the expansion of the pork supply a priority. In China, land is leased from the government, and we have been afforded land for expansion when required. In addition, we currently have three loans from local government agencies with an aggregate principal amount of \$1,105,960 as of June 30, 2010. The loans bear no interest, and are payable on December 31, 2010. As it is the government policy to grant extensions of the maturity date of such loans as long as the debtor remains in good standing, we expect the loans to remain outstanding for as long as they are beneficial to us.

Product quality control

We strive to produce high quality products. Our production facilities meet ISO 9001 standards, as well as a host of industry-specific quality standards. Because we purchase in bulk under fixed supply contracts, our cost for veterinary medicine and vaccines is lower than common in the pork industry, enabling us to reduce the incidence of contagious disease among our litters.

Our agreements with the Wang Da Farmers require that they comply with our high standards for sanitation, medical care and environmental protection. To insure that the hogs we purchase from the Wang Da Farmers meet our quality standards, we enforce four key requirements:

We are their exclusive breeding swine provider;

Farmers must meet the same standards as our breeding bases in every stage of swine breeding;

We are the exclusive fodder provider to these farmers;

Farmers sell their adult commercial hogs exclusively to us for resale under the Sen Yu brand name.

As a result of our attention to quality production methods, our swine delivery survival rate is 97%, our nursing survival rate is 98%, and our adult swine survival rate is 99%. The industry standard for these rates is 92%, 95%, and 98%, respectively.

To ensure the quality of the products bearing the Sen Yu brand name, we work closely with Golden Lotus, which bears most of the responsibility for maintaining our after-sale relationship with the Wang Da Farmers. We provide training programs to Golden Lotus employees who are responsible for providing Wang Da Farmers with swine breeding technology support, periodic visits, anti-epizootic management and fodder recipes.

In addition, to ensure our sales performance we implement incentive policies throughout our entire sales network, including sales staff employed by us and sales personnel employed by Golden Lotus. We pay year-end bonuses which are directly correlated to each employee's sales performance.

Disease Control

Pathogens are the most dangerous enemy of a hog farmer. In Heilongjiang Province, the winter months provide us a measure of protection from the growth of contagious diseases among our litters. Nevertheless, we focus time and considerable money on maintaining the health of our litters and the sanitary environment of our breeding bases.

In late 2008 and 2009 the outbreak of H1N1 influenza in Mexico and the U.S. resulted in a severe decline in the spot prices for hogs. In June 2008 the spot price for live hogs in China was approximately RMB 17 per kilogram, while in June 2009 the spot price had fallen to approximately RMB 9 per kilogram, largely as a result of anxieties caused by the H1N1 outbreak. By January 2010 the spot price had moved up again to approximately RMB 13 per kilogram. However, we believe concerns regarding safety of pork will continue to hamper the growth of the market for the near future.

Commitment Agreements and Major Customers

We enter into forward commercial hog sales contracts with our major customers to decrease our market risk by fixing a base level of revenue. Currently, the customers have entered into forward contracts with the following customers:

Beijing Ershang Dahongmen Meat Co., Ltd. (“Beijing Dahongmen”), which purchased 151,222 and 122,418 hogs from us in the fiscal years ended June 30, 2010 and 2009, respectively; and

Beijing Fifth Meat Factory, which purchased 233,558 and 153,410 hogs in the fiscal years ended June 30, 2010 and 2009.

During the fiscal years ended on June 30, 2009 and 2010, these two major customers accounted for 94% and 97% of our total sales, respectively. Our sales to these customers represented only a minor fraction of their purchasing capacities, however. Beijing Dahongmen, for example, is one of five slaughter houses in the Beijing area that slaughter more than 1.5 million hogs per year, giving us a potential opportunity for increased sales as we grow.

Principal Suppliers

We use the following principal suppliers for our operations. We believe the materials provided by our suppliers are widely available and do not anticipate that we will be unable to obtain these materials from other suppliers in the event our principal suppliers are unable or unwilling to supply us.

Item	Supplier
Fodder supplies	Heilongjiang Wang Da Feedstuff Co., Ltd (“Wang Da”)
Veterinary medicine supplies	Jiamusi North Animal Remedy Sales Department (“North Animal Remedy”) Harbin Wuzhou Animal Healthy Product Sales Department (“Harbin Wuzhou”)

Purchases of fodder from Wang Da accounted for approximately 68.33% and 77.24% of our cost of goods sold in fiscal years ended June 30, 2010 and 2009, respectively. Purchases of veterinary medicine from North Animal Remedy and Harbin Wuzhou accounted for approximately 0.01% and 0.22% of our cost of goods sold in 2010 and 2009, respectively.

Our Marketing Strategy

To achieve a significant position in the market for hogs, we employ a variety of media, including television, magazines, and a large livestock website, all aimed at boosting the visibility and reputation of our technologies and products.

Research and Development

Our research and development is conducted through Sino-Canadian Sen Yu, which is responsible for the improvement of our breeding technology in order to quicken the pace of genetic improvement in our breeding litter. Besides supplying us with superior Canadian breeding stock, Polar Genetics Inc. also provided advanced swine artificial insemination (A.I.) technology and facilities. On October 12, 2007, we imported 628 Canadian elite purebred breeding pigs, including Duroc, Landrace, Yorkshire and Lacombe breeds selected by Polar Genetics Inc. The breeding and selection program of the Sino-Canadian Sen Yu pig breeding center is supported by swine experts from Polar Genetics Inc. using the most advanced technology of breeding and selection under the guidance of the Canadian Centre for Swine Improvement (CCSI). All breeding and selection data is managed by CCSI through its E-Farm software.

The breeding efficiency of our sows and the food quality of our hogs determine, to a large extent, the profitability of our operations. Accordingly, we have dedicated ourselves to achieving the most advanced level of swine operations in the PRC. Central to that goal are our technologies, which include:

Genetic Measurement Technologies. We have developed a proprietary breeding swine measurement system. Our system documents the optimal characteristics of breeding swine, as well as measurement parameters and the range of acceptable variations. With our genetics evaluation software, we are capable of dynamically and accurately measuring the breeding swine's genetic profile at any stage of a breeding process.

Artificial Insemination Technologies. The artificial insemination technologies utilized at our breeding bases currently permit us to achieve 500% higher fertility than natural insemination. This reduces the investment needed to produce piglets, and permits us to focus our efforts on sows with optimal production characteristics.

As noted earlier, our facility has been designated by the Provincial Government as the Breeding Swine Research Center for Heilongjiang Province. In addition, we are currently collaborating with the Northeast Agriculture University in Heilongjiang Province, to build a model swine breeding base that will be used as a training center for post-graduate students in the agricultural sciences. We believe this collaboration greatly enhances our research capabilities, as the results of the research are expected to increase the breeds available to us.

Intellectual Properties

We registered the domain name of www.hljsenyu.com in China.

Environmental Protection

Our breeding and farming operations may produce by-products such as effluents and gases, which may be harmful to the environment. We are subject to multiple laws governing environmental protection, such as "The Law on Environmental Protection in the PRC" and "The Law on Prevention of Effluent Pollution in the PRC," as well as standards set by the relevant governmental authorities determining the classification of different wastes and their proper disposal.

In recent years, the government of China has become increasingly concerned with the degradation of China's environment. In the future, we expect that our operations and properties will be subject to extensive and increasingly stringent laws and regulations pertaining to, among other things, the discharge of materials into the environment and the handling and disposal of solid and hazardous wastes, laws or otherwise relating to protection of the environment. We have never been penalized by any environmental protection agencies. We therefore have not incurred any significant environmental law compliance costs. We are committed to protecting the environment and utilizing resources effectively. For that reason, and with a view to the long-term economic benefits that will inure to "green" companies, we have initiated an advanced sewage treatment project as well as a complete environmental review of our operations. Our goal is to lead the way in the development of a standardized eco-type breeding farm. However, we cannot assure you that additional environmental issues will not require currently unanticipated investigations, assessments or expenditures, or that requirements applicable to us will not be altered in ways that will require us to incur significant additional costs.

Government Regulation

Regulation on Hog Breeding Instruction

Hog breeding in China is subject to substantial licensing requirements and regulations. In order to sell breeding swine in China, a breeder hog farm must be awarded a breeder's license by the local government authorities. Only those breeder hog farms that have qualified staff, specialized equipment and are in segregated locations to avoid the spread of disease are eligible for licensing. Each province in the PRC requires hog farmers to obtain a license for each hog farm owned and operated in that province. The administrative department for animal husbandry and veterinary medicine of Heilongjiang Province issued the license for production and operation in breeding livestock and poultry to us.

