

SEN YU INTERNATIONAL HOLDINGS, INC.  
Form 10-K  
September 28, 2011

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended June 30, 2011

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.  
(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.)
--	---

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)
--	---

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 22, 2011, 25,661,533 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, 2010 was approximately \$13,536,193.

Documents Incorporated by Reference  
None

## TABLE OF CONTENTS

	Page
Cautionary Note On Forward Looking Statements	4
Part I	
Item 1. Business	6
Item 1A. Risk Factors	25
Item 2. Description of Properties	43
Item 3. Legal Proceedings	43
Part II	
Item 5. Market For Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	44
Item 6. Selected Financial Data	45
Item 7. Management's Discussion and Analysis or Plan of Operation	46
Item 8. Financial Statements and Supplementary Data	F-1
Item 9. Changes In and Disagreements With Accountants On Accounting and Financial Disclosure	55
Item 9A(T). Controls and Procedures	55
Item 9B. Other Information	56
Part III	
Item 10. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(A) of the Exchange Act	57
Item 11. Executive Compensation.	60
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	61
Item 13. Certain Relationships and Related Party Transactions	62
Item 14. Principal Accountant Fees and Services	62
Part IV	
Item 15. Exhibits	63

### CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K 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, 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, Co. Ltd., 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, when reaching full production capacity, can produce approximately 11,000 breeding hogs. We sold 4,808 heads and 4,499 heads for the fiscal year ended June 30, 2011 and 2010, 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 network of farmers. 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 Wang Da (as defined below), 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 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 advance.

We sell the mature hogs to slaughterhouses and pork distributors in Beijing.

Heilongjiang Sen Yu's executive office is located at No. 308 Baowei Road, Cultural Palace, 6th Floor, Qianjin District, Jiamusi City, Heilongjiang Province, 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 RMB16.7 million (approximately \$2,068,368 as of March 2006). The joint venture agreement provided that Heilongjiang Sen Yu would contribute RMB10 million in cash (approximately \$1,238,543 as of March 2006) and that Polar Genetics Inc. would contribute 628 breeding swine valued at RMB 6.7 million (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 RMB10 million 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. Those agreements were renewed on July 26, 2010 and February 15, 2011, respectively. 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 Note Offering

On February 22, 2010, we issued 10% Secured Convertible Promissory Notes (the “Notes”) in the principal amount of \$2,165,000. Pursuant to the related agreement, all of the Notes were automatically converted, for no additional consideration, into an aggregate of 1,096,498 shares of the Company’s common stock, 913,192 shares of Series B Preferred Stock, Series A Warrants to purchase an aggregate of 799,044 shares of common stock, Series B Warrants to purchase an aggregate of 799,044 shares of common stock and Series F Warrants to purchase an aggregate of 877,199 shares of common stock, immediately following the closing of the private placement of \$3,044,140 of Common Stock, which together with the private placement of \$2.42 million of the Company’s Series B Preferred Stock in June 2010, constituted a “Qualified Financing” for purposes of the agreement executed by the parties in connection with the sale of the Notes.

#### June 2010 Private Placement

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 B Preferred Stock any time on or before December 11, 2010 (the “Option”). The Option expired on December 11, 2010 without being exercised.

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 Designation”), 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 were originally 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. The current exercise price of the Series A Warrants and Series B Warrants are \$1.80 and \$2.46, respectively, based on the basic earnings per share of \$0.33 for the fiscal year ended June 30, 2010.

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.

#### February 2011 Private Placement

On February 17, 2011, we completed a private placement with a non-U.S. investor, whereby the Company sold an aggregate of 1,383,700 shares of Common Stock, at \$2.20 per share for total gross proceeds of \$3,044,140 (the "February 2011 Private Placement"). The investor also received a common stock purchase warrant exercisable for three years to purchase 1,106,960 shares of Common Stock at \$2.64 per share ("Series F Warrants"). Series F Warrants may only be exercised in cash and the exercise price is subject to adjustment for stock splits, stock dividends, recapitalizations and the like.

#### May 2011 Private Placement

On May 27, 2011, the Company entered into a financing transaction with four non-U.S. investors. The Company sold an aggregate of 804,000 shares of Common Stock at \$1.50 per share for total gross proceeds of \$1,206,000 (the "May 2011 Private Placement").

Pursuant to the Subscription Agreement, at any time after 18 months and before 30 months after the closing of the May 2011 Private Placement, the investors will have the right to force the Company to repurchase the shares at a price which, subject to certain anti-dilution adjustments, equals the original purchase price plus interest accrued at 10% per annum. The Company's obligation to repurchase such shares is personally guaranteed by Mr. Zhenyu Shang, the Chairman and Chief Executive Officer of the Company.

#### 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 partnership-based 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 is the key to the implementation of our business plan, which was entered into on January 1, 2009 for an indefinite term. We entered into the amended and restated cooperation agreement with Wang Da on April 1, 2011. We finance Wang Da, with fixed profit margins set by us, and Wang Da in turn supports Wang Da Farmers, providing fodder on credit obtained through its volume purchasing power. Wang Da also guarantees the collection 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 at the best available prices 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 collect 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 gross profit, on behalf of us, the gross profit is approximately equal to the local market selling price less the fodder cost for the mature commercial hog and for the breeding swine. We then reimburse Wang Da the amount it paid Wang Da Farmers for the hogs.

As of June 30, 2011, we had net advances to Wang Da outstanding in the amount of \$53,467,601. 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 April 1, 2011, Wang Da agreed to pay RMB 7 million (equivalent to \$1,083,016 as of June 30, 2011) 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. This agreement was renewed on April 1, 2011 for an indefinite term. 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.

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 unless the parties agree otherwise. 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. Wang Da Farmers bear the risk of hog mortality and illness. The risk of sudden changes in the prices of raw materials is shared among Wang Da, the Wang Da Farmers and us. 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 farmers 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 increase 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 the next few years.

According to the agriculture statistics forecast from the Korea Country Economic Research institute, China is the world's largest pork producer, accounting for half of the world's total production. For 2011, China is expected to produce 52 million metric tons of pork out of an estimated world production of approximately 104 million metric tons.

According to the Foreign Agricultural Services of the PRC government, 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 2011 projected per-capita pork consumption places it behind the European Union and 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 39.30 kilograms per person in 2011, based on information provided at <http://www.thepigsite.com>. During the same period in America, per capita consumption decreased from 29.9 kilograms in 2000 to an estimated 27.1 kilograms per person in 2011, according to <http://kelloggfinance.files.wordpress.com>.

The professional breeding swine websites projected that Chinese total pork consumption in 2011 will rise nearly four percent to approximately 51.59 million metric tons, which follows a three percent increase in 2010. China's pig crop production in 2011 is forecast at nearly 668 million head, a half percent increase from an estimated 665 million head in 2010.

#### China's Hog Industry and Competitors

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. In 2010, China's pork producers suffered 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, resulting in more losses incurred by farmers. This has come along with a drop in pig numbers as farmers reduce their herds. As a result, the number of herds is represented a low level at the end of 2010. Due to the short supply forecast for live hogs in 2011, the live hog prices will reflect a 25% increase in 2011 as compared to the same period in 2010.

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. The Chinese government will continue to support this industry due to the current short supply.

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

Hunan Xinwufeng Limited - China's third largest pig breeding company, with a production of 750,000 pigs in 2010. (Hunan Xinwufeng Limited trades on the Shanghai Stock Exchange under the symbol "SH: 600975.")

Luoniushan Limited - China's second largest pig breeding company, with a production of 600,000 hogs in 2010. (Luoniushan Limited trades on the Shenzhen Stock Exchange under the symbol "SZ: 000735.")

#### 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 with up to 650 imported elite Canadian breeding hogs.

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 RMB700 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. The unique partnership-based business model also allows us to quickly capture profits without heavy investment in hard assets.

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.

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 \$ 1,160,375 as of June 30, 2011. The loans bear no interest, and are payable on December 31, 2011. 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 and the fodder is mixed using our exclusive formula;

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 RMB17 per kilogram, while in June 2009 the spot price had fallen to approximately RMB9 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 RMB13 per kilogram. In 2011, due to short supply, we believe the price of pork will continue to increase. In June 2011, the price of pork increased to RMB27.67 per kilogram, surpassing the previous peak of RMB26 in 2008.



### 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 228,274 and 151,222 hogs from us in the fiscal years ended June 30, 2011 and 2010, respectively; and

Beijing Fifth Meat Factory, which purchased 266,896 and 233,558 hogs in the fiscal years ended June 30, 2011 and 2010, respectively.

During the fiscal years ended on June 30, 2010 and 2011, these two major customers accounted for 97.12% and 97.51% 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”)

Purchases of fodder from Wang Da accounted for approximately 81% and 68.33% of our cost of goods sold in fiscal years ended June 30, 2011 and 2010, 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](http://www.hljsenyu.com) in China. Our English website [www.senyuholdings.com](http://www.senyuholdings.com) is currently under construction.

#### 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 State Administration of Foreign Exchange, or 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 96 full-time employees. Of these employees, 3 are employed by Sen Yu International, approximately 68 are employed by Heilongjiang Sen Yu, and approximately 25 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	-	6	1
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 the 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.

26

---

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 fiscal years ended June 30, 2011 and 2010, two customers accounted for 97.51% and 97.12 % 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 and our ability to expand production.

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 Farmers. Over 82% of our total assets consist of advances to Wang Da as of June 30, 2011. Wang Da in turns delivers fodder to the Wang Da Farmers on credit, expecting that they will deliver 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 receivables from Wang Da, including poor production by the Wang Da Farmers, significant defaults by Wang Da 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 Wang Da 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 Wang Da Farmers are the cause of Wang Da's defaults, our efforts to recover our loans directly from Wang Da 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 effect 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 agri-businesses 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, Vice Chairman of Heilongjiang Sen Yu and one of the Directors and the uncle of Zhenyu Shang, our Chairman and CEO, owns approximately 61.2% 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 largely 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. During 2011, the price of pork continues to rise and hit a new high in China due to short supply.

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 (CPI). 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 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 window 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 of Sino-Canadian Sen Yu will expire on May 31, 2012. In the event we are no longer exempt from income tax, the applicable tax rate would increase from 0% to 25%, the standard business income tax rate in the PRC. 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. 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.

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 senior 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 senior 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 the interim Chief Financial Officer and a new accounting manager that received GAAP related training in the U.S. 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 various executives, 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 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 RMB 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 RMB 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 RMB 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.

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-averse 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. Pursuant to the February 2010 Notes agreement, all of the Notes were automatically converted, for no additional consideration, into an aggregate of 1,096,498 shares of the Company’s Common Stock, 913,192 shares of Series B Preferred Stock, Series A Warrants to purchase an aggregate of 799,044 shares of Common Stock, Series B Warrants to purchase an aggregate of 799,044 shares of Common Stock and Series F Warrants to purchase an aggregate of 877,199 shares of Common Stock, immediately following the closing of the private placement of \$3,044,140 of Common Stock on February 17, 2011.



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 current conversion price of the Series B Preferred Stock for this institutional investor is \$1.08, calculated based on the basic earnings per share of \$0.33 for the fiscal year ending June 30, 2010.

The exercise prices for Series A Warrants and Series B Warrants are \$1.80 and \$2.46 per share, respectively, as of June 30, 2011. 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.

In addition, with respect to the February 2011 Private Placement, we issued to the investors Series F Warrants exercisable for three years to purchase 1,106,960 shares of Common Stock at \$2.64 per share.

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, from September 1, 2011 to August 31, 2013, with a two-year renewal option. The rent and maintenance fees on this space for the first year is approximately \$78,850, and the rent increases by two (2%) percent every year. As a result, the rental expenses for the second and third year are approximately \$80,410 and \$82,001 respectively, including rent and maintenance fees.

Heilongjiang SenYu owns one breeding base with facilities including breeding and administration areas of 6,692 and 2,172 square meters respectively, and a 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 respectively, and a land area of 300,000 square meters located in Tangyuan County, Jiamusi City.

Heilongjiang Sen Yu and Sino-Canadian Sen Yu lease an executive office located in No. 308 Baowei Road, Cultural Palace, 6th Floor, Qianjin District Jiamusi City Heilongjiang Province. The annual rental expenses were approximately RMB 170,000 (equivalent to approximately \$25,655, 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 No. 16 Guang Shun North Street, Building No. 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 \$100,016) and the total maintenance fee is approximately RMB164,982 (equivalent to approximately \$24,898).

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
2011 Fiscal Year		
Fourth Quarter Ended June 30, 2011	\$ 4.20	0.45
Third Quarter Ended March 31, 2011	\$ 5.10	2.05
Second Quarter Ended December 31, 2010	\$ 4.10	2.00
First Quarter Ended September 30, 2010	\$ 6.15	1.10
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

On September 22, 2011, the closing price of our Common Stock as reported on the OTCBB was \$0.36.

## Holders

As of September 22, 2011, there were 25,661,533 shares of our Common Stock outstanding held by approximately 337 stockholders of record. The number of our stockholders of record excludes any estimation 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.

None.

## February 2011 Private Placement

On February 17, 2011, we completed a private placement with a non-U.S. investor, whereby the Company sold an aggregate of 1,383,700 shares of Common Stock, at \$2.20 per share for total gross proceeds of \$3,044,140 (the “February 2011 Private Placement”). The investor also received a common stock purchase warrant exercisable for three years to purchase 1,106,960 shares of Common Stock at \$2.64 per share (“Series F Warrants”). Series F Warrants may only be exercised in cash and the exercise price is subject to adjustment for stock splits, stock dividends, recapitalizations and the like.

## May 2011 Private Placement

On May 27, 2011, the Company entered into a financing transaction with four non-U.S. investors. The Company sold an aggregate of 804,000 shares of Common Stock at \$1.50 per share for total gross proceeds of \$1,206,000 (the “May 2011 Private Placement”).

Pursuant to the Subscription Agreement, at any time after 18 months and before 30 months after the closing of the May 2011 Private Placement, the investors will have the right to force the Company to repurchase the shares at a price which, subject to certain anti-dilution adjustments, equals the original purchase price plus interest accrued at 10% per annum. The Company's obligation to repurchase such shares is personally guaranteed by Mr. Zhenyu Shang, the Chairman and Chief Executive Officer of the Company.

Item 6. Selected Financial Data

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following analysis of our consolidated financial condition and results of operations for the fiscal years ended June 30, 2011 and 2010 should be read in conjunction with the consolidated financial statements, including footnotes.

Overview

Sen Yu International Holdings, Inc. (the "Company") was founded as a Colorado corporation on June 29, 1983 and was re-domiciled to the State of Delaware on December 6, 2007. In connection with the Company's change of domicile, the Company increased its authorized capital to 310,000,000 of which 300,000,000 are Common Stock, and 10,000,000 are Preferred Stock, each with a par value of \$0.001 per share, with the preferred stock issuable in series with such powers, designations, preferences and relative, participating, optional or other specific rights, and qualifications, limitations or restrictions thereof, as the Board may fix from time to time by resolution or resolutions. Prior to August 13, 2009, the Company had not engaged in any business operations.

