ENERGROUP HOLDINGS CORP
Form 10-Q
May 15, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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

For the transition period from ______________ to _______________

Commission File Number 0-28806

ENERGROUP HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

Nevada (State of Incorporation)	87-0420774 (I.R.S. Employer Identification No.)
No. 9, Xin Yi Street, Ganjingzi District Dalian City, Liaoning Province, PRC 116039 (Address of principal executive offices)	N/A (Zip Code)

+86 411 867 166 96
(Registrant’s telephone number, including area code)

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 x No o

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.)
Yes o No x

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

Large Accelerated filer o	Accelerated Filer o	Non-Accelerated Filer o	Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as determined in Rule 12b-2 of the Exchange Act). Yes o No x

As of March 31, 2009, the Registrant had 21,136,392 shares of Common Stock outstanding.

ENERGROUP HOLDINGS CORPORATION

FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

1

Board of Directors and Stockholders
Energroup Holdings Corporation

Report of Registered Independent Public Accounting Firm

We have reviewed the accompanying consolidated balance sheets of Energroup Holdings Corporation as of March 31, 2009 and December 31, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the three-month periods ended March 31, 2009 and 2008. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

South San Francisco, California
April 24, 2009

Samuel H. Wong & Co., LLP
Certified Public Accountants

Energroup Holdings Corporation
Consolidated Balance Sheets
At March 31, 2009 and December 31, 2008
(Stated in US Dollars)

	Notes	At March 31, 2009	At December 31, 2008
ASSETS			
Current Assets			
Cash	2(D)	$ 4,138,898	$ 5,695,798
Restricted Cash	3	2,174,484	2,177,091
Accounts Receivable	2(E),4	16,589,324	18,661,065
Other Receivable		2,151,917	2,162,412
Related Party Receivable	5	17,846,965	10,919,777
Inventory	2(F),6	5,893,860	6,051,109
Advance to Suppliers	2(G)	1,574,308	1,453,861
Prepaid Expenses		396,848	62,734
Prepaid Taxes		206,626	334,413
Deferred Tax Asset	2(Q)	644,417	643,609
Total Current Assets		51,617,647	48,161,869
Non-Current Assets			
Property, Plant & Equipment, net	2(H),7	25,337,388	25,794,151
Land Use Rights, net	2(I),8	13,381,433	13,430,435
Construction in Progress	2(J)	6,635,061	3,262,146
Other Assets		34,852	34,807
Total Assets		$ 97,006,381	$ 90,683,408
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank Loans	9(A)	$ 10,809,863	$ 6,419,422
Accounts Payable		3,915,369	7,695,208
Taxes Payable		3,126,867	2,341,971
Other Payable		2,129,765	2,318,142
Accrued Liabilities		2,607,695	1,724,266
Customer Deposits	2(L)	3,575,945	3,258,752
Total Current Liabilities		26,165,504	23,757,761
Long Term Liabilities		-	-
Total Liabilities		$ 26,165,504	$ 23,757,761

See Notes to Financial Statements and Accountant’s Report

Energroup Holdings Corporation
Consolidated Balance Sheets
At March 31, 2009 and December 31, 2008
(Stated in US Dollars)

Stockholders' Equity	Notes	At March 31, 2009	At December 31, 2008
Preferred Stock - $0.001 Par Value 10,000,000 Shares Authorized; 0 Shares Issued & Outstanding at March 31, 2009 and December 31, 2008, respectively.		$ -	$ -
Common Stock - $0.001 Par Value 21,739,130 Shares Authorized; 21,136,392 Shares Issued & Outstanding at March 31, 2009 and December 31, 2008, respectively.	10	21,137	21,137
Additional Paid in Capital		29,564,489	26,062,337
Statutory Reserve	2(M),11	2,077,488	2,077,488
Retained Earnings		35,687,478	35,275,457
Accumulated Other Comprehensive Income	2(N)	3,490,285	3,489,228
Total Stockholders' Equity		70,840,877	66,925,647
Total Liabilities & Stockholders' Equity		$ 97,006,381	$ 90,683,408