We have never been penalized by any agencies which oversee our environmental, sanitary or licensing compliance.

New M&A Regulations and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, or MOFCOM, the State Assets Supervision and Administration Commission, or SASAC, the State Administration for Taxation, or SAT, the State Administration for Industry and Commerce, or SAIC, the China Securities Regulatory Commission, or CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. This New M&A Rule, among other things, includes provisions that require that an offshore special purpose vehicle, or SPV, formed for purposes of overseas listing of equity interests in PRC companies, and which is controlled directly or indirectly by PRC companies or individuals, obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On September 21, 2006, the CSRC published its approval procedures for overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of certain documents with the CSRC and can take several months to complete. However, other than documents required to be submitted, no other details with respect to the timing, criteria and process for obtaining any required approval from the CSRC have been specified. Therefore, it remains unclear how the New M&A Rule or the CSRC procedures will be interpreted, amended and implemented by the relevant authorities. See "Risk Factors — Risks Associated with Doing Business in China — PRC regulations relating to mergers and acquisitions of domestic enterprises by foreign investors may increase the administrative burden we face and create regulatory uncertainties"

We believe that CSRC approval is not required for us because we are not an SPV formed or controlled by PRC companies or PRC individuals. However, we cannot assure you that the relevant PRC government agencies, including the CSRC, would reach the same conclusion, and we still cannot rule out the possibility that the CSRC may determine that we circumvent the New M&A rules, Related Clarifications or other PRC securities laws.

Foreign Exchange Regulation

Pursuant to the Foreign Exchange Administration Rules promulgated on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, and various regulations issued by SAFE and other relevant PRC government authorities, RMB is freely convertible only with respect to current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriations of investments, require the prior approval of SAFE or its local branches for conversion of RMB into foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign exchange payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local counterpart. Unless otherwise approved, domestic enterprises must convert all of their foreign exchange receipts into RMB.

Pursuant to SAFE's "Notice on Relevant Issues Concerning Foreign Exchange Administration on Financing and Round-Trip Investment through offshore Special Purpose Vehicles by Domestic Residents", or SAFE Circular No. 75, issued on October 21, 2005, (i) a PRC resident must register with the local SAFE branch before establishing or controlling an overseas special purpose vehicle, or SPV, for the purpose of obtaining overseas equity financing using the assets of, or equity interests in, a domestic enterprise; (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an SPV, or engages in overseas financing after contributing assets or equity interests to an SPV, such PRC resident must register his or her interest in the SPV and any subsequent change thereto with the local SAFE branch; and (iii) when the SPV undergoes a material event, such as a change in share capital, merger and acquisition, share transfer or exchange, spin-off or long-term equity and debt investment, the PRC resident must, within 30 days from the occurrence of such event, register such change with the local SAFE branch.

We are committed to complying with and to ensuring that our stockholders who are subject to the applicable regulation will comply with the relevant rules. However, we cannot assure you that all of our current or future stockholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE Circular 75 or other related rules. Failure by any of our current or future stockholders to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiaries. See "Risk Factors — Risks Associated with Doing Business in China — PRC regulations relating to offshore investment activities by PRC residents may increase the administrative burden we face and may subject our PRC resident beneficial owners to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, limit our ability to inject capital into our PRC subsidiaries, or may otherwise expose us to liability under the PRC law."

Regulations Relating to Employee Share Options

Pursuant to Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of An Overseas Listed Company, also known as “Circular 78” as promulgated by SAFE, PRC citizens who are granted share options by an overseas publicly-listed company are required, through a PRC agent designated by such overseas publicly-listed company, to register with SAFE and complete certain other procedures related to the share options. PRC agents may be the subsidiary of such overseas publicly-listed company, trade union of any such PRC subsidiary having legal person status, a trust and investment company or other financial institution qualified to engage in assets custodian business. Such individuals’ foreign exchange income received from the sale of shares or dividends distributed by the overseas publicly-listed company must first be remitted into a collective foreign exchange account opened and managed by the PRC agent before distribution to such individuals in a foreign currency or in RMB. We and our PRC citizen employees who may be granted share options, or PRC optionees, are subject to these rules and if we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal sanctions. However, as these rules have only been recently promulgated, it is currently unclear as to how these rules will be interpreted and implemented.

Regulation of Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the Foreign Investment Enterprise Law (1986), as amended, and the Administrative Rules under the Foreign Investment Enterprise Law (1990), as amended. Under these regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. Our Chinese subsidiaries, which are all foreign-invested enterprises, are restricted from distributing any dividends to us until they have met these requirements set out in the regulations.

According to the new EIT law and the implementation rules on the new EIT law, if a foreign legal person is not deemed to be a resident enterprise for Chinese tax purposes, dividends generated after January 1, 2008 and paid to such foreign legal person from business operations in China will be subject to a 10% withholding tax, unless such foreign legal person’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

Under the new EIT law and its implementation rules, if an enterprise incorporated outside China has its “de facto management organization” located within China, such enterprise would be classified as a resident enterprise and thus would be subject to an enterprise income tax rate of 25% on all of its income on a worldwide basis, with the possible exclusion of dividends received directly from another Chinese tax resident.

Regulation on Employment

On June 29, 2007, the National People’s Congress promulgated the Labor Agreement Law of PRC, or the Labor Contract Law, which became effective as of January 1, 2008. On September 18, 2008, the PRC State Council affected the PRC Labor Agreement Law Implementation Rules. The Labor Agreement Law and its implementation rules are intended to give employees long-term job security by, among other things, requiring employers to enter into written contracts with their employees and restricting the use of temporary workers. The Labor Agreement Law and its implementation rules impose greater liabilities on employers, require certain terminations to be based upon seniority rather than merit and significantly affect the cost of an employer’s decision to reduce its workforce. Employment contracts lawfully entered into prior to the implementation of the Labor Agreement Law and continuing after the date

of its implementation remain legally binding and the parties to such contracts are required to continue to perform their respective obligations thereunder. However, employment relationships established prior to the implementation of the Labor Agreement Law without a written employment agreement were required to be memorialized by a written employment agreement that satisfies the requirements of the Labor Agreement Law within one month after it became effective on January 1, 2008.

Environmental Regulations

On December 26, 1989, the Standing Committee of the National People's Congress issued the Environment Protection Law, setting forth the legal framework for environment protection in China. The Environmental Protection Law requires the State Administration of Environmental Protection to implement uniform supervision and administration of environmental protection standards nationwide and to establish national waste discharge standards. Local environmental protection bureaus are responsible for environmental protection in their jurisdictions and may set stricter local standards which are required to be registered at the State Administration of Environmental Protection. Companies are required to comply with the stricter one of the two standards. Enterprises producing environmental contamination and other public hazards must incorporate the relevant environmental protection standards into their planning and establish environmental protection systems. These companies must also adopt effective measures to prevent environmental contamination and hazardous emissions, such as waste gas, waste water, deposits, dusts, pungent gases and radioactive matters as well as noise, vibration and magnetic radiation. Companies discharging contaminated wastes in excess of the discharge standards prescribed by the State Administration of Environmental Protection must pay non-standard discharge fees in accordance with national regulations and be responsible for the applicable remediation. Government authorities may impose different penalties against persons or companies in violation of the environmental protection laws and regulations depending on individual circumstances. Such penalties may include warnings, fines, imposition of deadlines for remediation, orders to cease certain operations, orders to reinstall contamination prevention and remediation facilities that have been removed or left unused, imposition of administrative actions against the responsible persons or orders to close down the company. Where the violation is deemed serious, responsible persons may be required to pay damages, and may be subject to criminal liability.

Foreign Corrupt Practices Act Compliance

In addition to other laws, rules and regulations with which we must comply, since we are a Delaware incorporated, U.S. publicly listed company, we must comply with the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA. The FCPA makes it a criminal offense to pay, offer, or give anything of value to a foreign (non-U.S.) official, a foreign political party (or official thereof) or candidate for foreign office for the purpose of influencing the decisions of those officials, parties or candidates. Also, the FCPA sets forth record keeping and accounting requirements that require U.S. companies to maintain records that accurately and fairly reflect all transactions and dispositions of all assets.