On August 13, 2009, the Company acquired all of the outstanding capital stock of Advanced Swine Genetics Co., Ltd. ("Advanced Swine") by issuing 4,646.05933 shares of its Series A Convertible Preferred Stock to the stockholders of Advanced Swine. Each share of Series A Preferred Stock is convertible into Four Thousand One Hundred Sixty-Six and (4,166.66) shares of Common Stock. As of the date of this Annual Report, all the Series A Preferred Stock have been converted into Common Stock and the Company filed a Certificate of Elimination to eliminate the previously designated 4,800 shares of Series A Convertible Preferred Stock.

A Certificate of Amendment to the Company's Certificate of Incorporation was filed on September 9, 2009 to change the Company's name from Apogee Robotics, Inc. to "China Swine Genetics, Inc." Concurrent with the name change, a 1 for 24 reverse split was effected on September 30, 2009. Stockholders with 1 or more but fewer than 100 shares after the reverse split were issued shares to increase their holdings to 100 shares. All other fractional shares resulting from the reverse split were repurchased by the Company for \$5.28 per share. On June 28, 2010, we changed our name to "Sen Yu International Holdings, Inc."

Advanced Swine was incorporated under the laws of Nevada on June 29, 2007. It is an intermediate holding company that conducts its business through its subsidiaries in the PRC. On December 20, 2007, Advanced Swine entered into a share transfer agreement with Heilongjiang Sen Yu Animal Husbandry Co., Ltd. ("Heilongjiang Sen Yu") through which Advanced Swine acquired all the equity interests in Heilongjiang Sen Yu. Heilongjiang Sen Yu was incorporated on September 3, 2004, under the laws of PRC. Heilongjiang Sen Yu was originally founded with a registered capital of RMB10 million (equivalent to approximately \$1,208,211 on August 27, 2004 and increased its registered capital to RMB50 million (equivalent to approximately \$6,165,762) and RMB80 million (equivalent to approximately \$9,933,896) on January 18 and August 29, 2006, respectively. Heilongjiang Sen Yu was in the development stage and incurred minor selling expenses and significant general and administrative expenses until September, 2005, when it accepted its first sales order of merchandise hogs and genetic breeding swine, and started its business as a farmer enterprise for breeding, feeding, and marketing the grandparent and parent generation breeding swine, and merchandise hogs.

In March 2006, Heilongjiang Sen Yu established a joint venture named Sino-Canadian Sen Yu Polar Swine Genetics Company Limited ("Sino-Canadian Sen Yu") with Polar Genetics Inc., a Canadian corporation (the "Polar Genetics"). This joint venture was in the development stage and did not commence principal operations until November 27, 2007.

Both Heilongjiang Sen Yu and Sino-Canadian Sen Yu engage in the business of breeding and raising hogs and piglets, then distributing them to slaughter facilities and pork distributors in the PRC. Our objective is to establish ourselves as a leading producer and distributor of breeding and commercial hogs in the PRC.





## Result of Operations

YEAR ENDED JUNE 30, 2011 AS COMPARED TO YEAR ENDED JUNE 30, 2010

	For The Fiscal Years Ended June 30,				2011Vs 2010	
	2011		2010		Increase/ (decrease)	
Revenues	\$ 99,769,757		\$ 70,351,959		\$ 29,417,798	42 %
Cost of Goods Sold	73,836,033	74.01 %*	56,307,072	80.04 %*	17,528,961	31.13 %
Gross Profit	25,933,724	25.99 %	14,044,887	19.96 %	11,888,837	85 %
Operating Expenses						
Selling expenses	3,319,367		2,264,653		1,054,714	47 %
Bad debt for advanced to suppliers	1,084,608		524,179		560,429	107 %
Compensation expense	959,469		4,018,488		(3,059,019)	-76%
General and administrative expenses	1,455,777		934,379		521,398	56 %
Losses on disposal of fixed assets	72,157		109,098		(36,941 )	-34 %
Total Operating Expenses	6,891,378	6.91 %	7,850,797	11.16 %	(959,419 )	-12 %
Income From Operations	19,042,346	19.09 %	6,194,090	8.80 %	12,848,256	207 %
Other Income (Expenses or Losses )						
Interest expense, net	(112,376 )		(70,953 )		(41,423 )	58 %
Other expense , net	(2,770 )		(6,453 )		3,683	-57 %
Change in fair value of warrants	17,150,616		(1,998,740 )		19,149,356	-958 %
Total Other Income (Expenses or Losses )	17,035,470		(2,076,146 )		19,111,616	-921 %
Income from Continuing Operations Before Income Taxes						
Income Tax Provision	36,077,816	36.16 %	4,117,944	5.85 %	31,959,872	776 %
Income Tax Provision	-		-		-	
Net Income Before Noncontrolling Interest	36,077,816	36.16 %	4,117,944	5.85 %	31,959,872	776 %
Less: Net loss attributable to the noncontrolling interest						
	(50 )		(145,630 )		145,580	-100 %
Net Income Attributable to Sen Yu International Holdings, Inc.						
	\$ 36,077,866		\$ 4,263,574		\$ 31,814,292	746 %

\* as a percentage of the revenue



## Revenues

Total revenues were \$99,769,757 for the fiscal year ended June 30, 2011 compared to \$70,351,959 for the fiscal year ended June 30, 2010, an increase of \$29,417,798 or 42%. The increase in revenues resulted from increased orders from our major customers, Beijing Dahongmen and Beijing Fifth Meat Factory. Hog sales increased to 504,028 head for the fiscal year ended June 30, 2011 from 397,255 for the fiscal year ended June 30, 2010.

The following table sets forth information regarding the sales of our principal products during the fiscal years ended June 30, 2011 and 2010.

	For The Fiscal Year Ended June 30 2011								
	2011			2010			2011 Less 2010		
	Quantities (Capita)	Amount	Sale %	Quantities (Capita)	Amount	Sale %	Quantities (Capita)	Amount	Sale %
Commercial Hogs	495,170	\$97,287,157	98 %*	384,780	\$68,329,331	97 %*	110,390	\$28,957,826	42 %
Others Hogs	8,858	2,482,600	2 %*	12,475	2,022,628	3 %*	(3,617 )	459,972	23 %
Total	504,028	\$99,769,757	100 %	397,255	\$70,351,959	100 %	106,773	\$29,417,798	42 %

\* as a percentage of the total sales

Commercial Hogs refer to the hogs we purchased from Wang Da's contracted farmers. Commercial hogs are transported and sold in the Beijing market.

Other hogs refer to the hogs raised in our own breeding facilities, including breeding swine, commercial hogs, piglets and substandard hogs which are not qualified as breeding swine.

The increase in quantities sold, as reflected in the table, was primarily attributable to our policy of committing all of our available cash resources to expand our commercial hog production.

The following table sets forth information regarding the average price per capita of our principal products during the fiscal years ended June 30, 2011 and 2010.

	Average Unit Sales Price Per Capita		Basic Change Per Capita
	2011	2010	
Commercial Hogs	\$ 196.47	\$ 177.58	\$ 18.89
Others Hogs	280.27	162.13	118.14
Overall Average Products	\$ 197.94	\$ 177.10	\$ 20.84

The increase in average unit sales price per capita was due to the increase of the market price during the fiscal year ended June 30, 2011. The unit sales prices of piglets and substandard hogs, which are not qualified as breeding swine, were generally lower than the sales prices of breeding swine and commercial hogs. In addition, the unit sales prices of breeding swine were higher than commercial hogs. The revenue sold by breeding swine represents 66% of the revenue of others hogs reported for the fiscal year ended June 30, 2011, as compared to 55% of the revenue of others hogs reported for the fiscal year ended June 30, 2010, an increase of 9%. As a result, the average unit sales price of other hogs increased significantly during the fiscal year ended June 30, 2011.



### Cost of Sales and Gross Profit

Our costs of goods sold consisted primarily of direct and indirect manufacturing costs and loss on disposal of inventory, including production overhead costs and costs of our collection of hogs. Cost of goods sold for the year ended June 30, 2011 was \$73,836,033 as compared to \$56,307,072 for the fiscal year ended June 30, 2010, an increase of \$17,528,961 or 31.13%. This increase was primarily attributable to increased sales volume.

Gross margin was 26% for the year ended June 30, 2011 and 19.96% for the fiscal year ended June 30, 2010. The increase in gross margin was due to more commercial hogs and breeding swine sold and the higher unit sale prices for the fiscal year ended June 30, 2011, which generated higher unit margins for the period ended June 30, 2011.

The following table sets forth information regarding the average cost per capita of our principal products during the years ended June 30, 2011 and 2010.

	Average Unit Cost Per Capita		Basic Change Per Capita
	2011	2010	
Commercial Hogs	\$ 144.99	\$ 139.08	\$ 5.91
Others Hogs	230.60	223.78	6.82
Overall Average Products	\$ 146.49	\$ 141.74	\$ 4.75

The increase in average unit cost for overall average products was primarily attributable to the fact that we sold more commercial hogs and the higher fodder costs in the fiscal year ended June 30, 2011 as compared to the fiscal year ended June 30, 2010.

Costs of Commercial Hogs mainly consist of fodder costs and the fixed percentage of profits allocated to the farmers. The latter is calculated as 40% of profits (roughly equal to the difference between the local selling price and the fodder costs for the commercial hogs and breeding sows). We distributed more profits to the farmers due to the increase of the market price for the fiscal year ended June 30, 2011, which contributed to the increased average unit cost for commercial hogs per capita for the fiscal year ended June 30, 2011, as compared to the same period in 2010. The increase in average unit cost price for other hogs was primarily due to the fact the fodder costs increased slightly in the fiscal year ended June 30, 2011 as compared to the same period in 2010.

The Company pays the advance to Wang Da and offsets the advance every ten days by receiving collected mature commercial hogs from Wang Da Farmers. Roughly 71% of the Company's cost of goods sold consists of fodder cost. A mature hog weighing 100 kg consumes approximately 288 kg of feed on average with a feed cost of \$100. Based on the unit hog feed cost of \$100 and the number of daily collected of hogs, the offset to the prepaid advance would be the sum of \$100 multiplied by the number of hogs collected. The Company settles the advances with Wang Da every 10 days to ensure that the control of credit risk extended to Wang Da is in place. Pursuant to the Amended and Restated Cooperation Agreement on April 1, 2011, the feed cost will be increased to \$108 from \$100 beginning in April 2011.

### Selling Expenses

Selling expenses increased from \$2,264,653 for the fiscal year ended June 30, 2010 to \$3,319,367 for the fiscal year ended June 30, 2011. The increase was mainly attributable to the increased transportation cost which resulted from increased orders from our major customers in Beijing. We utilized the services of Jiamusi Shunlida Transporting Co through December 31, 2009 and Jiamusi Hongqi Transporting Agency Co beginning in January 2010 for transportation of commercial hogs between Jiamusi and Beijing.



#### Bad Debt for Advances to Suppliers

Provision for bad debt expense was \$1,084,608 for the fiscal year ended June 30, 2011, as compared to \$524,179 for the fiscal year ended June 30, 2010, an increase of \$560,429 or 107%, which was in line with the increase in the advance to Wang Da. To account for the higher risk of default, we adopted a bad debt allowance of 5% of the aggregate amount of advances to Wang Da for the fiscal years ended June 30, 2011 and 2010.

#### Compensation Expenses

Compensation expenses decreased by approximately \$3,059,019 or approximately 76% from the fiscal year ended June 30, 2010, principally due to reduction of payment in the fiscal year ended June 30, 2011. We issued additional shares of our common stock to develop potential business opportunities for producing breeding and commercial hogs in West China and to obtain advice on business operations, financing, investor relations and business planning in fiscal year 2011, as compared to the same period in 2010. The Company generated more expenses in the areas of domestic business development, overseas financing and investor relation activities for the fiscal year ended June 30, 2011. However, the increase in expenses in these areas was offset by the payment of consulting fees of approximately \$4.02 million incurred in the fiscal year ended June 2010. Details of the terms are disclosed under Notes to Consolidated Financial Statements Note 12 (d) Common Stock section. As a result, compensation expense declined significantly for the fiscal year ended June 30, 2011.

#### General and Administrative Expenses

General and administrative expenses, which consist of salaries, entertainment expenses, consulting fees, professional expenses and other expenses were \$1,455,777 for the fiscal year ended June 30, 2011, as compared to \$934,379 for the fiscal year ended June 30, 2010. General and administrative expenses increased by approximately \$521,398, or approximately 56% from the fiscal year ended June 30, 2010, principally due to the increased investor relations related charges, professional fees, New York office expenses and management salaries during the fiscal year ended June 30, 2011, as compared to the same period in 2010.

#### Losses on disposal of fixed assets

In order to maximize the return on our investment in swine, we routinely cull breeding sows that have lost their productivity. In addition, our herds are subject to ordinary risks of mortality. If a hog dies before we have fully depreciated our investment in the hog, we incur an expense equal to the unamortized cost of the hog. Such incidences of breeding swine mortality caused us an expense of \$72,157 during the fiscal year ended June 30, 2011, recorded as "losses on disposal of fixed assets". During the fiscal year ended June 30, 2010, our mortality losses were \$109,098. This category of expense will vary from year to year, depending on factors such as weather, disease, and other seasonal factors. We recorded the mortality losses of breeder under Losses on disposal of fixed assets. We culled less breeding swine during the fiscal year ended June 30, 2011. Accordingly, losses on "disposal of fixed assets" for the fiscal year ended June 30, 2011 decreased by an aggregate of \$36,941.

#### Total Operating Expenses

As a result of the above, total operating expenses were \$6,891,378 for the fiscal year ended June 30, 2011 as compared to \$7,850,797 for the fiscal year ended June 30, 2010, a decrease of \$959,419. This decrease was primarily attributable to the decrease in compensation expenses.





#### Other Income (Expense)

During the fiscal year ended June 30, 2011, other income which consists of change in fair value of warrants, penalties and other expenditures amounted to \$17,035,470 as compared to other expenses of \$2,076,146 for the fiscal year ended June 30, 2010, an increase of 921%. The increase was due to the change in the fair value of warrants of \$17,150,616 during the fiscal year ended June 30, 2011, which was recognized as other income. We adopted the ASC 815-40 "Accounting for Derivative Financial Instruments" accounting standard, and warrants issued in the June 2010 and February 2011 offering are treated as derivative liabilities warrants on the balance sheet. At the end of each quarter, we re-calculate the fair value of the warrants using the Black-Scholes model, and record any increase or decrease in that fair value as other income or other expense. For the fiscal year ended June 30, 2011, the change in the fair value of warrants was \$17,150,616, which was recognized as other income.

For the fiscal year ended June 30, 2011, net interest expense was \$112,376 as compared to net interest expense of \$70,953 during the fiscal year ended June 30, 2010, an increase of \$41,423. This increase was primarily due to the issuance of the 10% Secured Convertible Notes at par to twelve investors in the principal amount of \$2,165,000 on February 22, 2010. Accordingly, interest expense increased for the fiscal year ended June 30, 2011.