Employees

As of the date of this Annual Report, we have approximately 93 full-time employees. Of these employees, 3 are employed by Sen Yu International, approximately 64 are employed by Heilongjiang Sen Yu, and approximately 26 are employed by Sino-Canadian Sen Yu. Our employees work in the functional units as indicated in the table below.

Department	Sen Yu International in USA	Heilongjiang Sen Yu	Sino-Canadian Sen Yu
Management	3	8	3
Other Administration	-	29	-
Research and Development	-	-	-
Sales and Marketing	-	2	2
Farming	-	25	21

We have not experienced any work stoppages and we consider relations with our employees to be good.

Insurance

We maintain various additional insurance policies to safeguard against risks and unexpected events. In protecting against work-related casualties and injuries, we purchase accidental injury insurance policies for our employees. In addition, we provide social security insurance including pension insurance, unemployment insurance, work related injury insurance and medical insurance for our employees. We do not have product liability insurance that would indemnify us against claims for damages caused by the pork products derived from our hogs. All of our operations have met the relevant regulatory requirements under PRC laws and we have not been subject to any material fines or legal action involving product non-compliance.

Item 1A. Risk Factors

RISK FACTORS

You should carefully consider the risks described below as well as other information provided in this document, including information in the section of this document entitled “Cautionary Note Regarding Forward Looking Statements.” If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our Common Stock could decline, and you may lose all or part of your investment.

Risks Relating To Our Business and Industry

Our limited operating history in hog production makes it difficult to evaluate our future prospects and results of operations.

We have a limited operating history in the hog production business. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving markets such as the market for breeding hogs in the PRC. Some of these risks and uncertainties relate to our ability to:

- attract and retain additional customers and increase spending per customer;

- increase awareness of our brand and continue to develop customer loyalty in the hog farming line of business;

- respond to competitive market conditions;

- respond to changes in our regulatory environment;

- maintain effective control of our costs and expenses;

- raise sufficient capital to sustain and expand our business; and

- attract, retain and motivate qualified personnel.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

Our results of operations could be adversely affected by fluctuations in the market prices for hogs and grains.

We are largely dependent on the market price of feed ingredients and the market price of hogs, all of which are determined by constantly changing and volatile market forces of supply and demand, as well as other factors over which we have little or no control. These other factors include:

- competing demand for corn (one of our main feed ingredients) for use in the manufacture of ethanol or other alternative fuels;

- economic conditions;

weather, including the impact on our water supply and the impact on the availability and pricing of grains;

energy prices, including the effect of changes in energy prices on our transportation costs and the cost of feed; and

crop and livestock diseases.

Additionally, commodity pork prices have demonstrated a cyclical nature over periods of years, reflecting changes in the supply of fresh pork and competing proteins on the market, especially beef and chicken.

We may be unable to maintain our profitability in the face of a consolidating retail environment in the PRC.

We sell substantial amounts of our hogs to slaughter houses, which sell both to smaller retailers and also to supermarkets and large retailers. The supermarket and food retail industry in the PRC has been, and is expected to continue, undergoing a trend of development and consolidation. As the supermarket and retail food industry continue to consolidate and retail customers grow larger and become more sophisticated, they may demand lower pricing and increased promotional programs from our slaughterhouse customers, which may demand lower prices from us. If we fail to maintain good relationships with our slaughterhouse customers or if we lower prices in response to pressure from customers and are unable to increase the volume of hogs sold, our profitability could decline.

Our business depends on a small number of third parties for sales, technology, and operational efficiency. The failure of any of those parties to perform effectively would have an adverse effect on our operations.

At this stage of our development, our business depends on services provided by a few third parties, namely:

Golden Lotus, which markets our breeding swine;

Wang Da, which provides fodder for farmers;

Polar Genetics, Inc. which provides us advanced breeding technology; and

Beijing Ershang Dahomgmen Meat Co. and Beijing Fifth Meat Factory, which purchase the majority of our hogs.

We have not established a ready replacement for any of these companies if they cease to play their current role in our business operations. The failure or inability of either Golden Lotus or Wang Da to provide services to us may require us to suspend operations until we found a suitable replacement or developed an internal capacity to perform those functions.

We depend on a small number of customers for the vast majority of our sales. A reduction in business from any of these customers could cause a significant decline in our sales and profitability.

The vast majority of our sales are generated from a small number of customers. During the years ended June 30, 2009 and 2010, two customers accounting for over 94% and 97 % of our total sales, respectively. We expect that during the next year we will continue to depend upon a small number of customers for a significant majority of our sales for the foreseeable future. Any interruption in our relationship with these customers, by reason of the customer's financial distress, purchases from other hog suppliers or otherwise, would have a significant negative effect on our results of operations.

The hog farming industry in the PRC may face increasing competition, as well as increasing industry consolidation, which may affect our market share and profit margin.

The hog farming industry in the PRC is highly competitive. Evolving government regulations in relation to the hog farming industry have driven a trend of mergers and acquisitions within the industry, with smaller farms unable to meet the increasing costs of regulatory compliance and ineligible for preferential government subsidies, and, therefore, at a competitive disadvantage. We believe our ability to maintain our market share and grow our operations within this landscape of changing and increasing competition depends largely upon our ability to distinguish our hogs from our competitors' hogs.

We cannot assure you that our current or potential competitors will not develop hog farming technology of a comparable or superior quality to ours, or adapt more quickly than we do to evolving consumer preferences or market trends. In addition, our competitors may merge or form alliances among farms to achieve a scale of operations which would make it difficult for us to compete. Increased competition may also lead to price wars, which may adversely affect our market share and profit margin. We cannot assure you that we will be able to compete effectively with our current or potential competitors.

If Wang Da fails to satisfy its financial obligations to us, our financial condition could be harmed.

Our business model, as currently implemented, necessitates that we pay large advances to Wang Da, which supplies fodder to Wang Da's franchisee farmers. Over 76% of our total assets consist of advances to Wang Da as of June 30, 2010. Wang Da in turn delivers fodder to the Wang Da Farmers on credit, expecting that they will satisfy their debts by delivering mature hogs to Wang Da, which Wang Da will, in turn, assign to us in satisfaction of the account. Any number of factors could disrupt this program, and imperil our receivable from Wang Da, including poor production by the franchisee farmers, significant defaults by the franchisee farmers or, financial or legal problems experienced by Wang Da. If Wang Da defaults in satisfying its obligation to us, we are entitled to assume Wang Da's legal rights as against the franchisee farmers. In the event that the sale of those hogs did not provide sufficient returns to satisfy Wang Da's obligations to us, we would have access to Wang Da's additional assets to meet the shortfall. We may find it difficult to enforce those rights. In addition, if defaults by the franchisee farmers are the cause of Wang Da's defaults, our efforts to recover our loans directly from the franchisee farmers may be futile, in whole or in part. The resulting bad debts would reduce or eliminate our profits for the period in which the defaults occurred, and would reduce the working capital available to fund future operations.

Our joint venture with Polar Genetics, Inc. may be terminated.

We have encountered a regulatory problem with Sino-Canadian Sen Yu, the joint venture that we formed with Polar Genetics, Inc., a Canadian corporation. Under our agreement, Polar Genetics, Inc. contributed 628 breeding swine as our portion of the registered capital of Sino-Canadian Sen Yu. This contribution has been accepted as registered capital by the local agency of MOFCOM, the agency of the Chinese government that is responsible for corporate regulation. The local administration of SAFE, however, has not agreed that the registered capital of Sino-Canadian Sen Yu was properly paid. As a result, we are unable to open a foreign exchange account, which renders the joint venture unable to do business with Polar Genetics. We are currently exploring methods of resolving the problem. It may occur, however, that we will have to terminate the joint venture. In the event the joint venture is terminated and we are unable to reach agreement with Polar Genetics on a suitable alternative business arrangement, this could reduce our access to advanced breeding technology, diminish our prestige in the agricultural community, and decrease the competitive advantage we believe we have in the industry.

We require various licenses and permits to operate our business, and the loss of or failure to renew any or all of these licenses and permits could require us to suspend some or all of our production or distribution operations.

In accordance with PRC laws and regulations, we are required to maintain various licenses and permits in order to operate our business. We are required to comply with applicable agriculture, sanitary, environmental and food safety standards in relation to our production processes. Our premises and transportation vehicles are subject to regular inspections by regulatory authorities for compliance with applicable regulations. Failure to pass these inspections, or the loss of or failure to renew our licenses and permits, could require us to temporarily or permanently suspend some or all of our production or distribution operations, which could adversely affect our revenues, profitability and growth prospects.

Our trademark company name may be subject to counterfeiting or imitation, which could have an adverse impact upon our reputation and brand image, as well as lead to higher administrative costs.

We regard brand positioning as one of our core competitive advantages, and intend to position our “Heilongjiang Sen Yu” brand to create the perception and image of “health, nutrition, freshness and quality” in the minds of consumers. There have been frequent occurrences of counterfeiting and imitation of products in the PRC in the past. We cannot guarantee that counterfeiting or imitation of our products will not occur in the future or that we will be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation could impact negatively upon our corporate and brand image, particularly if the counterfeit or imitation products cause sickness, injury or death to consumers. In addition, counterfeit or imitation products could result in a reduction in our market share, a loss of revenues and an increase in our administrative expenses in respect of detection or prosecution.

The loss of senior management or key research and development personnel or our inability to recruit additional personnel may harm our business.

We are highly dependent on our senior management to manage our business and operations, on our key research and development personnel for the development of new breeding technologies. In particular, we rely substantially on our Chairman and Chief Executive Officer, Mr. Zhenyu Shang. We also depend on our key research personnel and on our personnel skilled in information technology and logistics. We do not maintain key man life insurance on any of our senior management or key personnel. The loss of Mr. Shang would have a material adverse affect on our business and operations. Competition for senior management and research and development personnel is intense and the pool of suitable candidates is limited. We may be unable to locate a suitable replacement for any senior management or key research and development personnel that we lose. In addition, if any member of our senior management or key employees joins a competitor or forms a competing company, they may compete with us for customers, business partners and other key professionals and staff members of our company.

We compete for qualified personnel with other swine breeding companies, swine genetics companies, food processing companies, logistics companies and research institutions. Intense competition for these personnel could cause our compensation costs to increase significantly, which could have a material adverse effect on our results of operations. Our future success and ability to grow our business will depend in part on the continued service of these individuals and our ability to identify, hire and retain additional qualified personnel. If we are unable to attract and retain qualified employees, we may be unable to meet our business and financial goals.

We do not carry business interruption insurance or product liability insurance. As a result, we may incur uninsured losses that would adversely affect our operating results.

We could be exposed to claims and subject to liabilities for which we have no insurance protection. Unlike agribusinesses in the U.S., but as is common in China, we do not currently maintain business interruption insurance, product liability insurance or any other comprehensive insurance policy. As a result, we may incur uninsured liabilities and losses resulting from the conduct of our business. There can be no guarantee that we will be able to obtain insurance coverage in the future, and even if we are able to obtain coverage, we may not carry sufficient insurance coverage to satisfy potential claims.

Contamination of the pork products that are produced from our hogs could result in widespread injury to consumers. In such a situation, we could be faced with legal claims, even if the contamination occurred after our final delivery of the hogs, due to the difficulty in establishing the cause of contamination. Because we do not have product liability insurance, we cannot assure you we will have enough funds to defend the Company in such litigation or to pay for liabilities arising out of a products liability claim. To the extent we incur any product liability or other litigation losses, our expenses could materially increase substantially.

One stockholder owns a large percentage of our outstanding stock and could significantly influence the outcome of our corporate matters.

Currently, Ligang Shang, our Chief Operating Officer and Director and the uncle of Zhenyu Shang, our Chairman and CEO, owns approximately 75.2% of our outstanding Common Stock. This concentration of ownership of our shares by Ligang Shang will limit your ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

If we fail to maintain effective internal controls over financial reporting, it may lead to a restatement of our financial information and the price of our Common Stock may be adversely affected, as well as our ability to access the capital markets.

We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely impact our public disclosures regarding our business, financial condition or results of operations. Any failure of these controls could also prevent us from maintaining accurate accounting records and discovering accounting errors and financial frauds. Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require annual assessment of our internal controls over financial reporting, and attestation of this assessment by our independent registered public accountants. Although the rules do not currently apply to smaller reporting companies, as defined by the SEC, we may not be eligible for smaller reporting companies' exemption in the future, at which time we will be required to file an annual assessment of our internal controls requirement and an attestation of management's assessment by our independent registered public accountants. The standards that must be met for management to assess the internal control over financial reporting as effective are new and complex, and require significant documentation, testing and possible remediation to meet the detailed standards. We may encounter problems or delays in completing activities necessary to make an assessment of our internal control over financial reporting. In addition, the attestation process by our independent registered public accountant is new and we may encounter problems or delays in completing the implementation of any requested improvements and receiving an attestation. If we cannot conclude our internal controls are as effective, or our independent registered public accountant is unable to provide an unqualified attestation report on such assessment, investor confidence and share value may be negatively impacted.

In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed or other matters that may raise concerns for investors. Any actual or perceived weaknesses or conditions that need to be addressed in our internal control over financial reporting, disclosure of management's assessment of our internal controls over financial reporting, or disclosure of our public accounting firm's attestation to or report on management's assessment of our internal controls over financial reporting may cause investors to lose confidence in our reported financial information, have an adverse impact on the trading price of our Common Stock, adversely affect our ability to access the capital markets and our ability to recruit personnel, lead to the delisting of our securities or lead to legal claims being brought against us, thereby diverting management's attention and resources and which may materially adverse effect our reputation and business.

If the pork market in the PRC does not grow as we expect, our growth prospects, results of operations and financial condition may be adversely affected.

We believe pork products have strong growth potential in the PRC and, accordingly, we have continuously increased our sales of breeding swine. However, the market for pork products in the PRC has grown in recent years due to the increased wealth of the average resident of China, which has been the result of double-digit annual growth in the Chinese economy. Due to the worldwide recession, the growth of the Chinese economy has slowed. If the pork market in the PRC does not grow as we expect, our business may be harmed, we may need to adjust our growth strategy and our results of operation may be adversely affected.

If Chinese government support of pork prices changes or terminates, the price of pork and, as a result, our operations could be materially harmed.

In 2005, 2006 and again in 2009, the price of pork products fell due to depression in the market in 2005, 2006 and oversupply in 2009. While the price of pork increased in 2007 due to a disease epidemic that reduced the supply of hogs, the price in 2009 was only stabilized as a result of a new government program of purchasing pork products on the open market to implement an effective floor price.

The Chinese government has established a national pork reserve program to balance the market demand of pork and stabilize the pork price. If pork price rises too quickly, the government may sell pork in the open market to slow the growth. If the pork price falls too quickly, the government may buy pork, to guarantee a minimum purchase price. As China's most popular meat, pork forms a major component of China's consumer price index. For this reason, the central government pays very close attention to fluctuations in pork prices. On one hand, the central government does not want pork to become unaffordable for the average consumer, which has led to citizen complaints in the past. On the other hand, China's government has expressed an interest in ensuring that hog farmers have an incentive to continue to grow hogs to feed China's demand for pork. A decrease in such an incentive could lead to a drop in hog production, which could in turn result in higher prices in future periods as pork becomes relatively scarcer.

Even though the central government currently supports an artificial floor price with its strategic pork reserves, there is no guarantee this support will continue in the future. If such support decreases or is terminated, our industry could see more drastic fluctuations in the price of pork, which could affect our financial condition and future growth prospects.

Our business benefits from certain government incentives. Expiration, reduction, discontinuation of, or changes to, these incentives will increase our tax burden and reduce our net income.

The PRC government has provided tax incentives to domestic companies in our industry in order to encourage the development of agricultural businesses in China. We have received subsidies, business tax exemptions and government incentives in connection with our operation of hog farms in Heilongjiang. In particular, under current Chinese law, Heilongjiang Sen Yu and Sino-Canadian Sen Yu are exempt from corporate income tax in China for as long as they operate as hog farming enterprises. However, the exception is only for a three year period and the renewal is subject to review by the Jiamushi City State Tax Bureau. The tax exempt status of both Heilongjiang Sen Yu and Sino-Canadian Sen Yu expires on May 31, 2012. Further, Heilongjiang Sen Yu is eligible to receive non-interest bearing loans from the local government. PRC government authorities may reduce or eliminate these incentives through new legislation at any time in the future. In the event we are no longer exempt from income tax, the applicable tax rate would increase from 0% to up to 25%, the standard business income tax rate in the PRC. In addition, the termination of non-interest bearing loans would reduce the working capital available to fund future operations and increase the burden on our cash flow and need for financing. The reduction or discontinuation of any of these economic incentives could negatively affect our financial condition and results of operations.