Other expense, net was \$2,770 during the fiscal year ended June 30, 2011 as compared to other income, net of \$6,453 during the fiscal year ended June 30, 2010, a decrease of \$3,683. The decrease was due to more disposal reimbursement and abnormal losses incurred in the fiscal year ended June 30, 2010.

#### Income Taxes

Our provisions for income taxes for the fiscal year ended June 30, 2011 and 2010 were zero and zero, respectively. Our PRC subsidiaries were exempt from the income taxes per PRC tax laws and regulations that exempt companies engaged in the agricultural breeding of livestock. But for that exemption, our income under Chinese accounting principles would be taxed at a rate of 25%. Sen Yu International is subject to U.S. federal income taxes and State of Delaware annual franchise taxes while its subsidiary in the U.S., Advanced Swine, is subject to U.S. federal income taxes and State of Nevada annual reporting, respectively. The Company's PRC subsidiaries expect to use their retained earnings to support their PRC operations, and will not declare any dividends within the predictable future. In addition, there was no net income generated by Advanced Swine during the fiscal year ended June 30, 2011 and 2010. Despite the fact that Sen Yu International generated net income due to the change in fair value of warrants in the fiscal year ended June 30, 2011, there was non-realized gain as of June 30, 2011. Therefore, for the fiscal years ended June 30, 2011 and 2010, the income taxes were \$0 and \$0.

#### Net Income and Comprehensive Income

During the fiscal year ended June 30, 2011, Sino-Canadian Sen Yu incurred a net loss of approximately \$126. In our Statements of Operations, 40% of that gain allocable to our joint venture partner was attributed to "Noncontrolling Interest" and added to our net income. In the future, if Sino-Canadian realizes a net income, the 40% of that income allocable to our joint venture partner will likewise be deducted from our net income. Our net income for the fiscal year ended June 30, 2011, after that deduction, totaled \$36,077,866.

Our business operates primarily in Chinese Renminbi ("RMB"), but we report our results in our SEC filings in U.S. dollars. The conversion of our accounts from RMB to U.S. dollars results in translation adjustments. While our net income will be added to the retained earnings on our balance sheets the translation adjustments will be added to a line item on our balance sheets labeled "accumulated other comprehensive income," since they will be more reflective of changes in the relative values of U.S. dollars and RMB than of the success of our business. During the fiscal year ended June 30, 2011, the effects of converting our financial results to U.S. dollars was to add \$2,426,862 to our

accumulated other comprehensive income. During the fiscal year ended June 30, 2010, when the exchange rate between the RMB and the U.S. dollar was less volatile, there was an increase of \$246,594 in our accumulated other comprehensive income.

## Liquidity and Capital Resources

After our founders made the initial contribution of our registered capital, the growth of our business has been funded, primarily, by the revenues from our business operations, sales of our securities, loans from the local financial bureau in China and loans from our stockholders. Our working capital on June 30, 2011 totaled \$59,235,941, an increase of \$38,781,885 from our \$20,454,056 in working capital as of June 30, 2010. The increase was cash and cash equivalents and advances to suppliers for the fiscal year ended June 30, 2011. In general, since we expect to produce more commercial hogs in the next few years, we expect to advance more money to our suppliers, especially Wang Da, to provide Wang Da's contracted farmers with fodder to raise more commercial hogs. As a result, our working capital will tend to fluctuate in proportion to our net income.

The following is a summary of cash provided by or used in each of the indicated types of activities during the fiscal years ended June 30, 2011 and 2010.

	For The Fiscal Years Ended June 30,	
	2011	2010
Cash (Used in) provided by:		
Operating Activities	\$ 892,435	\$ 1,319,405
Investing Activities	(137,735 )	(38,537 )
Financing Activities	5,046,490	4,450,409

### Net Cash Provided by Operating Activities

As of June 30, 2011 there was an advance to supplier of \$53,473,785. In order to raise quality commercial hogs, and control the quality of feeding materials and procedures, we entered into a cooperation agreement with Wang Da, our major feedstuff supplier, to provide our farmers fodder to raise their commercial hogs. The supplier offsets the advances from us once it delivers the Wang Da Farmers' commercial hogs to us. Primarily as a result of the advance to suppliers, our operations provided us only \$892,435 in cash, despite \$36,077,816 net income during the year ended June 30, 2011.

The Company pays the advance to Wang Da and offsets the advance every ten days. Such advances to Wang Da are offset by the market value of the commercial hogs when the hogs are collected from the farmers. The fodder cost consists of 71% of the Company's cost of goods sold. The fodder cost to collection price offset occurs when the mature hogs are collected from the farmers. A mature hog weighing 100 kg consumes 288 kg of feed on average with a feed cost of \$100. Based on each hog feed cost of \$100 and daily collection of hogs, the offset to the prepaid advance would be the sum of \$100 multiplied by the hogs daily collected. The Company settles the advances with Wang Da every 10 days to ensure control of credit risk extended to Wang Da is in place. Wang Da collects the commercial hogs from the farmers on behalf of the Company at local market value in Heilongjiang. The inventory cost assigned is the same as the local market value at which Wang Da collected the hogs.

Our customers, including Beijing 5th Meat Factory and Dahongmen, generally pay our invoices within a relatively short period of time, i.e. 5 to 7 working days. Such monies generate working capital to finance our operations, including the advances to Wang Da.

#### Net Cash Used in Investments Activities

Investment used in the fiscal year ended June 30, 2011 was \$137,735, as compared to \$38,537 for the fiscal year ended June 30, 2010. This change was primarily attributable to higher payments for the purchase of equipment during the fiscal year 2011.

#### Net Cash Provided By Financing Activities

We currently have \$1,128,517 in loans payable to non-affiliates, including \$850,942 due to an agency of the government of Jiamusi and \$309,433 due to an agency of the government of Tangyuan, with a total discount on loans payable of \$31,858. All of the loans are interest-free and all of them are payable on December 31, 2011. The payment date for each of these loans has been extended in the past, as these agencies have made the loans for the purpose of supporting our operations. We expect the loans will be extended in the future prior to their maturity.

On February 22, 2010, we consummated an offering of 10% Secured Convertible Notes (the "Notes") in the principal amount of \$2,165,000. The Notes were sold at par to twelve investors. The maturity date of the Notes is February 22, 2011. Interest on the Notes at 10% per annum is payable quarterly. Payment of interest and principal is secured by a pledge of our shares owned by Ligang Shang, our majority stockholder.

Pursuant to the February 2010 Notes, offering all of such Notes were automatically converted, for no additional consideration, into an aggregate of 1,096,498 shares of the Company's common stock, 913,192 shares of Series B Preferred Stock, Series A Warrants to purchase an aggregate of 799,044 shares of common stock, Series B Warrants to purchase an aggregate of 799,044 shares of common stock and Series F Warrants to purchase an aggregate of 877,199 shares of common stock, immediately following the closing of the private placement of \$3,044,140 of Common Stock on February 17, 2011, which together with the private placement of \$2.42 million of the Company's Series B Preferred Stock in June 2010, constituted a "Qualified Financing" requiring conversion of the February 2010 Notes.

On June 11, 2010, we consummated a transaction 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, with an initial one-to-one conversion ratio into shares of our common stock, par value \$0.001 per share, whereas the adjusted conversion price of the Series B preferred stock is \$1.08 based on the basic earnings per share of \$0.33 for the fiscal year ending June 30, 2010, (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"). In connection with the 2010 June Private Placement, we also issued to Global Arena Capital Corp. ("Global"), our placement agent, and certain individuals affiliated with Global: (i) Series C Warrants to purchase an aggregate of 70,583 shares of Common Stock, exercisable at \$3.00 per share for five years, (ii) Series D Warrants to purchase an aggregate of 70,583 shares of Common Stock, exercisable at \$4.10 per share for five years, and (iii) Series E Warrants to purchase an aggregate of 80,000 shares of Common Stock, exercisable at \$2.10 per share for five years. From the proceeds of the offering, we paid a commission of \$116,160 to Global. We also reimbursed Global for its management and finance expenses totaling \$53,240. In addition, we incurred other direct costs in total amount of \$60,455. As a result, we realized net proceeds of \$2,190,145 from this offering.

On February 17, 2011, we completed a private placement with a non-U.S. investor, where the Company sold an aggregate of 1,383,700 shares of Common Stock, at \$2.20 per share for total gross proceeds of \$3,044,140. The investor also received Series F warrants, exercisable for three years to purchase 1,106,960 shares of Common Stock at \$2.64 per share. The warrants may only be exercised in cash and the exercise price of the warrants is subject to adjustment for stock splits, stock dividends, recapitalizations and the like.



On May 27, 2011, the Company entered into a financing transaction with four non-U.S. individual investors. The Company sold an aggregate of 804,000 shares of Common Stock at \$1.50 per share for total gross proceeds of \$1,206,000.

We believe that we have sufficient funds to operate our existing business for the next twelve months. However, in addition to funds available from operating and loans from stockholders, we may need external sources of capital for our expansion of our facilities and to increase the roster of network farmers, in order to reach our goal of producing one million commercial hogs in 2013. There can be no assurance that we will be able to obtain such additional financing at acceptable terms to us, or at all.

#### Critical Accounting Policies and Estimates

In preparing our financial statements we are required to formulate working policies regarding valuation of our assets and liabilities and to develop estimates of those values. In our preparation of the financial statements for 2011, there was one estimate made which was (a) subject to a high degree of uncertainty and (b) material to our results. It was our determination, explained in Note 3 to the Financial Statements, to record an allowance equal to 5% of net amount of our advances to suppliers. We calculated the reserve based on our expectation that the advances would be liquidated through operations in the ordinary course of business. The 5% reserve, therefore, represented our evaluation of the likelihood that our operations would fail to achieve a level of productivity sufficient to permit our supplier to liquidate the advances. A summary of significant accounting policies is included in Note 3 to the consolidated financial statements. Management believes that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

CONTENTS	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Financial Statements:	
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Comprehensive Income	F-5
Consolidated Statements of Changes In Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8 to F-29

F-1

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Sen Yu International Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Sen Yu International Holdings, Inc. and subsidiaries as of the years ended June 30, 2011 and 2010, and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income, and cash flows for each of the years in the two-year period ended June 30, 2011. The management of Sen Yu International Holdings, Inc. and subsidiaries is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sen Yu International Holdings, Inc. and subsidiaries as of June 30, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the two-year period ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ MS Group CPA LLC

MS Group CPA LLC  
Edison, New Jersey  
September 28, 2011



SEN YU INTERNATIONAL HOLDINGS INC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	As of June 30,	
	2011	2010
Assets		
Current Assets:		
Cash and equivalents	\$11,440,584	\$5,825,842
Inventories, net	1,544,675	943,642
Advance to suppliers, net	53,473,785	30,830,691
Prepayments and other current assets	72,169	176,777
Total Current Assets	66,531,213	37,776,952
Property, Plant, Equipment and Breeding Stock, net	1,816,987	1,983,760
Construction in Progress	213	14,801
Total Long-Term Assets	1,817,200	1,998,561
Total Assets	68,348,413	39,775,513
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	455,044	390,644
Loans payable, net	1,128,517	1,066,924
Convertible note, net	-	2,165,000
Loans from shareholders/officers, net	794,354	5,460
Deferred interest income	31,858	39,036
Performance bond	1,083,016	-
Other current liabilities	9,169	1,721
Derivative liabilities-warrants	3,793,314	13,654,111
Total Current Liabilities	7,295,272	17,322,896
Temporary equity		
Redeemable shares of common stock (804,000 and 0 shares issued and outstanding, respectively)	1,217,055	-
Total Liabilities	8,512,327	17,322,896
Shareholders' Equity:		
Series A Convertible Preferred Stock ,\$.001 par value, 4,800 shares authorized, zero and 4,646.05933 shares issued and outstanding, respectively	-	-
Series B Convertible Preferred Stock ,\$.001 par value, 10,000,000 shares authorized,1,988,429 and 1,152,380 shares issued and outstanding, respectively	1,988	1,152
Common stock, \$.001 par value, 300,000,000 shares authorized, 25,263,113 and 20,892,982 issued and outstanding, respectively	25,263	20,893
Additional paid-in capital	11,573,432	10,860,373
Reserve funds	6,745,351	3,570,029
Retained earnings	40,766,555	7,864,011
Accumulated other comprehensive income	3,393,871	967,009
Unearned compensation	(2,956,141 )	(1,116,667 )
Total Sen Yu International Holdings, Inc. Shareholders' Equity	59,550,319	22,166,800
Noncontrolling Interest	285,767	285,817
Total Equity	59,836,086	22,452,617
Total Liabilities and Equity	\$68,348,413	\$39,775,513

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

F-3

---

SEN YU INTERNATIONAL HOLDINGS INC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Fiscal Years Ended June 30,	
	2011	2010
Revenues	\$ 99,769,757	\$ 70,351,959
Cost of Goods Sold	73,836,033	56,307,072
Gross Profit	25,933,724	14,044,887
Operating Expenses		
Selling expenses	3,319,367	2,264,653
General and administrative expenses	1,455,777	934,379
Losses on disposal of fixed assets	72,157	109,098
Bad debt for advanced to suppliers	1,084,608	524,179
Compensation Expense	959,469	4,018,488
Total Operating Expenses	6,891,378	7,850,797
Income From Operations	19,042,346	6,194,090
Other Income (Expense)		
Interest expense, net	(112,376 )	(70,953 )
Other expense, net	(2,770 )	(6,453 )
Change in fair value of warrants	17,150,616	(1,998,740 )
Total Other Income (Expense)	17,035,470	(2,076,146 )
Income from Continuing Operations Before Income Taxes	36,077,816	4,117,944
Income Tax Provision	-	-
Net Income Before Noncontrolling Interest	36,077,816	4,117,944
Less: Net loss attributable to the noncontrolling interest	(50 )	(145,630 )
Net Income Attributable to Sen Yu International Holdings, Inc.	\$ 36,077,866	\$ 4,263,574
Earnings Per Share:		
- Basic	\$ 1.64	\$ 0.33
- Diluted	\$ 1.40	\$ 0.29
Weighted Common Shares Outstanding		
- Basic	\$ 22,002,885	\$ 12,976,230
- Diluted	\$ 25,863,391	\$ 15,255,131

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



SEN YU INTERNATIONAL HOLDINGS INC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For The Fiscal Years Ended June 30,	
	2011	2010
Net Income Before Noncontrolling Interest	\$ 36,077,816	\$ 4,117,944
Other Comprehensive Income:		
Foreign Currency Translation Income	2,426,862	246,594
Comprehensive Income	\$ 38,504,678	\$ 4,364,538

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

F-5

---

SEN YU INTERNATIONAL HOLDINGS INC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