The outbreak of animal diseases could adversely affect our operations.

An occurrence of serious animal diseases, such as foot-and-mouth disease, swine flu or any outbreak of other epidemics affecting animals or humans might result in material disruptions to our operations, material disruptions to the operations of our customers or suppliers, or a decline in the food retail industry, any of which could have a material adverse effect on our operations. In 2009, there was an outbreak of streptococcus suis in pigs, principally in Sichuan Province, PRC, with a large number of cases of human infection following contact with diseased pigs. There also have been unrelated reports of diseased pigs in Guangdong Province, PRC. Our procurement and production facilities are located in Heilongjiang Province, PRC and were not affected by the streptococcus suis infection. However, there can be no assurance that our facilities or products will not be affected by an outbreak of this disease or similar ones in the future, or that the market for pork products in the PRC will not decline as a result of fear of disease. In either case, our business, results of operations and financial condition would be adversely and materially affected.

We take precautions to ensure that our livestock are healthy and that our facilities operate in a sanitary manner. Nevertheless, we are subject to risks relating to our ability to maintain animal health and control diseases. Livestock health problems could adversely impact production, the supply of raw materials and consumer confidence in all of our operating segments. From time to time, we have experienced outbreaks of certain livestock diseases. We may experience additional occurrences of disease in the future. Disease can reduce the litter of breeding swine, the number of offspring produced, hamper the growth of offspring, result in expensive vaccination programs or require in some cases the destruction of infected livestock, all of which could adversely affect our production or ability to sell or export our products. Adverse publicity concerning any disease or health concern could also cause customers to lose confidence in safety and quality of our food products, particularly as we expand our branded pork products.

In addition to risks associated with maintaining the health of our livestock, any outbreak of disease elsewhere in China or in other countries could reduce consumer confidence in the meat products affected by the particular disease, generate adverse publicity and result in the imposition of import or export restrictions.

Concerns regarding A(H1N1) influenza could adversely affect our business.

There has been substantial publicity regarding the A(H1N1) influenza outbreak since 2009. Although the A(H1N1) virus is a combination of human, bird and swine strains of influenza, the initial and widespread media reports regarding this illness labeled it the “swine flu” or a variation thereof. To date, there is no evidence that A(H1N1) is present in the swine litters at any of our operations or any of the farmers run by the Wang Da Farmers. Moreover, the U.S. Center for Disease Control and other regulatory and scientific bodies have confirmed that people cannot contract A(H1N1) influenza from eating cooked pork or pork products, regardless of whether the livestock used in such products was infected by A(H1N1). However, consumers’ perceptions regarding the virus may negatively impact demand for our pork products in the future.

There are still a number of potentially significant unanswered questions about A(H1N1), including where the strain originated, when it will run its course and whether it will mutate. Accordingly, it is not possible to predict whether the A(H1N1) influenza outbreak will have a significant adverse effect on our future financial results. Such an effect could result from, among other things, a decline in demand for our pork products or depressed market conditions for hogs in general.

Consumer concerns regarding safety and quality of food products or health concerns could adversely affect sales of our products.

Our sales performance could be adversely affected if consumers lose confidence in safety and quality of our products. Consumers in the PRC are increasingly conscious of food safety and nutrition. Consumer concerns about, for example, safety of pork products, or about safety of food additives used in processed meat products, could discourage them from buying certain of our products and cause our results of operations to suffer.

Our operating results may fluctuate from period to period.

Our operating results have fluctuated from period to period and are likely to continue to fluctuate as a result of a wide range of factors, including seasonal variations in live pig supply and pork consumption. For example, demand for pork in general is relatively high before the Chinese New Year in January or February each year and lower thereafter. Our production and sales are generally lower in the summer due to a slight drop in meat consumption during the hot summer months. Interim reports may not be indicative of our performance for the year or our future performance, and period-to-period comparisons may not be meaningful due to a number of reasons beyond our control.

We may be subject to substantial liability should the consumption of any of our products cause personal injury or illness. Unlike most food processing companies in the United States, we do not maintain product liability insurance to cover our potential liabilities.

The sale of food products for human consumption involves an inherent risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties or product contamination or degeneration, including the presence of foreign contaminants, chemical substances or other agents or residues during the various stages of the production, transportation or sales process. We cannot assure you that consumption of our products will not cause a health-related illness in the future, or that we will not be subject to claims or lawsuits relating to such matters.

Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions that our products caused personal injury or illness could adversely affect our reputation with customers and our corporate and brand image. Unlike most food processing companies in the United States, but in line with industry practice in the PRC, we do not maintain product liability insurance. Furthermore, the products manufactured from our hogs could potentially suffer from product tampering, contamination or degeneration or be mislabeled or otherwise

damaged. A product liability judgment against us or a product recall could have a material adverse effect on our revenues, profitability and business reputation.

We may be subject to regulations designed to reduce the production of greenhouse gases.

The Chinese government is actively considering legislation to reduce greenhouse gas (GHG) emissions. GHG emissions occur at several points across our operations, including hog farming and transportation, as well as during the processing operations of our customers. Compliance with any such future legislation or regulation can be expected to result in increased compliance and operating costs. However, it is not possible at this time to predict the structure or outcome of any future legislative or regulatory efforts or the eventual cost to us of compliance.

Our management has no experience in managing and operating a public company. Any failure to comply with federal securities laws, rules or regulations could subject us to fines or regulatory actions, which may materially adversely affect our business, results of operations or financial condition.

Our current management has no experience managing and operating a public company and relies in many instances on the professional experience and advice of third parties, including its attorneys and accountants. While we have appointed a qualified Chief Financial Officer effective as of the day following the filing of this Annual Report to enable us to meet our ongoing reporting obligations as a U.S. public company, such individuals may not have all of the qualifications necessary to fulfill these obligations. Failure to adequately comply with any laws, rules, or regulations applicable to our business may result in fines or regulatory actions, which may materially adversely affect the market price of our Common Stock, our business, results of operations, or financial condition, and could result in delays in the development of an active and liquid trading market for our Common Stock.

We may require additional financing in the future and our operations could be curtailed if we are unable to obtain required additional financing when needed.

We will need to obtain additional debt or equity financing to fund future capital expenditures. Any such financing can be expected to result in dilution to the holders of our outstanding shares of capital stock. Debt financing may include conditions that would restrict our freedom to operate our business, and may include conditions that:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;

- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and

- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We cannot guarantee that we will be able to obtain any additional financing on terms that are acceptable to us, or at all.

If we fail to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our business and adversely impact the trading price of our common stock.

We are required to establish and maintain internal controls over financial reporting and disclosure, and to comply with other requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules promulgated by the SEC thereunder. Our management, including our Chief Executive Officer and Chief Financial Officer, cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or the degree of compliance with policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

As of the date of this report, our management has concluded that a material weakness existed with respect to the Company's reporting of complex, non-routine transactions. Specifically, the Company's controls were not designed or operating effectively to ensure that warrants issued in connection with a private placement conducted by the Company in June 2010 were completely and accurately recorded as a derivative liability, measured at fair value, with changes in fair value recognized as gain or loss for each reporting period thereafter. This material weakness resulted in a material misstatement of our liabilities, non-cash expense relating to the changes in fair value of derivative liabilities and equity accounts and related financial disclosures that was not prevented or detected on a timely basis.

As a result of such material weakness, we amended our financial statements for our fiscal year ended June 30, 2010 and the quarter ended September 30, 2010 on December 2, 2010. On February 10, 2011 our management, after consultation with our independent public accountants, concluded that our restated financial statements for the fiscal year ended June 30, 2010 and the quarter ended September 30, 2010 should no longer be relied upon.

The remedial measures we are undertaking may be insufficient to address the significant deficiencies we identified, and there can be no assurance that significant deficiencies or material weaknesses in our internal controls over financial reporting will not be identified or occur in the future. If additional material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future, we may fail to meet our future reporting obligations on a timely basis, our consolidated financial statements may contain material misstatements, we may be required to again restate our prior period financial results, we may be subject to litigation and/or regulatory proceedings, and our business and operating results may be harmed.

Risks Relating To Conducting Business in the PRC

Substantially all of our assets and operations are located in the PRC, and substantially all of our revenue is sourced from the PRC. Accordingly, our results of operations and financial position are subject to a significant degree to economic, political and legal developments in the PRC, including the following risks:

Changes in the political and economic policies of the PRC government could have a material adverse effect on our operations.

Our business operations may be adversely affected by the political and economic environment in the PRC. The PRC has operated as a socialist state since 1949 and is controlled by the Communist Party of China. As such, the economy of the PRC differs from the economies of most developed countries in many respects.

In recent years, however, the government has introduced measures aimed at creating a form of market economy and policies have been implemented to allow business enterprises greater autonomy in their operations. Nonetheless, a substantial portion of productive assets in the PRC are still owned by the PRC government. Changes in the political leadership of the PRC may have a significant effect on laws and policies related to the current economic reforms program, other policies affecting business and the general political, economic and social environment in the PRC, including the introduction of measures to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and remittances abroad, and foreign investment. Moreover, economic reforms and growth in the PRC have been more successful in certain provinces in the PRC than in others, and the continuation or increases of such disparities could affect the political or social stability in the PRC.

Although we believe the economic reform and the macroeconomic measures adopted by the Chinese government have had a positive effect on the economic development in the PRC, the future direction of these economic reforms is uncertain and the uncertainty may decrease the attractiveness of our company as an investment, which may in turn materially adversely affect the price at which our stock trades.

A downturn in the economy of the PRC may slow our growth and profitability.

All of our revenues are generated from sales in China. The growth of the Chinese economy has been uneven across geographic regions and economic sectors. There can be no assurance that growth of the Chinese economy will be steady or that any downturn will not have a negative effect on our business, especially if it results in either a decreased use of our products or in pressure on us to lower our prices.

Our operations are subject to PRC laws and regulations that are sometimes vague and uncertain. Any changes in such PRC laws and regulations, or the interpretations thereof, may have a material and adverse effect on our business.

The PRC's legal system is a civil law system based on written statutes. Unlike the common law system prevalent in the United States, decided legal cases have little value as precedent in China. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including but not limited to, the laws and regulations governing our business, and the enforcement and performance of our arrangements with third party contractors, franchisee farmers and customers. The Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation, as well as and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

Our Chinese subsidiaries are considered foreign invested enterprises under PRC laws, and as a result are required to comply with PRC laws and regulations, including laws and regulations specifically governing the activities and conduct of foreign invested enterprises. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses. If the relevant authorities find us in violation of PRC laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

levying fines;

revoking our business license, other licenses or authorities;

requiring that we restructure our ownership or operations; or

requiring that we discontinue any portion or all of our business.

The ability of our Chinese operating subsidiaries to pay dividends may be restricted due to foreign exchange controls and other regulations of China.

Under applicable PRC regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise in China is required to set aside at least 10% of its after-tax profit each year for its general reserves until the accumulated amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

Furthermore, the ability of our Chinese operating subsidiaries to pay dividends may be restricted due to the foreign exchange control policies and availability of cash balance of the Chinese operating subsidiaries. Because substantially all of our operations are conducted in China, all of our revenue earned and currency received are denominated in RMB. RMB is subject to exchange control regulations in China, and, as a result, we may be unable to distribute dividends outside of China due to PRC exchange control regulations that restrict our ability to convert RMB into U.S. Dollars.

Our inability to receive dividends or other payments from our Chinese operating subsidiaries could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. Our funds may not be readily available to us to satisfy obligations which have been incurred outside the PRC, which could adversely affect our business and prospects. Accordingly, if we do not receive dividends from our Chinese operating subsidiaries, we may not have sufficient cash flow to fund our corporate overhead and regulatory obligations in the United States and may be unable to pay dividends on our shares of capital stock.

The currency exchange rate between U.S. Dollars and RMB could adversely affect our financial condition.

To the extent we need to convert U.S. Dollars into RMB for our operational needs, our financial position and the price of our Common Stock may be adversely affected should the RMB appreciate against the U.S. Dollar. Conversely, if we decide to convert our RMB into U.S. Dollars for operational needs or paying dividends on our Common Stock, the dollar equivalent of earnings from our subsidiaries in China would be reduced should the U.S. Dollar appreciate against the RMB.

Until 1994, the RMB experienced a gradual but significant devaluation against most major currencies, including the U.S. Dollar, and there was a significant devaluation of the RMB on January 1, 1994 in connection with the replacement of the dual exchange rate system with a unified managed floating rate foreign exchange system. Since 1994, the value of the RMB relative to the U.S. Dollar has remained stable and has appreciated slightly. Countries, including the United States, have argued that the RMB is artificially undervalued due to China's current monetary policies and have pressured China to allow the RMB to float freely in world markets. In July 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. Dollar. Under this policy, which was halted in 2008 due to the worldwide financial crisis, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. In June 2010, the Chinese government announced its intention to again allow the Renminbi to fluctuate within the 2005 parameters. It is possible that the Chinese government could adopt an even more flexible currency policy, which could result in more significant fluctuation of Renminbi against the U.S. dollar, or it could adopt a more restrictive policy. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in further and more significant appreciation of the RMB against the U.S. Dollar.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against the Company, its management or the experts named in this Annual Report.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon some of our directors and senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. It would also be difficult for investors to bring an original lawsuit against us or our directors or executive officers before a Chinese court based on U.S. federal securities laws or otherwise. Moreover, our PRC legal counsel has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgments of foreign courts. As such, recognition and enforcement in China of judgments against us, our directors, executive officers or the experts named in this Annual Report obtained from a court in any of those jurisdictions may be difficult or impossible to enforce.

The Chinese government could change its policies toward private enterprise or even nationalize or expropriate private enterprises, which could result in the total loss of our investment in that country.

Our business is subject to significant political and economic uncertainties and may be adversely affected by political, economic and social developments in China. Over the past several years, the Chinese government has pursued economic reform policies including the encouragement of private economic activity and greater economic decentralization. The Chinese government may not continue to pursue these policies or may significantly alter them to our detriment from time to time with little, if any, prior notice.

Changes in policies, laws and regulations or in their interpretation or the imposition of confiscatory taxation, restrictions on currency conversion, restrictions or prohibitions on dividend payments to stockholders, devaluations of

currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on our business. Nationalization or expropriation could even result in the total loss of our investment in China and in the total loss of your investment in us.

PRC regulations relating to offshore investment activities by PRC residents may increase the administrative burden we face and may subject our PRC resident beneficial owners to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, limit our ability to inject capital into our PRC subsidiaries, or may otherwise expose us to liability under the PRC law.

In October 2005, SAFE, issued the "Notice on Relevant Issues Concerning Foreign Exchange Administration on Financing and Round-Trip Investment through offshore Special Purpose Vehicles by Domestic Residents", generally referred to as Circular 75. The policy announced in this notice required PRC residents to register with the relevant SAFE branch before establishing or controlling offshore special purpose vehicles, or SPVs, for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. In the case of an SPV which was established, and which acquired a related domestic company or assets, before the implementation date of Circular 75, a retroactive SAFE registration was required to have been completed before March 31, 2006. In addition, any PRC resident that is a stockholder of an SPV is required to amend his SAFE registration within 30 days after any major change in the share capital of the offshore special purpose company without any roundtrip investment being made, such as any increase or decrease of capital, stock right assignment or exchange, merger or division, investment with long term stock rights or credits. Failure to comply with the requirements of Circular 75 may result in fines and other penalties under PRC laws for evasion of applicable foreign exchange restrictions. Any such failure could also result in the SPV's PRC affiliates being impeded or prevented from distributing their profits or the proceeds from any reduction in capital, share transfer or liquidation to the SPV.

We are committed to complying with and to ensuring that our stockholders who are subject to the regulation will comply with the relevant rules. However, we cannot assure you that all of our current or future stockholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Circular 75 or other related rules. Any failure by any of our current or future stockholders to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiaries.

PRC regulations relating to mergers and acquisitions of domestic enterprises by foreign investors may increase the administrative burden we face and create regulatory uncertainties.

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, or MOFCOM, the State Assets Supervision and Administration Commission, or SASAC, the State Administration for Taxation, or SAT, the State Administration for Industry and Commerce, or SAIC, the China Securities Regulatory Commission, or CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. The New M&A Rule purports, among other things, to require offshore SPVs formed for overseas listing purposes to effect acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, pursuant to the New M&A Rule and other PRC laws and regulations, the CSRC, in its official website, promulgated relevant guidance with respect to the issues of listing and trading of domestic enterprises' securities on overseas stock exchanges (the "Related Clarifications"), including a list of application materials with respect to the listing on overseas stock exchanges by SPVs.