Sen Yu International Holdings, Inc. Shareholders' Equity

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common stock		Additional Paid-in Capital	Reserve Fund	Retained Earning / (Accumulated Deficits)	Accumulate Other Comprehensi Income
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of June 30, 2009	9,646	\$ 5	-	\$ -	41,423	\$ 41	\$ 4,043,208	\$ 1,874,970	\$ 5,295,496	\$ 720,415
Majority Shareholder Waive His Right to Collect the Company's Debt to Him	-	-	-	-	-	-	11,169,236	-	-	-
Series A Convertible Preferred Stocks were Converted into Common Stock	(9,646)	(5)	-	-	20,044,689	20,045	(20,040)	-	-	-
Unearned Compensation Issued new common stocks in February, May, and June 2010 for service	-	-	-	-	806,870	807	5,134,348	-	-	-

received

Issuance of preferred stock for financing on June 10, 2010	-	-	1,152,380	1,152	-	-	(9,466,379)	-	-	-
Net Income	-	-	-	-	-	-	-	-	4,263,574	-
Appropriation of Reserve Funds	-	-	-	-	-	-	-	1,695,059	(1,695,059)	-
Foreign Currency Translation Gain	-	-	-	-	-	-	-	-	-	246,594
Balance as of June 30, 2010	-	\$ (0)	1,152,380	\$ 1,152	20,892,982	\$ 20,893	\$ 10,860,373	\$ 3,570,029	\$ 7,864,011	\$ 967,009
Net Income	-	-	-	-	-	-	-	-	36,077,866	-
Series B Convertible Preferred Stocks were Converted into Common Stocks	-		(77,143)	(77)	150,000	150	(73)	-	-	-
Convertible Note were Converted into Common Stocks and issue warrants	-		913,192	913	1,096,500	1,096	(2,866,180)	-	-	-
Issued new common stocks	-	-	-	-	935,931	936	2,670,507	-	-	-

in February, March and April 2011 for service received										
Issuance of common stock for financing on February 17, 2011	-	-	-	1,383,700	1,384	782,109	-	-	-	
Issuance of common stock for financing on May 27, 2011	-	-	-	804,000	804	(804)	-	-	-	
Compensation stock	-	-	-	-	-	127,500	-	-	-	
Amortization Unearned Compensation	-	-	-	-	-	-	-	-	-	
Noncontrolling interest	-	-	-	-	-	-	-	-	-	
Appropriation of Reserve Funds	-	-	-	-	-	-	3,175,322	(3,175,322)	-	
Foreign Currency Translation Gain	-	-	-	-	-	-	-	-	-	2,426,862
Balance as of June 30, 2011	-	\$ -	1,988,429	\$ 1,988	25,263,113	\$ 25,263	\$ 11,573,432	\$ 6,745,351	\$ 40,766,555	\$ 3,393,871



SEN YU INTERNATIONAL HOLDINGS INC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Fiscal Years Ended June 30,	
	2011	2010
Cash Flows From Operating Activities:		
Net Income	\$36,077,816	\$4,117,944
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation and amortization	476,630	501,628
Bad debt adjustment	1,084,608	524,179
Consulting fees adjusted from deferred	831,969	106,333
Issue common stock to pay consulting fee	-	3,912,155
Compensation expense for stock granted	127,500	-
Amortization of financing costs	-	80,500
Loss on disposal of fixed assets	72,157	109,098
Loss on disposal of inventories	26,345	245,514
Provision for losses on inventories	(1,245)	1,236
Change in fair value of warrants	(17,150,616)	1,998,740
Change in fair value of redeemable stock	11,055	-
Changes in operating assets and liabilities:		
Accounts receivable	-	634,550
Inventories	(707,687 )	(255,393 )
Advanced to suppliers	(21,195,303)	(10,477,518)
Prepayments and other current assets	107,992	(109,214 )
Accounts payable and accrued expenses	49,852	(59,738 )
Customer deposit	-	4,270
Deferred interest income	(8,672 )	48,005
Performance bond	1,083,016	-
Other current liabilities	7,018	(62,884 )
Net Cash Provided by Operating Activities	892,435	1,319,405
Cash Flows From Investing Activities:		
Payment for purchase of equipment	(112,098 )	(51,538 )
Payment for construction in progress	(70,805 )	(14,801 )
Proceeds from sale of property and equipment	45,168	27,802
Net Cash Used in Investing Activities	(137,735 )	(38,537 )
Cash Flows From Financing Activities:		
Proceeds from discount on loans payable	8,672	(48,005 )
Proceeds from Convertible Notes	-	2,165,000
Proceeds from issuance of redeemable stock	1,206,000	
Proceeds from issuance of stock	3,044,140	2,190,145
Repayments for loans from shareholders/officers	(26,034 )	(8,961 )
Proceeds the repayment of loans by shareholders/officers	813,712	152,230
Net Cash Provided by Financing Activities	5,046,490	4,450,409
Net Increase in Cash and Equivalents	5,801,190	5,731,277
Effect of Exchange Rate Changes on Cash	(186,448 )	11,711
Cash and Equivalents at Beginning of Period	5,825,842	82,854
Cash and Equivalents at End of Period	\$11,440,584	\$5,825,842

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	\$222,015	\$-
Income taxes paid	\$-	\$-

## SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Inventory transferred out to be breeding stock in fixed assets	\$153,989	\$70,405
Construction in progress transferred out to be fixed assets	\$85,403	\$-
Majority shareholder waive his right to the Company's debt	\$-	\$11,169,236
Issued shares for consulting service	\$2,671,443	\$5,135,155
Offset debt by fixed assets	\$6,791	\$11,654,932

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

SEN YU INTERNATIONAL HOLDINGS INC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Sen Yu International Holdings Inc (“Sen Yu International” or the “Company”) 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 Company’s change of domicile from Colorado to Delaware, the Company’s authorized capital was increased to 310,000,000 of which 300,000,000 are classified as Common Stock, par value \$0.001 per share, and 10,000,000 are classified as Preferred Stock, par value \$0.001 per share, issuable in series with such powers, designations, preferences and relative, participating, optional or other specific rights, and qualifications, limitations or restrictions thereof, as the Board may fix from time to time by resolution or resolutions. For at least ten years prior to August 13, 2009, the Company had not engaged in any business operations.

On August 13, 2009, Sen Yu International acquired all of the outstanding capital stock of Advanced Swine Genetics, Co., Ltd., a Nevada corporation (“Advanced Swine”). In exchange for the outstanding shares of Advanced Swine, Sen Yu International issued 4,646.05933 shares of its Series A Convertible Preferred Stock to the stockholders of Advanced Swine (the “Share Exchange”). Each share of Series A Preferred Stock is convertible into Four Thousand One Hundred Sixty-Six and (4,166.66) shares of Common Stock. In November 2009 the Series A shares were converted into 20,044,689 (with additional fractional shares issued in or after November 2009) shares of Sen Yu International’s Common Stock, representing approximately 99% of the issued and outstanding shares.

Effective on September 30, 2009, the Company filed an amendment to its certificate of incorporation changing the name of the Company from Apogee Robotics, Inc. to “China Swine Genetics, Inc.” and implementing a 1-for-24 reverse split of the common stock. On June 28, 2010, the Company changed its name to “Sen Yu International Holdings, Inc.

Advanced Swine was incorporated under the laws of Nevada on June 29, 2007. It is an intermediate holding company without its own operations. On February 28, 2008, Advanced Swine acquired 100% of the equity interests of Heilongjiang Sen Yu Animal Husbandry Co., Ltd. (“Heilongjiang Sen Yu”). Heilongjiang Sen Yu was incorporated on September 3, 2004, under the law of the People’s Republic of China (“PRC”). On December 20, 2007, Advanced Swine entered into the stock transfer agreement with Heilongjiang Sen Yu through which Advance Swine acquired all the equity interests of Heilongjiang Sen Yu. The share transfer was approved on February 4, 2008 by the Heilongjiang Provincial Government, and the updated business license of Heilongjiang Sen Yu with the new stockholder’s name was issued on February 28, 2008 by 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 was originally founded with a registered capital of RMB10 million (equivalent to approximately \$1,208,211) on September 3, 2004 and increased its registered capital to RMB50 million (equivalent to approximately \$6,165,762) and RMB80 million (equivalent to approximately \$9,933,896) on January 18 and August 29, 2006, respectively.

Heilongjiang Sen Yu was in the development stage and incurred minor selling expenses and significant general and administrative expenses prior to September, 2005. In September 2005, Heilongjiang Sen Yu accepted its first sales order of merchandise hogs and genetic boars, and started its business as a farmer enterprise for breeding, feeding and marketing the grandparent and parent generation boars, and merchandise hogs.



In March 2006, Heilongjiang Sen Yu entered into a joint venture agreement with Polar Genetics, Inc., a Canadian corporation (the “Polar Genetics”). The registered capital of Sino-Canadian Sen Yu Polar Swine Genetics Company Limited (“Sino-Canadian Sen Yu”) is RMB16.7 million (equivalent to approximately \$2,068,368 as of March 2006). According to the joint venture agreement, Heilongjiang Sen Yu and Polar Genetics are required to contribute RMB10 million (equivalent to approximately \$1,238,543 as of March 2006) and 600 primary genetic boars worth RMB6.7 million (equivalent to approximately \$829,825 as of March 2006) respectively, in order to own 60% and 40% of the joint venture, respectively. This joint venture was approved by Jiamusi Administration for Industry and Commerce on March 30, 2006, and the actual capital of RMB10 million (\$1,246,028) was contributed by Heilongjiang Sen Yu on May 22, 2006. Polar Genetics contributed 628 primary genetic production swine worth RMB6.7 million (\$892,263) on October 12, 2007. Since China custom officers did not complete the full inspection, and release the primary genetic boars to Sino-Canadian Sen Yu until November 27, 2007, this joint venture was considered to be in development stage and did not commence principal operations until November, 27, 2007.

Sen Yu International, Advanced Swine, Heilongjiang Sen Yu, and Sino-Canadian Sen Yu, Heilongjiang Sen Yu’s 60% owned joint venture will be called, collectively, “the Company” or “Sen Yu” in the accompanying consolidated financial statements.

## 2. BASIS OF PRESENTATION

### a. Fiscal year

The Company’s fiscal year ends on June 30. The accompanying consolidated financial statements of operations, changes in stockholders’ equity, comprehensive income, and cash flows include activities for the fiscal years ended June 30, 2011 and 2010.

### b. Principle of consolidation

The accompanying consolidated financial statements present the financial position, results of operations and cash flows of the Company and all entities in which the Company has a controlling voting interest. These consolidated financial statements include the financial statements of Sen Yu International Holdings, Inc. and its subsidiaries, namely, Advanced Swine, Heilongjiang Sen Yu, and Sino-Canadian Sen Yu. All significant intercompany transactions and balances are eliminated in consolidation.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amount reported in the consolidated financial statements and the accompanying notes. Significant estimates include the estimated useful lives and fair values of the assets. Actual results could differ from those estimates.

### b. Cash and equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates market value.

F-9

---

c. Accounts receivable

Accounts receivable are recognized and carried at original invoice amount less allowance for any uncollectible amounts. The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on a review of the current status of the existing receivables. Per historical records, the Company had no uncollectible amount incurred. Therefore, the Company had not recorded any allowance for doubtful accounts as of June 30, 2011 and 2010.

d. Inventories, Net

Inventories are stated at the lower of cost or market. Cost of raw materials is determined on a first-in, first-out basis ("FIFO"). Finished goods are determined on the weighted average basis and are comprised of direct materials, direct labor and an appropriate proportion of overhead. The Company estimates an inventory allowance for excessive, slow moving, obsolete inventory and changes in price level as well as inventory whose carrying value is excess of net realized value. Inventory amounts are reported net of such allowances. The raw materials include generally the feedstuffs and other raw materials, and the finished goods include the baby hogs, young hogs and commercial hogs which are ready to sell. However the components of work in progress include generally the director labor, depreciation of the facilities, manufacturing overhead expenses, and other production related fees.

e. Bad Debt Allowance

In order to acquire significant amounts of commercial hogs, the Company advanced additional money to Heilongjiang Wang Da Feedstuff Co., Ltd. ("Wang Da"). Since the advances to Wang Da were a significant part of total assets, the Company's subsidiary, Heilongjiang Sen Yu, adopts a bad debt allowance at 0.5% of the amount of money advanced to Wang Da. Commencing April 2009, the allowance rate of Heilongjiang Sen Yu was increased to 5% from 0.5%.

f. Advances to suppliers, net

Advanced to suppliers are recognized and carried at the original amount advanced to suppliers less allowance for any uncollectible amounts. The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of all advances to suppliers. The estimated losses are based on a review of the current status of the existing advance amount. The accumulated allowances for doubtful accounts were \$2,814,084 and \$1,622,302 as of June 30, 2011 and 2010, respectively.

g. Cost of Sales

Cost of sales consists primarily of the purchase cost of fodder, direct labor, depreciation and manufacturing overheads, which are directly attributable to the production of processed breeding hogs.

h. Selling, General and Administrative Costs

Selling costs consist primarily of salaries, freight costs and advertising fees, which are incurred in the course of the sale of goods. General and administrative costs consist of salaries, entertainment expenses, consulting fees, professional expenses and other expenses, which result from organization and management of the operating activities.

## i. Property, plant, equipment and breeding stock

Depreciation of property, plant, equipment, and breeding stock is computed using the straight-line method over the estimated useful lives of assets as follows:

	Years
Land improvements	10 years
	Lower of
	term of
Leasehold improvements	lease or 5 years
Buildings	10 years
Machinery and equipment	2 years to 10 years
Breeding stock	3 years to 5 years

Repairs and maintenance expenditures which do not extend the useful lives of the related assets are expensed as incurred, whereas significant renewals and betterments are capitalized.

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the statements of operations.

## j. Impairment of long-term assets

The Company evaluates the recoverability of its long-lived assets, if circumstances indicate impairment may have occurred pursuant to ASC 360-10-5, "Impairment or Disposal of Long-Lived Assets". This analysis is performed by comparing the respective carrying values of the assets to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. If such analysis indicates that the carrying value of these assets is not recoverable, the carrying value of such assets is reduced to fair value through a charge to the Company's Consolidated Statements of Operation.

## k. Convertible Debt

The Company applies ASC Topic 470 issued authoritative guidance to determine the classification of its convertible debt. In accordance with the guidance, when convertible debt is issued and conversion features that are not beneficial at the commitment but that become beneficial upon the occurrence of a future event, no value is apportioned to the conversion feature. Therefore, convertible debt is entirely recorded in liabilities.

## l. Revenue recognition

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

## m. Shipping costs



The shipping and handling costs for purchased goods are allocated to cost of sales in the accompanying statement of operations for all periods presented. Shipping costs were zero for the fiscal years ended June 30, 2011 and 2010.

n. Advertising costs

Advertising costs are charged to operations when incurred and are included in operating expenses. Advertising expenses were \$2,037 and \$0 for the fiscal years ended June 30, 2011 and 2010, respectively.

F-11

---

o. Research, development, and engineering costs

Research, development, and engineering costs are expensed as incurred in accordance with ASC 730 "Accounting for Research and Development Costs". Research, development, and engineering expenses primarily include payroll, contractor fees, and administrative expenses directly related to research and development support.

p. Contribution to retirement

Contributions to retirement plans, which are defined contribution plans, are charged to general and administrative expenses in the accompanying consolidated statements of operation as the related employee service is provided.

q. Related Parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

r. Fair value of financial instruments

The carrying amounts of cash and equivalents, accounts receivable, advance to suppliers, prepayments and other current assets, accounts payable and accrued expenses, customer deposits, and other current liabilities approximate their fair value because of the immediate or short-term maturity of these financial instruments.