There are substantial uncertainties regarding the interpretation and application of the above rules, and the CSRC has yet to promulgate any written provisions or formally to declare whether the overseas listing of PRC related companies shall be subject to the approval of the CSRC. If CSRC approval is required in connection with our listing, our failure to obtain, or delay in obtaining, such approval could result in penalties imposed by the CSRC and other PRC regulatory agencies. These penalties could include fines and penalties on our operations in China, restriction or limitation on remitting dividends outside of China, and other forms of sanctions that may cause a material and adverse effect on our stock price, business, operations and financial conditions.

Notwithstanding those provisions, we believe that CSRC approval is not required for us because we are not an SPV formed or controlled by PRC companies or PRC individuals. However, we cannot assure you that the relevant PRC government agencies, including the CSRC, would reach the same conclusion, and we still cannot rule out the possibility that the CSRC may determine that we circumvent the New M&A rules, Related Clarifications or other PRC securities laws.

Agreement drafting, interpretation and enforcement in China involve significant uncertainty, which could leave us vulnerable to legal disputes and challenges related to our contracts.

We have entered into numerous contracts governed by PRC law, many of which are material to our business. As compared with contracts in the United States, contracts governed by PRC law tend to contain less detail and are not as comprehensive in defining contracting parties' rights and obligations. As a result, contracts in China are more vulnerable to disputes and legal challenges. In addition, contract interpretation and enforcement in China is not as developed as in the United States, and the result of any contract dispute is subject to significant uncertainties. Therefore, we cannot assure you that we will not be subject to disputes under our material contracts, and if such disputes arise, we cannot assure you that we will prevail.

New labor laws in the PRC may adversely affect our results of operations.

On June 29, 2007, the PRC government promulgated a new labor law, the Labor Agreement Law of the PRC, or the New Labor Agreement Law, which became effective on January 1, 2008. The New Labor Agreement Law imposes greater liability on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the New Labor Agreement Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and future operating prospects.

If we make equity compensation grants to persons who are PRC citizens, they may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt an equity compensation plan for our directors and employees and other parties under PRC law.

On April 6, 2007, SAFE issued the "Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of An Overseas Listed Company, also known as "Circular 78." It is not clear whether Circular 78 covers all forms of equity compensation plans or only those which provide for the granting of stock options. For any plans which are so covered and are adopted by a non-PRC listed company after April 6, 2007, Circular 78 requires all participants who are PRC citizens to register with and obtain approvals from SAFE prior to their participation in the plan. In addition, Circular 78 also requires PRC citizens to register with SAFE and make the necessary applications and filings if they participated in an overseas listed company's covered equity compensation plan prior to April 6, 2007. We intend to adopt an equity compensation plan in the future and make substantial option grants to our officers and directors, most of whom are PRC citizens. Circular 78 may require our officers and directors who receive option grants and are PRC citizens to register with SAFE. We believe that the

registration and approval requirements contemplated in Circular 78 will be burdensome and time consuming. If it is determined that any of our equity compensation plans are subject to Circular 78, failure to comply with such provisions may subject us and participants of our equity incentive plan who are PRC citizens, including our Chief Executive Officer, to fines and legal sanctions and prevent us from being able to grant equity compensation to our PRC employees. In that case, our ability to compensate our employees and directors through equity compensation would be hindered, we may lose key employees and our business operations may be adversely affected.

If our land use rights are revoked, we would have no operational capabilities.

Under Chinese law, land is owned by the state or rural collective economic organizations. The state issues a land use right certificate to the land users. Land use rights can be revoked and the land users forced to vacate at any time when redevelopment of the land is in the public interest. The public interest rationale is interpreted quite broadly and the process of land appropriation may be less than transparent. Each of our facilities relies on these land use rights as the cornerstone of their operations, and the loss of such rights would have a material adverse effect on our company.

We are subject to a variety of environmental laws and regulations related to our manufacturing operations. Our failure to comply with environmental laws and regulations may have a material adverse effect on our business and results of operations.

We are subject to various environmental laws and regulations in China. We cannot assure you that at all times we will be in compliance with the environmental laws and regulations or that we will not be required to expend significant funds to comply with, or discharge liabilities arising under, environmental laws and regulations. Additionally, these regulations may change in a manner that could have a material adverse effect on our business, results of operations and financial condition. We have made and will continue to make capital and other expenditures to comply with environmental requirements.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

As our ultimate holding company is a Delaware corporation, we are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some that may compete with us, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur from time-to-time in the PRC. We can make no assurance, however, that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

We face risks related to natural disasters, terrorist attacks or other large scale events in China which could have a material adverse effect on our business and results of operations.

Our business could be materially and adversely affected by natural disasters, terrorist attacks or other events in China. For example, in early 2008, parts of China suffered a wave of strong snow storms that severely impacted public transportation systems. In May 2008, Sichuan Province suffered a strong earthquake measuring approximately 8.0 on the Richter scale that caused widespread damage and casualties. The May 2008 Sichuan earthquake has had a material adverse effect on the general economic conditions in the areas affected by the earthquake. Any future natural disasters, terrorist attacks or other events in China could cause severe disruptions to, and could have a material adverse effect on, our business and results of operations.

Risk Relating to an Investment in Our Securities

Our Common Stock is thinly traded and you may be unable to sell at or near “ask” prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.

We cannot predict the extent to which an active public market for our Common Stock will develop or be sustained. Our Common Stock has been sporadically or “thinly-traded” on the “OTC Bulletin Board,” meaning that the number of persons interested in purchasing our Common Stock at or near bid prices at any given time may be relatively small or nonexistent. This situation is attributable to a number of factors, including the fact that we are a small company which is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-adverse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we become more seasoned and viable. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of our Common Stock in either direction. The price for our shares could, for example, decline precipitously in the event a large number of shares of our Common Stock are sold on the market without commensurate demand, as compared to a seasoned issuer that could better absorb those sales without adverse impact on its share price. We cannot give you any assurance that a broader or more active public trading market for our Common Stock will develop or be sustained.

We may need additional capital and may sell additional securities or other equity securities or incur indebtedness, which could result in additional dilution to our shareholders or increase our debt service obligations.

We may require additional cash resources due to business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities or equity-linked debt securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

The conversion of preferred stock or notes or exercise of warrants outstanding may result in dilution to the holders of our common stock and cause the price of our common stock to decline.

On February 22, 2010, we issued 10% Secured Convertible Promissory Notes in the principal amount of \$2,165,000. The Notes will automatically convert into the same securities sold in a Qualified Financing, at a 50% discount to the purchase price of such securities in the Qualified Financing. If the Company does not complete such a Qualified Financing prior to the maturity date of the Notes, the Noteholders shall be repaid, in cash, the principal amount of the Notes plus interest, and the Company will be required to issue warrants to the Noteholders to purchase shares of Common Stock at \$1.50 per share, up to the principal amount of the Notes.

On June 11, 2010, we consummated a private placement with certain accredited investors and issued to the investors an aggregate of (i) 1,152,380 shares of newly created Series B Preferred Stock, with an initial one-to-one conversion ratio into shares of Common Stock, (ii) Series A Warrants to purchase an aggregate of 1,008,334 shares of Common Stock, and (iii) Series B Warrants to purchase an aggregate of 1,008,334 shares of Common Stock. The Series B Preferred Stock is convertible into Common Stock (i) at the option of the holders, at any time and from time to time after the original issue date, or (ii) automatically, upon the consummation of any transaction resulting in a change of control of the Company.

The exercise prices for Series A Warrants and Series B Warrants are \$1.80 and \$2.46 per share, respectively, as of June 30, 2010. These exercise prices are subject to further adjustment in the event our earnings are between \$0.67 and \$0.33 per share for our fiscal year 2011, in which event the then-current warrant exercise prices will decrease proportionately: by 0% if the earnings are \$0.67 per share or greater and by 50% if the earnings are \$0.33 per share. In addition, the exercise prices of the aforesaid warrants will be adjusted and reduced to the prices (if lower) of any shares or other instruments convertible into Common Stock issued by the Company.