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

Other than the derivative liabilities, including warrants carried at fair value, the Company did not identify any other assets and liabilities that are required to be presented on the balance sheet as of June 30, 2011. See more information in Note 12 (b) for warrants treatment.

F-12

---

## s. Employee welfare benefit

The Company has established an employee welfare plan in accordance with Chinese law and regulations. The Company makes annual pre-tax contributions of 14% of all employees' salaries. Commencing in January, 2008, per China Regulation, the Company should recognize the welfare expenses when incurred instead of accrued. The total expense for the above plan amounted to \$6,238 and \$5,479 for the fiscal years ended June 30, 2011 and 2010, respectively. Unlike the pension or other post-employment retirement plan in the U.S, the employee welfare benefit plans applicable to our Chinese subsidiaries are the plans mandated by the Chinese government for the Company to reserve and accrue certain amounts solely for employee benefits. Our Chinese subsidiaries have established employee welfare plans in accordance with Chinese law and regulations, and the Company records and accounts for the employee welfare fees under the Chinese law and regulations. According to such laws and regulations, before January 1, 2008, the Company accrued employee welfare and made annual pre-tax contributions of 14% of all employees' salaries as required by law. Since the requirement was mandated by the government, the Company was required to accrue employee welfare as liability. The Company recognizes welfare expenses as incurred under US GAAP.

## t. Foreign currency translation

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

The following rates are used in translating the RMB to the U.S. Dollar presentation disclosed in these consolidated financial statements for the fiscal years ended June 30, 2011 and 2010.

		For The Fiscal Years Ended June 30,	
		2011	2010
Assets and liabilities	the fiscal year ended rate of US	\$0.15472	\$ 0.14746 /RMB
Revenue and expenses	average rate of US	\$0.15091	\$ 0.14647 /RMB

## u. Income taxes

SenYu International is subject to U.S. federal income taxes and State of Delaware annual franchise taxes, and its U.S. subsidiary, Advanced Swine, is subject to U.S. federal income taxes and State of Nevada annual reporting. Its PRC subsidiaries were exempt from the income taxes per PRC tax laws and regulations that exempt companies engaged in the agricultural breeding of livestock. 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 exemption 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. The Company's PRC subsidiaries expect to use their retained earnings to support their PRC operations, and will not declare any dividends within the predictable future. In addition, there was no net income generated by its U.S. subsidiary, Advanced Swine, during the fiscal years ended June 30, 2011 and 2010. Sen Yu International generated net income only from the change in fair value of warrants for the fiscal year ended June 30,

2011. There was non-realized gain as of June 30, 2011. Therefore, for the fiscal years ended June 30, 2011 and 2010, the Company's income taxes were zero and zero in PRC and U.S.

F-13

---

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

The Company adopted the provisions of FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”, (“FIN 48”), codified in FASB ASC Topic 740, on January 1, 2007. As a result of the implementation of FIN 48, the Company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by FIN 48, and the Company recognized no material adjustments to liabilities or stockholders’ equity. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits is classified as interest expense and penalties are classified in selling, general and administrative expenses in the statements of income. The adoption of FIN 48 did not have a material impact on the Company’s financial statements. At June 30, 2011 and 2010, the Company did not take any uncertain positions that would necessitate recording of tax related liability.

v. Comprehensive income

ASC 220, “Reporting Comprehensive Income”, established standards for the reporting and display of comprehensive income, its components and accumulated balances in a full set of general purpose financial statements. ASC 220 defines comprehensive income to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is presented with the same prominence as other financial statements. The Company’s only current component of comprehensive income is the foreign currency translation adjustment.

w. Basic and diluted net income per share

The Company accounts for net income per common share in accordance with ASC 260, “Earnings per Share” (“EPS”). ASC 260 requires the disclosure of the potential dilution effect of exercising or converting securities or other contracts involving the issuance of common stock. Basic net income per share is determined based on the weighted average number of common shares outstanding for the period. Diluted net income per share is determined based on the assumption that all dilutive convertible shares and stock options were converted or exercised into common stock.

x. Segment Reporting

ASC 280, “Disclosure about Segments of an Enterprise and Related Information”, requires disclosure of reportable segments used by management for making operating decisions and assessing performance. Reportable segments are categorized by products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. ASC 280 has no effect on the Company’s consolidated financial statements as

substantially all of the Company's operations are conducted in one industry segment, which is farmer enterprise breeding, feeding, and marketing genetic boars and commercial hogs.

F-14

---

y. Stock-Based Compensation

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505-50 "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. Fair value is measured as the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

z. Reclassifications

Certain amounts reflected in the consolidated financial statements for the fiscal year ended June 30, 2010 have been reclassified to conform to the presentation for the fiscal year ended June 30, 2011.

aa. New accounting pronouncements

In December 2010, FASB issued an amendment to the disclosure of supplementary pro forma information for business combinations. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this guidance does not have a material impact on the Company's consolidated financial statements.

In December 2010, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the acquisition date that should be used for reporting pro-forma financial information for business combinations. If comparative financial statements are presented, the pro-forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been completed as of the beginning of the comparable prior annual reporting period. The amendments in this guidance became effective prospectively for business combinations for which the acquisition date is on or after January 1, 2011. The adoption of this guidance does not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued amendments to the guidance on goodwill impairment testing. The amendments modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In making that determination, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The amendments were effective January 1, 2011 and the adoption of this guidance does not have a material impact on the Company's consolidated financial statements.



#### 4. INVENTORIES

Inventories on June 30, 2011 and 2010 consisted of the following:

	As of June 30,	
	2011	2010
Raw materials	\$ 37,305	\$ 46,518
Work in progress	1,006,071	739,597
Finished goods	501,299	158,772
Less: Inventories provision	-	(1,245 )
Total	\$ 1,544,675	\$ 943,642

The raw materials generally consist of feedstuff and other raw materials. Finished goods consist of the baby hogs, young hogs and commercial hogs which are ready to sell. Work in progress consists generally of the direct labor, depreciation of the facilities, manufacturing overhead expenses, and other production related fees.

Inventory turnover for the fiscal years ended June 30, 2011 and 2010 consisted of the following:

	For The Fiscal Years Ended June 30,	
	2011	2010
Inventory turnover	59.30	57.76

Cost of goods sold in the fiscal year ended June 30, 2011 increased as compared to the same period in 2010 as a result of the increase in sales. Average inventories in the fiscal year ended June 30, 2011 increased as compared to the same period in 2010. However, the increased amount of cost of goods sold was greater than the amount of increased average inventories for the fiscal year ended June 30, 2011. As a result, the inventories turnover rate, which equals the cost of goods sold divided by the average inventory, for the fiscal year ended June 30, 2011 was higher than that in the same period in 2010.

#### 5. ADVANCES TO SUPPLIERS, NET AND PERFORMANCE BOND

Heilongjiang Sen Yu has a cooperation agreement with Wang Da, a professional feeding materials provider and a collector for good quality commercial hogs, on October 11, 2007. Pursuant to the terms of the agreement, Heilongjiang Sen Yu agreed to loan money to Wang Da to support Wang Da's farmers' use of good quality feedstuffs to raise their commercial hogs, and then sell those hogs to Heilongjiang Sen Yu once they mature. Wang Da can offset the loan amount from Heilongjiang Sen Yu once it delivers the farmers' commercial hogs to Heilongjiang Sen Yu. In order to extend the Company's farmer-based production model and acquire significant amounts of hogs in the near future from Wang Da, Heilongjiang Sen Yu loaned an aggregate amount of RMB 363,772,734 (equivalent to \$56,281,685) to Wang Da as of June 30, 2011. Heilongjiang Sen Yu adopted a bad debt allowance at 5% of the principal amount advanced to Wang Da for the fiscal years ended June 30, 2011 and 2010. Accordingly, the bad debt allowances were RMB18,188,637 (equivalent to \$2,814,084) and RMB11,001,547 (equivalent to \$1,622,302) as of June 30, 2011 and 2010, respectively. Including the amount of advances to suppliers by the joint venture, Sino-Canadian Sen Yu, the Company had a total net amount advances to suppliers as of June 30, 2011 and 2010 as follows:



	As of June 30,	
	2011	2010
Advanced to suppliers	\$ 56,287,869	\$ 32,452,993
Less: Accumulated bad debt allowance	2,814,084	1,622,302
Advanced to suppliers, net	\$ 53,473,785	\$ 30,830,691

Heilongjiang Sen Yu entered into a supplementary agreement with Wang Da on December 12, 2008 to secure Heilongjiang Sen Yu's loan to Wang Da. Pursuant to the supplementary agreement, once Wang Da has breached the terms of the cooperation agreement, Heilongjiang Sen Yu can exercise the following rights to secure its loans to Wang Da: (1) step into Wang Da's shoes without any condition, and have all creditor's rights of Wang Da with its contracted farmers, (2) if such rights still do not satisfy the loss of Heilongjiang Sen Yu, then Heilongjiang Sen Yu will have a secured interest in all of Wang Da's assets, which include but are not limited to the building, equipment, and working capital of Wang Da.

Heilongjiang Sen Yu renewed the cooperation agreement with Wang Da effective January 1, 2009. Heilongjiang Sen Yu still finances Wang Da, with fixed profit margins set by Heilongjiang Sen Yu, and Wang Da in turn finances the farmers by providing fodder on credit obtained through its volume purchasing. Wang Da also guarantees the collection of mature hogs that meet Heilongjiang Sen Yu's quality standards. In case Wang Da breaches the terms of the cooperation agreement, Heilongjiang Sen Yu can still exercise the above rights to secure its loans to Wang Da.

In order to further enhance the cooperation, the Company entered into an amended and restated cooperation agreement with Wang Da on April 1, 2011, most of terms remain the same, except that Wang Da agreed to pay RMB7 million (equivalent to \$1,083,016) 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. In addition, the feed cost will be increased to \$108 from \$100 beginning in April 2011, upon such amended and restated cooperation agreement.

Pursuant to this amended and restated agreement, if Wang Da fails to satisfy its obligations, the Company can assume the rights of Wang Da under its Fodder Supply and Commercial Hog Buy-Back Agreements with the Wang Da farmers. This assumption of rights would enable the Company 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 the Company, it 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.

Advances to suppliers aging as of June 30, 2011 and June 30, 2010 consisted of the following:

	As of June 30,	
	2011	2010
Less than 90 days	\$ 23,897,702	\$ 9,082,676
91days-180days	19,035,971	13,718,027
181days-365days	13,354,196	9,649,092
More than 365days	-	3,198
Total	\$ 56,287,869	\$ 32,452,993

The Company's advances to suppliers with ages of less than 91 days represented approximately 44% and 27.99% of the total advanced to suppliers as of June 30, 2011 and June 30, 2010, respectively.

Advances to Wang Da's turnover for the fiscal years ended June 30, 2011 and 2010 consisted of the following:

	For The Fiscal Years Ended June 30,	
	2011	2010
Advances to Wang Da's turnover	1.69	2.06

There was a significant increase in the purchase of commercial hogs from Wang Da resulting from the Company's increase in sales of commercial hogs for the fiscal year ended June 30, 2011 as compared to the same period in 2010. In order to acquire large numbers of commercial hogs in the coming year, the amount of average advances to Wang Da increased for the fiscal year ended June 30, 2011 as compared to the same period in 2010. However, the increased amount of average advances was greater than the amount of increased purchases of commercial hogs during the current year. As a result, the turnover rate of advances to Wang Da for the fiscal year ended June 30, 2011 was lower than the amount in the same period in 2010.

The components of the advances are shown in the following table as of June 30, 2011:

Advance to Wang Da: US \$53.5 mm		Advances to Wang Da in US\$	
Fodder provided to Farmers	\$	41,546,035	
Fodder used on Sen Yu Farms		(84,474	)
Feed		14,820,124	
Sub-total		56,281,685	
Less: Bad Debt Allowance		2,814,084	
Total	\$	53,467,601	

Month	Unit Price	Piglets	Advances to Wang Da in US\$	
Jan-11	100	54,815	\$	5,455,805
Feb-11	100	63,830		6,370,725
Mar-11	100	69,600		6,946,615
Apr-11	108	68,520		7,388,600
May-11	108	69,890		7,536,329

Jun-11	108	72,780	7,847,961
		399,435 \$	41,546,035

F-18

---

Fodder provided to Farmers: \$41,546,035

Fodder provided to farmers is determined by an estimation of fodder consumed from January to June of 2011. The Company and Wang Da inspect the farmers periodically to monitor the birth rate of piglets and hogs ready to be sold to market in order to determine the feed consumption. The fodder estimation is calculated on a 6 month basis.

Feed: \$14,820,124

“Feed” is one of the components of the Advance to Wang Da, defined as the corn, which is used to mix fodder. The corn costs constitute approximate 45% of costs of total mixed fodder. In order to stabilize the mixed fodder costs of Wang Da, the Company generally advances a “corn fund” to Wang Da between October and December each year. Based on the negotiation with Wang Da, the “corn fund” is calculated as 30% of the total annual projection of the fodder costs for the next fiscal year. The Company will offset this amount in the coming fiscal year when the Company provides fodder advances to Wang Da. A mature hog weighing 100 kg consumes 288 kg of feed with a feed cost of \$100. The life cycle is 155 days from birth to be considered mature. Pursuant to the amended and restated cooperation agreement on April 1, 2011, the feed cost will be increased to \$108 from \$100 beginning in April 2011.

Fodder used on Sen Yu Farms: \$84,474

The fodder used on Sen Yu farms is the fodder supply for the breeding hogs produced on the Company’s farms. Wang Da provides the Company with short term credit for the fodder used on the Company’s farm.

#### 6. PREPAYMENTS AND OTHER CURRENT ASSETS

As of June 30, 2011 and 2010, prepayments and other current assets consisted of the following:

	As of June 30,	
	2011	2010
Prepaid rent	\$ 52,738	\$ 15,751
Advance to employees	5,676	3,401
Other receivable	13,755	157,625
Total	\$ 72,169	\$ 176,777

#### 7. PROPERTY, PLANT, EQUIPMENT, AND BREEDING STOCK

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

	As of June 30,	
	2011	2010
Buildings and improvements	\$ 1,863,336	\$ 1,775,956
Land improvements	293,978	280,193
Leasehold improvements	158,967	116,446
Machinery and equipments	676,405	684,077
Breeding stock	721,393	556,320
Sub-Total	3,714,079	3,412,992
Less: Accumulated depreciation	1,897,092	1,429,232

Total	\$ 1,816,987	\$ 1,983,760
-------	--------------	--------------

Depreciation expenses for the fiscal years ended June 30, 2011 and 2010 were \$ 476,630 and \$501,628 respectively. Loss on disposal of fixed assets for the fiscal years ended June 30, 2011 and 2010 were \$72,157 and \$109,098 respectively.