In connection with this June 2010 private placement, we also issued to the placement agent and its affiliates: (i) Series C Warrants to purchase an aggregate of 70,583 shares of Common Stock, exercisable for five years at \$3.00 per share, (ii) Series D Warrants to purchase an aggregate of 70,583 shares of Common Stock, exercisable at \$4.10 per share, and (iii) Series E Warrants to purchase an aggregate of 80,000 shares of Common Stock, exercisable for five years at \$2.10 per share.

Additional information about the Series B Preferred Stock and the conversion and other rights related to the Series B Preferred Stock and warrants issued in the June 2010 Private Placement and the 10% Secured Promissory Note can be found in the Current Reports on Form 8-K filed by us on February 23, 2010 and June 14, 2010, respectively.

When the conversion price of the Series B Preferred Stock or the exercise price of the warrants is less than the trading price of our Common Stock, such conversion or exercise would have a substantial dilutive effect on our stockholders.

We have not paid any cash dividends and no cash dividends will be paid in the foreseeable future.

We do not anticipate paying cash dividends on our Common Stock in the foreseeable future and we may not have sufficient funds legally available to pay dividends. Even if the funds are legally available for distribution, we may nevertheless decide not to pay, or may be unable to pay, any dividends. We intend to retain all earnings for our company's operations.

Our common stock may be considered a "penny stock," and thereby be subject to additional sale and trading regulations that may make it more difficult to sell.

Our common stock, which is currently quoted for trading on OTCBB, may be considered to be a "penny stock" if it does not qualify for one of the exemptions from the definition of "penny stock" under Section 3a51-1 of the Exchange Act, as amended. Our Common Stock may be a "penny stock" if it meets one or more of the following conditions: (i) the stock trades at a price less than \$5 per share; (ii) it is not traded on a "recognized" national exchange; (iii) it is not quoted on the Nasdaq Capital Market, or even if so, has a price less than \$5 per share; or (iv) is issued by a company that has been in business less than three years with net tangible assets less than \$5 million. The principal result or effect of being designated a "penny stock" is that broker-dealers participating in sales of our Common Stock will be subject to the "penny stock" regulations set forth in Rules 15-2 through 15g-9 promulgated under the Exchange Act. For example, Rule 15g-2 requires broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document at least two business days before effecting any transaction in a penny stock for the investor's account. Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to: (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult and time consuming for holders of our Common Stock to resell their shares to third parties or to otherwise dispose of them in the public market.

The accounting treatment for our convertible securities is complex and subject to judgments concerning the valuation of embedded derivative rights within the applicable securities. Fluctuations in the valuation of these rights could cause us to take charges to our earnings and make our financial results unpredictable.

Promissory notes we issued in February 2010 and Series B Convertible Preferred Stock and the warrants we issued in connection with our June 2010 financing contain, or may be deemed to contain, embedded derivative rights in accordance with GAAP. These derivative rights, or similar rights in convertible securities we may issue in the future, need to be, or may need to be, separately valued as of the end of each accounting period in accordance with GAAP. Changes in the valuations of these rights, the valuation methodology or the assumptions on which the valuations are based could cause us to take charges to our earnings, which would adversely impact our results of operations. Moreover, the methodologies, assumptions and related interpretations of accounting or regulatory authorities associated with these embedded derivatives are complex and in some cases uncertain, which could cause our accounting for these derivatives, and as a result, our financial results, to fluctuate. There is a risk that questions could arise from investors or regulatory authorities concerning the appropriate accounting treatment of these instruments, which could require us to restate previous financial statements, which in turn could adversely impact our results of operations, our reputation and our public stock price.

Item 2. Description of Property

We lease our office in New York which is located at 19 West 44th Street, New York, New York 10036. The lease has a term of three years, with a two-year renewal option. The rent and maintenance fees on this space for the first year, which ends August 31, 2011, is approximately \$78,850 and the rent increases by two (2%) percent every year.

Heilongjiang SenYu owns one breeding base with facilities including breeding and administration areas of 6,692 and 2,172 square meters, and land area of 51,000 square meters located in Huanan County, Jiamusi City. Heilongjiang SenYu also owns another breeding base, which it leases to Sino-Canadian Sen Yu and has facilities including breeding and administration areas of 10,050 and 700 square meters, and land area of 300,000 square meters located in Tangyuan County, Jiamusi City.

Heilongjiang Sen Yu leased a breeding base located in TaiPin Village Township Tangyuan County. As of June 30, 2010, Heilongjiang SenYu terminated this lease agreement.

Heilongjiang Sen Yu and Sino-Canadian Sen Yu lease an executive office located in #308 Bao Wei Road, Cultural Palace, 6th Floor, Qianjin District Jiamusi City Heilongjiang Province. The annual rental expenses were approximately RMB 170,000 (equivalent to approximately \$24,900 including rent and maintenance fees). The lease for this office space expires on June 14, 2013.

In order to establish our Beijing branch, on August 6, 2010, Heilongjiang Sen Yu leased an office, located at #16 Guang Shun North Street, Building #2, 8th Floor, Chao Yang district of Beijing City. The lease agreement has a term of three years, from August 9, 2010 to August 8, 2013. The total rental expense is approximately RMB 662,748 (equivalent to approximately \$97,078) and the total maintenance fee is approximately RMB164,982 (equivalent to approximately \$24,165).

Item. 3 Legal Proceedings

None

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Repurchase of Equity Securities.

Market Information

Our Common Stock trades on the OTCBB under the symbol "CSWG." The following table sets forth the high and low intra-day prices per share of our Common Stock for the periods indicated, which information was provided by the OTCBB. The quotations set forth below reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions. The prices have been adjusted to reflect the effect of the 1-for 24 reverse stock split that became effective on September 30, 2009.

	Price Range	
	High	Low
2010 Fiscal Year		
Fourth Quarter Ended June 30, 2010	\$ 8.00	4.00
Third Quarter Ended March 31, 2010	\$ 10.90	2.00
Second Quarter Ended December 31, 2009	\$ 7.20	2.00
First Quarter Ended September 30, 2009	\$ 1.90	0.15
2009 Fiscal Year		
Fourth Quarter Ended June 30, 2009	\$ 0.17	0.06
Third Quarter Ended March 31, 2009	\$ 0.85	0.06
Second Quarter Ended December 31, 2008	\$ 1.05	0.25
First Quarter Ended September 30, 2008	\$ 1.09	0.65

On September 24, 2010, the closing price of our Common Stock as reported on the OTCQB was \$2.60.

Holders

As of September 28, 2010, there were 20,892,982 shares of our Common Stock outstanding held by approximately 319 stockholders of record. The number of our stockholders of record excludes any estimate by us of the number of beneficial owners of shares held in street name, the accuracy of which cannot be guaranteed.

Dividend Policy

We have not paid any cash dividends on our Common Stock to date, and we have no intention of paying cash dividends in the foreseeable future. Whether we will declare and pay dividends in the future will be determined by our board of directors at their discretion, subject to certain limitations imposed under Delaware corporate law. In addition, our ability to pay dividends may be affected by foreign exchange controls and other limitations imposed by the PRC laws. The timing, amount and form of dividends, if any, will depend on, among other things, our results of operations, financial condition, cash requirements and other factors deemed relevant by our board of directors.

Securities Authorized for Issuance under Equity Compensation Plans

The table below contains information regarding our equity compensation plans, which include individual compensation arrangements.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	0	n/a	0
Equity compensation plans not approved by security holders	0	n/a	795,000(1)
Total	0	n/a	795,000

(1) On October 21, 2009 the Board adopted the 2009 Stock and Stock Option Plan (“Plan”). The Plan authorizes the Board to issue up to one million shares, either as grants of stock, grants of restricted stock, or subject to stock options. Grants may be made to employees or consultants who are not engaged in capital formation or stock promotion. To date, the Board has issued 205,000 shares pursuant to the Plan.

Repurchases of Equity Securities.

None.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

On February 2, 2010, we issued 5,000 shares of Common Stock to a consultant for her services rendered for the period from January 29, 2010 to June 30, 2010. On May 3, 2010, we issued 100,000 shares of Common Stock to each of Mr. Cong and Mr. Hau for their consulting services for the term from April 16, 2010 to April 15, 2013. All these shares were issued pursuant to exemptions from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

There were no sales of unregistered securities during the period covered by this Annual Report other than what were disclosed above and those in Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Item 6. Selected Financial Data

Not required.