F-19

---

## 8. LOANS PAYABLE

Loans payable as of June 30, 2011 and 2010 consisted of the following:

Loans payable, net, current maturities	As of June 30,	
	2011	2010
On December 1 and 16, 2005, the Company obtained loans in amounts of RMB 2.8 million (equivalent to \$433,207 and \$412,891 as of June 30, 2011 and June 30, 2010, respectively) and RMB 0.7 million (equivalent to \$108,302 and \$103,223 as of June 30, 2011 and June 30, 2011, respectively) from Jiamusi Government Financial Bureau ("JGFB") by pledging certain buildings in Huanan, which have a carrying value of approximately RMB 2.6 million (equivalent to \$402,263). The term of the debt was originally from October 31, 2005 to 2007. Since the Company is an agricultural enterprise and its business is supported by the Chinese Government, these loans do not bear interest, and the original due date has been extended to December 31, 2011.	\$541,509	\$516,114
On April 20 and September 25, 2007, the subsidiary of the Company, Sino-Canadian, obtained loans in amounts of RMB 1.5 million (equivalent to \$232,075 and \$221,192 as of June 30, 2011 and June 30, 2010, respectively) and RMB 0.5 million (equivalent to \$77,358 and \$73,731 as of June 30, 2011 and June 30, 2010, respectively) from Tangyuan Government Financial Bureau ("TGFB") by pledging certain buildings in Heijjinhe, which have a carrying value of approximately RMB5.1 million (equivalent to \$789,054). The term of the debt was originally from January 1, 2007 to December 31, 2008. Since the Chinese government supports the Company's business, these loans do not bear interest and all of their due dates had been extended to December 31, 2009. Whereas, on December 16, 2009, the due dates of these loans has been extended to December 31, 2011.	309,433	294,923
On May 9, 2007, the Company obtained a loan in amount of RMB2 million (equivalent to \$309,433 and \$294,923) as of June 30, 2011 and June 30, 2010, respectively) from JGFB by pledging certain buildings in Huanan, which have a carrying value of approximately RMB1.5 million (equivalent to \$232,075). The term of the debt was originally from January 1, 2007 to December 31, 2008. Since the government support the Company's business, this loan does not bear interest and the due date had been extended to December 31, 2009 by JGFB on June 16, 2008. Whereas, on December 16, 2009, the due dates of these loans has been extended to December 31, 2011.	309,433	294,923
Total loans payable, current maturities	1,160,375	1,105,960
Less: discount on loans payable, current	31,858	39,036
Total loans payable, net, current maturities	\$1,128,517	\$1,066,924



## 9. CONVERTIBLE NOTE, NET

On February 22, 2010, the Company consummated an offering of 10% Secured Convertible Notes (the "February 2010 Notes") with an aggregate principal amount of \$2,165,000. The Notes were sold at par to twelve investors. The maturity date of the Notes was February 22, 2011. Interest on the Notes of 10% per annum was payable quarterly. Payment of interest and principal was secured by a pledge of the Company's shares owned by Ligang Shang, the majority stockholder of the Company. In the event that the Company completes an equity financing of \$5 million or more (a "Qualified Financing"), the Notes shall automatically convert into securities of like kind to the securities sold in the Qualified Financing at a 50% discount to the purchase price of the securities in the Qualified Financing. If the Company does not complete such a Qualified Financing prior to the maturity date of the Notes, the Note holders shall be repaid, in cash, the principal amount of the Notes plus interest, and the Company would be required to issue to the Note holders warrants to purchase common stock at \$1.50 per share, up to the principal amount of the Notes. The Company applies ASC Topic 470 to determine the classification of its convertible debt. In accordance with that guidance, when convertible debt is issued and conversion features that are not beneficial at the commitment become beneficial upon the occurrence of a future event, no value is apportioned to the conversion feature. Therefore, convertible debt was entirely recorded in liabilities as of December 31, 2010.

All the February 2010 Notes were automatically converted, for no additional consideration, into an aggregate of 1,096,498 shares of the Company's common stock, 913,192 shares of Series B Preferred Stock, Series A Warrants to purchase an aggregate of 799,044 shares of common stock, Series B Warrants to purchase an aggregate of 799,044 shares of common stock and Series F Warrants to purchase an aggregate of 877,199 shares of common stock, immediately following the closing of a private placement of \$3,044,140 of common stock in February 2011, which together with a private placement of \$2.42 million of the Company's Series B Preferred Stock in June 2010, constituted a "Qualified Financing". The Series A Warrants, Series B Warrants and Series F Warrants issued to the Notes holders have an exercise period of three years from February 17, 2011 and the original exercise price for these warrants is \$3.00, \$4.10 and \$2.64 per share, respectively. The exercise price for Series A Warrants and for Series B Warrants were adjusted to be \$1.80 and \$2.46 respectively, due to the financing terms in the June 2010 Private Placement.

Upon the consummation of the Qualified Financing, the Notes became convertible and conversion feature were beneficial. As a result, the intrinsic value of the beneficial conversion feature of \$2,165,000 was recorded as discount of convertible debt at the closing date of the February 2011 Private Placement. Therefore, the total amount of convertible notes net was \$0 as of June 30, 2011

## 10. LOANS FROM STOCKHOLDERS/OFFICERS, NET

Loans from stockholders/officers are unsecured, non-interest bearing, and have not set repayment date. At the quarter ended September 30, 2009, in order to increase the working capital of the Company, the majority stockholder, Mr. Ligang Shang, waived his right to collect the Company's debt to him in an aggregate amount of \$11,169,236. That sum was added to paid-in capital as of September 30, 2009. The increase of loans from stockholders/officers was mainly attributable to the fact that Mr. Zhenyu Shang, the Chairman and Chief Executive Officer loaned fund to the Company in order to finance increasing professional fees and other investor-relation related costs. As a result, the total net amount of loans from the stockholders/officers was \$794,354 as of June 30, 2011.

## 11. COMMITMENTS

The Company enters into certain annual commercial hog sales contracts with its major customers to decrease its market risk in the ordinary course of business. These commercial hog sales contracts are normal sales contracts that do not result in the sale or purchase of a derivative financial instrument. The Company utilizes these contracts to establish adequate sales to minimize the risk of market fluctuations. The Company continually monitors its overall market position and fair value. The contracts information listed as follows:

Contract #	Sales Contracts	Client's Name	Contract Term	Sales Quantities
1	Merchandise hogs sales	Beijing Dahongmen	from September 29, 2010 to September 28, 2011	200 thousand hogs per year
2	Merchandise hogs sales	Beijing Fifth Meat Factory	from August 29, 2011 to August 28, 2012	400 thousand hogs per year

	Sales Price	Hog Average Weight	Hogs Quality	Penalty
1	Market value in Beijing area	From 75 to 90kg	second or/and third generation of merchandise hogs	1% penalty if the merchandise hogs delivered late
2	Market value in Beijing area	From 75 to 90kg	second or/and third generation of merchandise hogs	1% penalty if the merchandise hogs delivered late

The Company leases several office spaces, employee living space, and certain pigsties under non-cancelable operating leases. The rental expenses under operating leases were \$177,450 and \$199,416 in the fiscal years ended June 30, 2011 and 2010, respectively. Future minimum rental commitments on June 30, 2011, are as follows:

For The Fiscal Years Ending June 30,	Amount
2012	\$ 161,863
2013	157,112
2014	22,057
2015	1,509
2016	1,509
Thereafter	27,415
Total minimum payments required	\$ 371,465



## 12. STOCKHOLDERS' EQUITY

### a. Preferred Stock

The Board is authorized to designate the preferred stock in classes, and to determine the rights, privileges and limitations of the shares in each class. There were 10,000,000 shares of preferred stock authorized, par value \$0.001 per share.

#### Series A Convertible Preferred Stock

In exchange for all the outstanding shares of Advanced Swine, the Company issued 4,646.05933 shares of Series A Convertible Preferred Stock to the shareholders of Advanced Swine. Each share of Series A Preferred Stock was convertible into Four Thousand One Hundred Sixty-Six and (4,166.66) shares of common stock. There were 4,800 shares designated as Series A Preferred Shares as of June 30, 2009.

All outstanding shares of Series A Convertible Preferred Stock were converted into an aggregate of 20,044,689 (with additional fractional shares issued in or after November 2009) shares of common stock in November 2009.

On May 5, 2010, the Board approved an amendment to the Company's Certificate of Incorporation by way of a Certificate of Elimination of the Company's Series A Convertible Preferred Stock. The Certificate of Elimination eliminates the previously designated 4,800 shares of Series A Convertible Preferred Stock. The preferred shares once designated as Series A Preferred Stock resume the status of authorized and unissued shares of preferred stock, par value \$.001 per share, of the Company, without designation as to series.

#### Series B Convertible Preferred Stock

On June 11, 2010, the Company consummated an offering with certain accredited investors pursuant to a Series B Convertible Preferred Stock and Warrant Purchase Agreement ("2010 June Private Placement"). The Company raised gross proceeds of \$2,420,000 and issued to the investors an aggregate of (i) 1,152,380 shares of Series B convertible preferred stock with an initial one-to-one conversion ratio into shares of the Company's common stock ("Preferred B 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 Preferred B Stock any time on or before December 11, 2010. The option expired without being exercised in December 2010. In connection with the 2010 June Private Placement, the Company also issued to Global Arena Capital Corp., the Company's 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 at \$3.00 per share for five years, (ii) Series D Warrants to purchase an aggregate of 70,583 shares of common stock, exercisable at \$4.10 per share for five years, and (iii) Series E Warrants to purchase an aggregate of 80,000 shares of common stock, exercisable at \$2.10 per share for five years. From the proceeds of the offering, the Company paid a fee of \$116,160 to the placement agent as commission. The Company also reimbursed the placement agent for its management and finance expenses totaling \$53,240. In addition, the Company incurred other direct costs of \$60,455. As a result, the Company realized net proceeds of \$2,190,145 from the offering.

The conversion price of the Series B Preferred Stock is subject to adjustment based on the Company's performance as follows: (i) in the event the Company's after-tax net income earnings per share for its fiscal year 2010 are between \$0.55 and \$0.27 per share, the then-current conversion price 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 the Company's earnings are between \$0.67 and \$0.33 per share for its fiscal year 2011, the then-current conversion price 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

the event the February 2010 Convertible Notes are converted at a price per share below \$2.10, the conversion price shall immediately be adjusted to the equivalent of such lower price per share. The conversion price of Series B Preferred Stock issued in the June 2010 offering was \$1.08 per share for the 2010 June Private Placement investors as of June 30, 2011.

F-23

---

On March 16, 2011, 77,143 shares of Series B convertible preferred stock issued in the 2010 June Private Placement were converted into 150,000 shares of common stock at a conversion price of \$1.08 per share.

On February 17, 2011, 913,192 shares of Series B Preferred Stock were issued upon the automatic conversion of the Notes issued in the February 2010 Offering. The initial conversion ratio for the Series B Preferred Stock issued on February 17, 2011 is one-to-one.

As of June 30, 2011 and 2010, there were 1,988,429 and 1,152,380 shares of Series B Stock outstanding. As of June 30, 2011, there are 913,192 shares of Series B Stock with a conversion ratio into common stock of one to one and 1,075,237 shares of Series B Stock are convertible into common stock at the conversion price of \$1.08.

b. Warrants

Series A Warrants and Series B Warrants

The Series A Warrants and Series B Warrants have an initial exercise price of \$3.00 and \$4.10 per share, respectively, and are each exercisable for three years from the dates of their issuance. As long as any Series A Warrant or Series B Warrant is held by a 2010 June Private Placement investor, the Company is prohibited from entering into any subsequent financing involving issuances of securities of the Company (the "Subsequent Financing"), if (i) the securities issued therein are convertible into common stock at variable conversion rates, or (ii) an investor in the Subsequent Financing is granted the right to receive additional shares based on future transactions of the Company on more favorable terms than those granted to the 2010 June Private Placement investors.

The exercise prices of the Series A Warrants and Series B Warrants are subject to adjustment based on the Company's performance as follows: (i) in the event the Company's after-tax net income earnings per share for its fiscal year 2010 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 the Company's earnings are between \$0.67 and \$0.33 per share for its 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. The Company's basic earnings were \$0.33 per share for the fiscal year ended June 30, 2010, and as a result, the Series A Warrants and Series B Warrants issued in the June 2010 Private Placement were exercisable at \$1.80 and \$2.46 per share as of June 30, 2011, respectively.

On February 17, 2010, Series A Warrants to purchase an aggregate of 799,044 shares of common stock and Series B Warrants to purchase an aggregate of 799,044 shares of common stock were issued upon the conversion of the February 2010 Notes. These Series A Warrants and Series B Warrants were initially exercisable at \$3.00 and \$4.10, respectively, for three years from February 17, 2011. The Company's basic earnings were \$0.33 per share for the fiscal year ended June 30, 2010, and as a result the Series A Warrants and Series B Warrants issued upon the conversion of the February 2010 Notes were exercisable at \$1.80 and \$2.46 per share as of June 30, 2011, respectively.

As of June 30, 2011, 1,807,378 Series A Warrants and 1,807,378 Series B Warrants were outstanding, respectively.

Series C Warrants to Series E Warrants

In connection with the 2010 June Private Placement, the Company issued to 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 for five years, and (iii) Series E Warrants to purchase an aggregate of 80,000 shares of common stock, exercisable at \$2.10 per share for five years. None of these warrants has been exercised as of June 30, 2011.

#### Series F Warrants

On February 17, 2011, the Company consummated a private placement with a non-U.S. investor in which the Company sold an aggregate of 1,383,700 shares of the Company's common stock at \$2.20 per share for total gross proceeds of \$3,044,140 (the "February 2011 Private Placement"). The investor also received a Series F Warrant exercisable for three years to purchase 1,106,960 shares of common stock at \$2.64 per share. The Series F Warrant may only be exercised in cash and the exercise price of the Series F Warrant is subject to adjustment for stock splits, stock dividends, recapitalizations and the like.

On February 17, 2011, Series F Warrants to purchase an aggregate of 877,199 shares of common stock were issued upon conversion of the February 2010 Notes.

As of June 30, 2011, 1,984,159 Series F Warrants were outstanding.

Following is a summary of the status of Series A to F warrants activity as of June 30, 2011:

	Warrants Outstanding	Weighted Average Exercise Price	Average Remaining Life in years	Aggregate Intrinsic Value
Outstanding, July 1, 2010	2,237,834	\$ 3.50	3.90	\$ 2.65
Granted	3,582,247			
Forfeited	-	-	-	-
Exercised	-	-	-	-
Adjusted by investment agreement	-	(0.77)		
Outstanding, June 30, 2011	5,820,081	\$ 2.73	2.45	\$ -

## Accounting for Warrants

FASB accounting standard regarding derivatives and hedging specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position, would not be considered a derivative financial instrument. This FASB accounting standard also provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the exception.

As a result of adopting this ASC 815-40 "Accounting for Derivative Financial Instruments" standard, Series A- F warrants are treated as derivative liabilities warrants because the strike price of the warrants is denominated in US dollars, a currency other than the Company's functional currency, RMB. As a result, the warrants are not considered indexed to the Company's own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such time as the warrants are exercised or expire. The fair value of the warrants was determined in the following manner:

The fair value of the warrants issued in the June 2010 Private Placement was calculated using the Black-Scholes options pricing model using the following assumptions: Volatility 267.8%, risk free interest rate 0.39% for Series A and B warrants, and risk free interest rate 0.67% for Series C to E warrants. The fair value of those warrants was calculated at \$1,418,241 as derivative liabilities warrants as of June 30, 2011.

The fair value of the warrant issued in the February 2011 Private Placement was calculated using the Black-Scholes options pricing model using the following assumptions: Volatility 267.8%, Risk free interest rate 0.67%. The fair value of this warrant was calculated at \$732,107 as derivative liabilities warrants as of June 30, 2011.

The fair value of the warrants issued upon conversion of the February 2010 Notes was calculated using the Black-Scholes options pricing model using the following assumptions: Volatility 267.8%, Risk free interest rate 0.67%. The fair value of those warrants was calculated at \$1,642,966 as derivative liabilities warrants.

The fair value of outstanding warrants was \$3,793,314 and \$13,654,111 as of June 30, 2011 and 2010. The fair value of the warrants was calculated using the Black-Scholes options pricing model using the following assumptions

	As of June 30, 2011	As of June 30, 2010
Volatility	267.8%	293.70%
Risk free interest rate	0.39% or 0.67%	0.95% or 1.77%
Expected term	1.95-3.95 years	2.95-4.95 years

The change in fair value of warrants was recorded as other loss or income for the fiscal years ended June 30, 2011 and 2010.



d. Common Stock

After the change of domicile from Colorado to Delaware on December 6, 2007, the Company had 300,000,000 authorized shares Common Stock, par value \$0.001 per share. After recapitalization, the Company had 41,423 shares of Common Stock outstanding and issued as of June 30, 2009. In November 2009, 4,646.05933 outstanding shares of Series A Convertible Preferred Stock were converted into 20,044,689 shares of Common Stock. On January 29, 2010, the board of directors of the Company authorized, and on February 2, 2010, the Company issued, 5,000 shares of Common Stock to its consultant for services rendered for the term from January 29, 2010 to June 30, 2010. Moreover on May 3, 2010, the board of directors of the Company authorized, and the Company issued an aggregate number of 200,000 shares of Common Stock to Mr. Cong and Mr. Hau for services rendered for the period from April 16, 2010 to April 15, 2013.

In addition, the Company issued to Primary Capital LLC (“Primary”) and one individual, Mr. Ming Liu, 361,870 and 240,000 shares of restricted common stock (collectively, the “Shares”) of the Company on June 9, 2010, respectively. The Shares were issued in connection with a settlement and termination agreement (the “Settlement Agreement”) entered into by the Company and Primary dated June 4, 2011. The Settlement Agreement provides for (i) termination of certain advisory agreements between the Company and Primary including the Agreement for Financing and Additional Services entered into by the same parties on or about May 18, 2009 (the “2009 Agreement”) and (ii) issuance of the Shares and payments in an aggregate of \$160,000 plus 1% of the gross proceeds of certain future financing by the Company in order to settle a dispute between the Company and Primary related to certain payment obligations of the Company pursuant to the 2009 Agreement. The 2009 Agreement serves to amend and restate an engagement agreement dated May 28, 2008 (the “2008 Agreement”) that had been entered into by the Company and Primary in connection with the reverse merger between the Company and Advanced Swine.

The Company agreed to issue a number of shares of common stock equal to 3% of the outstanding shares of the Company to Primary Capital LLC upon the closing of the reverse merger transaction, which occurred on August 13, 2009 and 3% of the outstanding shares of the Company was issued accordingly in November 2009, after the reverse merger transaction closed. In addition, the Company agreed to issue another 3% to Primary Capital LLC at the closing of the Company’s proposed financing, which occurred in February 2010 (See February 2010 Notes Offering).

On February 17, 2011, an aggregate of 1,096,498 shares of the Company’s common stock were issued upon conversion of the February 2010 Notes.

In March 2011, the Company issued 40,931 shares of common stock to Hampton Growth for rendering professional investors-relation services, 25,000 shares of common stock to Chunying Chen and 250,000 shares of common stock to each of Ming Jie Huo and Song Ling Huo for consulting services they rendered. Pursuant to the amended service agreement with Hampton Growth in April 2011, the Company issued 370,000 shares of common stocks to Hampton for rendering professional investors-relation services.

#### February 2011 Private Placement

On February 17, 2011, the Company consummated a private placement with a non-U.S. investor called D.D Investment Co., Limited in which the Company sold an aggregate of 1,383,700 shares of the Company's common stock at \$2.20 per share for total gross proceeds of \$3,044,140. The investor also received a Series F Warrant exercisable for three years to purchase 1,106,960 shares of common stock at \$2.64 per share. The Series F Warrant may only be exercised in cash and the exercise price of the Series F Warrant is subject to adjustment for stock splits, stock dividends, recapitalizations and the like. The investor is entitled to piggy-back registration rights with respect to the 1,106,960 shares of common stock and shares underlying the Series F Warrant. No placement agent was utilized in connection with the February 2011 Private Placement.

#### May 2011 Private Placement

On May 27, 2011, the Company entered into a financing transaction with four non-U.S. investors. The Company sold an aggregate of 804,000 shares of common stock at \$1.50 per share for total gross proceeds of \$1,206,000 (the "May 2011 Private Placement"). Pursuant to the Subscription Agreement, at any time after 18 months and before 30 months after the closing of the May 2011 Private Placement, the investors will have a right to require the Company to repurchase the shares at a price which, subject to certain anti-dilution adjustments, equals the original purchase price plus interest accrued at 10% per annum. The Company's obligation to repurchase such shares is personally guaranteed by Mr. Zhenyu Shang, the Chairman and the Chief Executive Officer of the Company.

Under the terms of the Subscription Agreement, the common stock issued to four non-U.S. individual investors are redeemable at the option of the holder. Due to the redeemable nature associated with the common stock issued to the four non-U.S. investors, the Company has classified the shares of common stock as temporary equity. When and if the redemption right expires or when redemption becomes improbable, the shares of common stock will be classified as shareholders' equity. The amount that would have been paid if the redemption had occurred on June 30, 2010 is \$1,217,055, including interest based on 10% per annum accrued from inception.

The Company had 25,263,111 shares of common stock outstanding and issued as of June 30, 2011.

#### e. Additional Paid-In Capitals

The additional paid-in capital represents the excess of the aggregate fair value of the capital contributed over the par value of the stock issued. \$11,573,432 was recorded as additional paid-in capital as of June 30, 2011.

#### f. Shares Base Compensation and Unearned Compensation

On February 2, 2010, the Company issued 5,000 shares of common stock to a consultant for services rendered during the period from January 29, 2010 to June 30, 2010. On May 3, 2010, the Company issued 100,000 shares of common stock to each of Mr. Cong and Mr. Hau for services rendered for the period from April 16, 2010 to April 15, 2013. In order to develop a potential market of breeding and commercial hogs in West China, on March 23, 2011, the Company issued an aggregate number of 500,000 shares of common stock to two consultants for their services rendered. The Company issued 25,000 shares of common stock to Chunying Chen for services rendered during the period from February 28, 2011 to February 28, 2012 to provide general management advice, especially in the areas of financial management, investor relation and business planning.

In addition, the Company issued 40,931 shares of common stock to Hampton Growth for rendering professional investor relations services for the six months commencing February 23, 2011. Pursuant to the amended agreement on April 22, 2011, the Company issued 370,000 of common stock to Hampton Growth for rendering professional services for the twelve months ending April 21, 2012.

The Company debited unearned compensation on the grant dates, and will recognize total compensation expenses over the period of rendering service. Unearned compensation represents the cost of services yet to be performed, and the Company reports unearned compensation in stockholders' equity in the balance sheets, as a contra-equity account.

### 13. Basic and Diluted Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share:

	For The Fiscal Years Ended June 30,	
	2011	2010
Basic:		
Numerator:		
Net income for basic calculation	\$ 36,077,866	4,263,574
Denominator:		
Weighted average common shares	22,002,885	12,976,230
Denominator for basic calculation	22,002,885	12,976,230
Net income per share — basic	1.64	0.33
Diluted:		
Numerator:		
Net income for basic calculation	36,077,866	4,263,574
Effect of dilutive securities issued	144,293	76,516
Net income for diluted calculation	36,222,159	4,340,091
Denominator:		
Denominator for basic calculation	22,002,885	12,976,230
Weighted average effect of dilutive securities; Series B Preferred Stock and warrants, and convertible note	3,860,506	2,278,901
Denominator for diluted calculation	25,863,391	15,255,131
Net income per share — diluted	\$ 1.40	\$ 0.28

## 14. CONCENTRATION OF BUSINESS

## a. Financial Risks

The Company provides credit in the ordinary course of business. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information. The Company advances significant funds to its major supplier, Wang Da. The Company also performs ongoing credit evaluations of its advances and maintains allowances for doubtful amounts based on factors surrounding the credit risk of its suppliers.

## b. Major Customers

The following summarizes sales to major customers (each represented 10% or more of the Company's total sales revenues):

For the Fiscal Years Ended June 30,	Sales to Major Customers	Number of Customers	Percentage of Total Sales Revenue
2011	\$ 97,287,157	2	97.51%
2010	\$ 68,329,331	2	97.12%

## c. Major Suppliers

The following summarizes purchased from major suppliers (each represented 10% or more of purchased):

For the Fiscal Years Ended June 30,	Purchase from Major Suppliers	Number of Suppliers	Percentage of Total Purchases
2011	\$ 73,179,180	1	99.09%
2010	\$ 55,467,067	1	99.87%

## 15. GEOGRAPHICAL RISKS

Since the Company's operations and assets are located in the PRC, it is subject to considerations and risks atypical to those in the United States, including changes in the political, economic, social, legal, and tax environments in PRC, as well as changes inflation and interest rates. Changes in laws and regulations concerning PRC's purchases and sales of genetic boars and merchandise hogs could significantly affect the Company's future operating results and financial position.

## 16. SUBSEQUENT EVENTS

None.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures.

As of the end of the period covered by this Annual Report, the Company carried out, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). As of June 30, 2011, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of that date, the Company's disclosure controls and procedures were not effective. The Company's management will endeavor to hire more qualified personnel to direct the designing and implementation of the Company's disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR) as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal controls over financial reporting are designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting subject to the above corrective actions with regard to significant deficiencies or material weaknesses that occurred during the fiscal year ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Effective September 26, 2011, the board of directors of the Company, by written consent to action, appointed Ms. Tongyu Zhang as the interim Chief Financial Officer of the Company. The Company is in the process of searching for a permanent candidate to replace Ms. Zhang as Chief Financial Officer of the Company.

Ms. Zhang has been employed by Heilongjiang Sen Yu as an accountant since 2004. Prior to joining Heilongjiang Sen Yu, Ms. Zhang was employed as an accountant in a number of positions: as accountant in charge in the Seeds Company of the Rice Research Institute (2000 - 2004); as accountant in charge in the Agricultural Reclamation Freight Port (1997 - 2000); and as accountant in the Sales Department of Agricultural Reclamation Materials (1995 - 1997). Ms. Zhang received her bachelor's degree with a concentration in accounting from the Heilongjiang College of Education.

The Company has agreed to pay Ms. Zhang a salary of RMB 5,000 per month for her services as interim Chief Financial Officer of the Company. The Company has not entered into any formal employment agreement with Ms. Zhang. Ms. Zhang has no family relationships with any of the executive officers or directors of the Company. There have been no transactions in the past two years to which the Company or any of its subsidiaries was or is to be a party, in which Ms. Zhang had, or will have, a direct or indirect material interest.

## PART III

## Item 10. Directors, Executive Officers and Corporate Governance

## Executive Officers and Directors

The following sets forth certain biographical information concerning our directors and executive officers as of June 30, 2011:

	Position/Title	Age	Director/Officer Since
Zhenyu Shang	Chairman and Chief Executive Officer	39	August 2009
Tongyu Zhang	Director and Interim Chief Financial Officer	38	August 2009*
Ligang Shang	Vice Chairman and Director	51	April 2008
Paul Li	Chief Financial Officer	59	September 2010*

\* On September 13, 2010, we appointed Mr. Paul Yu Chin Li, as our Chief Financial Officer who resigned on June 6, 2011 and his resignation became effective on August 5, 2011. The board, on September 26, 2011, appointed Ms. Tongyu Zhang as our Interim Chief Financial Officer.

**Zhenyu Shang.** Mr. Shang is the founder and chief executive officer of Heilongjiang Sen Yu and chairman of Sino-Canadian Sen Yu. Prior to founding Heilongjiang Sen Yu in 2004, Mr. Shang served as chairman of Heilongjiang Sen Yu Real Estate Co., Ltd., a company he founded in 2000. Mr. Shang received his bachelor's degree from the Heilongjiang Administrative Institute of Politics and Law.

**Tongyu Zhang.** Ms. Zhang has been employed by Heilongjiang Sen Yu as an accountant since 2004. Prior to joining Heilongjiang Sen Yu, Ms. Zhang was employed as an accountant in a number of positions: as accountant in charge in the Seeds Company of the Rice Research Institute (2000 - 2004); as accountant in charge in the Agricultural Reclamation Freight Port (1997 - 2000); and as accountant in the Sales Department of Agricultural Reclamation Materials (1995 - 1997). Ms. Zhang received her bachelor's degree with a concentration in accounting from the Heilongjiang College of Education.

**Ligang Shang.** Mr. Shang has been employed since 2007 as President of Advanced Swine. From 2001 to 2006 Mr. Shang was employed as Managing Director of East West Global Tours, a company engaged in the travel and tour business. From 1998 to 2000, Mr. Shang was employed as Vice President of G&C Development, Inc., a company engaged in providing agricultural training. In 1982 Ligang Shang received his bachelor degree with a concentration in Information Science from Harbin Shipbuilding Engineering University in Harbin, China. Mr. Shang is the uncle of Zhenyu Shang, our Chairman and Chief Executive Officer.

**Paul Li.** Mr. Li has 34 years of financial management experience. He has been an independent director of China Energy Corporation (OTCBB: CHGY) since June 2010. Prior to joining the Company in September 2010, Mr. Li served as a partner of Xinglongjie Investment Consulting (Beijing) Co., a financial advisory firm providing financial services to publicly listed and private companies in China until July, 2010. Mr. Li was a manager with Kelmar Associates LLC, a corporate regulatory compliance consulting firm providing auditing services to the US government from April 2007 to January 2010. From October 2004 to March 2007, Mr. Li was an internal audit and compliance officer with the Countrywide Financial Corporation/Bank of America, a mortgage lender. Mr. Li received

his MBA in risk management from the College of Insurance, New York. Mr. Li is a Certified Public Accountant licensed in New Jersey and California. Mr. Li left the Company due to personal reasons, who had no disagreement with the Company.

Each of our directors has been elected to a one year term, to serve until the annual meeting of stockholders or as soon thereafter as their successors are duly elected and qualified.

Zhenyu Shang, our Chairman and Chief Executive Officer, is the nephew of Ligang Shang, our Chief Operating Officer and director. There are no other family relationship among our named officers and directors.



### Involvement in Certain Legal Proceedings

None of our directors or executive officers has been, during the past ten years:

- (i) involved in any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;
- (ii) convicted of any criminal proceeding or subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- (iii) subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoined, barred, suspended or otherwise limited from involvement in any type of business, securities, futures, commodities or banking activities;
- (iv) found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated
- (v) found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reverse, suspended, or vacated;
- (vii) subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, related to an alleged violation of securities or commodities law or regulation; any law or regulation respecting financial institutions or insurance companies; or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (viii) the subject of, or a party to, any sanction or order, not subsequently reversed, suspending or vacated, of any self-regulatory any registered entity of the Commodity Exchange Act or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

### Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our directors, executive officers and any persons beneficially holding more than ten percent of our Common Stock to report their ownership of Common Stock and any changes in that ownership to the SEC. The SEC has established specific due dates for these reports, and we are required to report in this document any failure to file by these dates. Based solely on a review of the copies of the reports furnished to us, we believe that all such reports were filed on a timely basis except that T Squared Investments, LLC and T Squared China Fund LLC did not file a Form 3 or Form 4 in connection with the June 2010 Private Placement.

### Code of Conduct and Ethics

We have not adopted a code of ethics or a code of conduct that applies to our principal executive officer, principal financial officer, principal accounting officer, controller, or to persons performing similar functions.

## Committees of the Board of Directors

We currently do not have standing audit, nominating or compensation committees. Our board of directors handles the functions that would otherwise be handled by each of the committees. We intend, however, to establish an audit committee, a nominating committee and a compensation committee of the board of directors as soon as practicable.

### Audit Committee

We do not presently have a separately-designated standing audit committee. Our entire board of directors performs the functions of an audit committee, but no written charter governs the actions of the board when performing the functions of what would generally be performed by an audit committee.

The primary functions of an audit committee carried out by the entire board of directors include:

- appointing, approving the compensation of, and assessing the independence of our independent auditors;

- assisting in the oversight of the integrity of our financial statements, our company's compliance with legal and regulatory requirements, its independent auditors' qualifications, and independence and the performance of the independent auditors;

- overseeing the work of our independent auditors, including through the receipt and consideration of certain reports from the independent auditors;

- reviewing and discussing with management and the independent auditors our annual and quarterly financial statements and related disclosures;

- coordinating the oversight of our internal control over financial reporting, disclosure controls and procedures and code of conduct and ethics; and

- establishing procedures for the receipt and retention of accounting related complaints and concerns; meeting independently with our internal auditing staff, independent auditors and management.

Our board of directors has determined that no one on the board qualifies as an "audit committee financial expert" as that term is defined in applicable regulations of the SEC. We believe that our directors are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting.

## Item 11. Executive Compensation

## Summary Compensation Table

The table below summarizes all compensation awards to, earned by, or paid to our current principal executive officer, our current principal financial officer and our most highly compensated executive officers whose salary and bonus for services rendered in all capacities exceeded \$100,000, if any (collectively, the “Named Executive Officers”) for all services rendered in all capacities to us and our subsidiaries for the fiscal years ended June 30, 2011, and 2010.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus	Stock Awards	Option Awards	NonEquity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total (\$)
Zhenyu Shang, Chief Executive Officer	2010	2,812	-	-	-	-	-	-	2,812
	2011	9,960	-	-	-	-	-	-	9,960
Tongyu Zhang, Chief Financial Officer	2010	3,515	-	-	-	-	-	-	3,515
	2011	8,601	-	-	-	-	-	-	8,601

## Narrative Disclosure to Summary Compensation Table

## Employment Agreements

We do not have any written employment agreements with our executive officers, aside from those entered into between our subsidiaries in China and all employees in China.

The Company and Mr. Ligang Shang had a one year employment agreement dated as of September 2, 2010 under which Mr. Ligang Shang is entitled to an annual cash compensation of \$60,000. The agreement also contains standard non-compete and non-disclosure clause which will be valid until one year after the termination. Currently Mr. Ligang Shang is no longer an officer of the Company, but he still serves as the corporate secretary and a director of the board. His compensation terms remain the same.

## Outstanding Equity Awards at Fiscal Year-End

None.

## Director Compensation

None of our directors receives any compensation for serving on the board of directors.

## Pension and Retirement Plans

Currently, we do not offer any annuity, pension or retirement benefits to be paid to any of our officers, directors or employees other than the mandatory pension and retirement plans under the PRC laws. As required by PRC laws, we contribute to the “insurance and public housing funds” program defined by the Department of Labor. These contributions are similar to the Social Security and Medicare programs in the US. There are also no compensatory plans or arrangements with respect to any individual named above which results or will result from the resignation, retirement or any other termination of employment with our company, or from a change in our control.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

## Security Ownership of Certain Beneficial Owners and Management.

The table below sets forth information, as of September 22, 2011, concerning (a) each person that is known to us to be the beneficial owner of more than 5% of our Common Stock; (b) each of our named executive officers; (c) each director; and (d) all of the directors and executive officers as a group. Unless otherwise indicated, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares, except to the extent spouses share authority under applicable law. Beneficial ownership is determined in accordance with the rules of the SEC.

At the close of business on September 22, 2011, we had 25,661,533 shares of Common Stock outstanding and 1,988,429 shares of Series B Preferred Stock outstanding. Shares of Series B Preferred Stock are convertible, at the option of the holder thereof, at any time, into Common Stock. Holders of Series B Preferred Stock do not have voting rights.

In computing the number and percentage of shares beneficially owned by a person, shares that may be acquired by such person within 60 days of September 22, 2011 are counted as outstanding, while these shares are not counted as outstanding for computing the percentage ownership of any other person. Except as otherwise indicated, the address of each beneficial owner is c/o Sen Yu International Holdings, Inc., 19 West 44th Street, New York, New York.

Name of Beneficial Owner	Office, If Any	Common Stock		Series B Preferred Stock		% Total Voting Power
		Shares	% of Class	Shares	% of Class	
Directors and Officers						
Zhenyu Shang	Chairman, CEO & President	0	*	0	*	*
Tongyu Zhang	Chief Financial Officer	0	*	0	*	*
Ligang Shang	Vice Chairman, Director, Corporate Secretary	15,706,701	61.21%	0	*	61.21%
All Officers and Directors as a group (3 persons named above)		15,706,701	61.21%	0	*	61.21%

## 5% Security Holders

Name & Address of Beneficial Owner	Office, If Any	Common Stock		Series B Preferred Stock		% Total Voting Power
		Shares	% of Class	Shares	% of Class	
Ligang Shang		15,706,701	61.21%	0	*	61.21%

Vice  
Chairman,  
Director,  
Corporate  
Secretary

D. D Investments Co., LIMITED	1,383,800	5.39%	0	*	5.39%
----------------------------------	-----------	-------	---	---	-------

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

None

Director Independence

As of the date of this Annual Report, our Common Stock is traded on the OTC Bulletin Board. The OTC Bulletin Board does not impose on us standards relating to director independence or the makeup of committees with independent directors, or provide definitions of independence.

Item 14. Principal Accounting Fees and Services.

All services reflected in the following for fiscal year ended June 30, 2011 and 2010 were pre-approved in accordance with the policy of our Board of Directors.

**Audit Fees.** Our principal accountant billed \$89,800 and \$80,000 to the Company for professional services rendered for the audit of financial statements for the fiscal years ended June 30, 2011 and 2010, respectively.

**Audit-Related Fees.** There were \$15,000 and \$0 billed in the fiscal years ended June 30, 2011 and 2010 for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the Company's financial statements.

**Tax Fees.** Tax fees consist of the preparation of Federal corporation income tax returns, State corporation income tax returns, and State annual filing regarding tax compliance issues. Our principal accountant billed \$5,500, \$5,500, and \$5,500 for tax preparation fees for tax service rendered in March and February 2011 for fiscal years ended June 30, 2010, 2009, and 2008 tax filing, respectively. There were no tax preparation fees billed for the fiscal year ended June 30, 2011 tax filing to date.

**All Other Fees.** There were no other fees billed in each of the last two fiscal years by the principal accountant.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1)(2) Financial Statements and Financial Statement Schedule.

The financial statements and financial statement schedules listed in the Index to Financial Statements on Page F-1 to Page F-29 are filed as part of this Annual Report.

(a)(3) Exhibits.

The exhibits required by this item are set forth on the Exhibit Index immediately following the signature page of this Annual Report.

63

---



SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on September 28, 2011.

Sen Yu International Holdings, Inc.

By: /s/ Zhenyu Shang  
 Name: Zhenyu Shang  
 Title: Chief Executive Officer  
 (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Zhenyu Shang Zhenyu Shang	Chief Executive Officer, Chairman of the Board (Principal Executive Officer)	September 28, 2011
/s/ Tongyu Zhang Tongyu Zhang	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	September 28, 2011
/s/ Ligang Shang Ligang Shang	Vice Chairman and Director	September 28, 2011

INDEX TO EXHIBITS

Item 16. Exhibits

Exhibit Description  
 No.

- 2.1 Share Exchange Agreement dated August 12, 2009 among the company and the stockholders of Advanced Swine Genetics Co., Ltd. - incorporated by reference from Exhibit 10-a to the Current Report on Form 8-K filed on August 13, 2009.
- 3.1 Certificate of Incorporation - incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-KSB filed on October 14, 2008 and incorporated herein by reference.
- 3.2 Certificate of Amendment of Certificate of Incorporation, effective on September 30, 2009 - incorporated by reference to Exhibit 3-a to the Current Report on Form 8-K filed on October 13, 2009.
- 3.3 Certificate of Elimination for Series A Convertible Preferred Stock - incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K filed on May 16, 2010.

- 3.4 Certificate of Designations for Series A Convertible Preferred Stock - incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K filed on June 14, 2010.
- 3.5 Bylaws - filed as an exhibit to the Annual Report on Form 10-KSB filed on October 14, 2008 and incorporated herein by reference.
- 4.2 Form of 10% Secured Convertible Notes issued on February 22, 2010 - incorporated by reference from Exhibit 10-a to the Current Report on Form 8-K filed on February 23, 2010.
- 10.1 Joint Venture Agreement with Polar Genetics, Inc. - incorporated by reference from Exhibit 10.1 to the Annual Report on Form 10-K filed on September 28, 2010.

- 10.2 English Translation of the Cooperation Agreement between Heilongjiang Sen Yu Animal Husbandry Co., Ltd. and Heilongjiang Wang Da Feedstuff Co., Ltd. - incorporated by reference from Exhibit 10.2 to the Annual Report on Form 10-K filed on September 28, 2010.
- 10.6 Series B Convertible Preferred Stock and Warrant Purchase Agreement, dated June 11, 2010, by and between the company and the Investors. - incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed on June 14, 2010.
- 10.7 Form of Series A Warrants - incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K filed on June 14, 2010.
- 10.8 Form of Series B Warrants - incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K filed on June 14, 2010.
- 10.9 Form of Series C Warrants - incorporated by reference from Exhibit 10.4 to the Current Report on Form 8-K filed on June 14, 2010.
- 10.10 Form of Series D Warrants - incorporated by reference from Exhibit 10.5 to the Current Report on Form 8-K filed on June 14, 2010.
- 10.11 Form of Series E Warrants - incorporated by reference from Exhibit 10.6 to the Current Report on Form 8-K filed on June 14, 2010.
- 10.12 Form of Series F Warrants - incorporated by reference from Exhibit 4.1 to the Current Report on Form 8-K filed on February 22, 2011.
- 10.13 Form of Subscription Agreement - incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed on February 22, 2011.
- 10.14 Subscription Agreement - incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed on June 3, 2011.
- 10.15 English Translation of Breeding Swine Sales Agreement between the Company and Harbin Golden Lotus Trade Co, Ltd. – incorporated by reference from Exhibit 10.12 to the Amendment No. 3 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2010
- 10.16 English Translation of Supplemental Agreement between the Company and Harbin Golden Lotus Trade Co, Ltd. – – incorporated by reference from Exhibit 10.13 to the Amendment No. 3 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2010
- 10.17 English Translation of Supplemental Agreement to the Cooperation Agreement between Heilongjiang Sen Yu Animal Husbandry Co., Ltd. and Heilongjiang Wang Da Feedstuff Co., Ltd. – incorporated by reference from Exhibit 10.14 to the Amendment No. 3 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2010
- 10.18 English Translation of Sales Agreement with Beijing Er Shang Dahongmen Food and Meat Processing Inc. – incorporated by reference from Exhibit 10.15 to the Amendment No. 3 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2010
- 10.19 English Translation of Cooperation Memorandum among the Company, Harbin Golden Lotus Trade Co, Ltd. and Heilongjiang Wang Da Feedstuff Co., Ltd. – incorporated by reference from Exhibit 10.16 to the Amendment No. 3 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2010
- 10.20 English Translation of Supplemental Agreement to the Cooperation Memorandum among the Company, Harbin Golden Lotus Trade Co, Ltd. and Heilongjiang Wang Da Feedstuff Co., Ltd. – incorporated by reference

from Exhibit 10.17 to the Amendment No. 3 to the Annual Report on Form 10-K for the fiscal year ended June 30, 2010

- 10.21 English Translation of Restated and Amended Breeding Hog Exclusive Sales Agreement between the Company and Harbin Golden Lotus Trade Co, Ltd. - incorporated by reference from Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended March 31, 2011
- 10.22 English Translation of Restated and Amended Cooperation Agreement between Heilongjiang Sen Yu Animal Husbandry Co., Ltd. and Heilongjiang Wang Da Feedstuff Co., Ltd.  
- incorporated by reference from Exhibit 10.2 to the Quarterly Report on Form 10-Q for the period ended March 31, 2011
- 10.23 English Translation of Restated and Amended Three Parties Cooperation Agreement among the Company, Harbin Golden Lotus Trade Co, Ltd. and Heilongjiang Wang Da Feedstuff Co., Ltd.  
- incorporated by reference from Exhibit 10.3 to the Quarterly Report on Form 10-Q for the period ended March 31, 2011

- 10.24 English Translation of Memorandum re Restated and Amended Operating Agreements among the Company, Harbin Golden Lotus Trade Co, Ltd. and Heilongjiang Wang Da Feedstuff Co., Ltd.  
- incorporated by reference from Exhibit 10.4 to the Quarterly Report on Form 10-Q for the period ended March 31, 2011
- 10.25 Employment Agreement between the Company and Paul Li, dated September 15, 2010
- 10.26 Employment Agreement between the Company and Ligang Shang, dated September 2, 2010
- 21.1\* List of subsidiaries of the company
- 23.1\* Consent of MS Group CPA LLC.
- 31.1\* Certification of our Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended.
- 31.2\* Certification of our Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.1\* Certification of our Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\* Certification of our Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

---

\* Filed herewith