See Notes to Financial Statements and Accountant’s Report

Energroup Holdings Corporation
Consolidated Statements of Operations
For the three months ended March 31, 2009 and 2008
(Stated in US Dollars)

	Note	For three Months ended March 31, 2009	For three Months ended March 31, 2008
Sales	2(O)	$ 40,893,923	$ 43,507,098
Cost of Sales	2(P)	(35,169,469)	(36,474,424)
Gross Profit		5,724,454	7,032,674
Operating Expenses			
Selling Expenses	2(Q)	864,959	1,825,277
General & Administrative Expenses	2(R)	559,113	492,974
Total Operating Expense		1,424,072	2,318,251
Operating Income/(Loss)		4,300,382	4,714,423
Other Income (Expenses)			
Other Income		44,606	24,269
Interest Income		113,235	3,985
Other Expenses		(46,623)	(28,650)
Interest Expense		(217,219)	(306,465)
Release of Escrowed Make Good Shares		(3,502,152)	-
Total Other Income (Loss) and Expense		(3,608,153)	(306,861)
Earnings before Tax		692,229	4,407,562
(Income Tax Expense)/Deferred Tax Benefit	2(V),13	(280,208)	(166,345)
Net Income		$ 412,021	$ 4,241,217
Earnings Per Share	2(Z),16		
- Basic		$ 0.024	$ 0.25
- Diluted		$ 0.019	$ 0.20
Weighted Average Shares Outstanding			
- Basic		17,272,756	17,272,756
- Diluted		21,136,392	21,182,756

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Statements of Changes in Stockholders' Equity
At March 31, 2009 and December 31, 2008
(Stated in US Dollars)

	Common Shares Outstanding	Amount	Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Comprehensive Other Income	Total
Balance, January 1, 2008	$ 21,136,392	$ 21,137	$ 15,440,043	$ 751,444	$ 29,764,236	$ 2,960,951	$ 48,937,811
Release of Shares Placed in Escrow	-	-	10,622,294	-	-	-	10,622,294
Net Income	-	-	-	-	6,837,265	-	6,837,265
Appropriations of Retained Earnings	-	-	-	1,326,044	(1,326,044)	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	528,277	528,277
Balance, December 31, 2008	$ 21,136,392	$ 21,137	$ 26,062,337	$ 2,077,488	$ 35,275,457	$ 3,489,228	$ 66,925,647
Balance, January 1, 2009	$ 21,136,392	$ 21,137	$ 26,062,337	$ 2,077,488	$ 35,275,457	$ 3,489,228	$ 66,925,647
Release of Shares Placed in Escrow	-	-	3,502,152	-	-	-	3,502,152
Net Income	-	-	-	-	412,021	-	412,021
Appropriations of Retained Earnings	-	-	-	-	-	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	1,057	1,057
Balance, March 31, 2009	$ 21,136,392	$ 21,137	$ 29,564,489	$ 2,077,488	$ 35,687,478	$ 3,490,285	$ 70,840,877

Comprehensive Income	At March 31, 2009	At December 31, 2008	Accumulated Totals
Net Income	$ 412,021	$ 6,837,265	$ 7,249,286
Other Comprehensive Income:			
Foreign Currency Translation Adjustment	1,057	528,277	529,334
	$ 413,078	$ 7,365,542	$ 7,778,620

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Statements of Cash Flows
For the three months ended March 31, 2009 and 2008
(Stated in US Dollars)

		For three Months ended March 31, 2009		For three Months ended March 31, 2008
Cash Flow from Operating Activities				
Cash Received from Customers	$	36,366,161	$	29,071,645
Cash Paid to Suppliers & Employees		(39,601,549)		(47,912,070)
Interest Received		113,235		3,985
Interest Paid (net of amount capitalized)		645,353		(1,075,461)
Income Tax Paid		(19,360)		(191,861)
Miscellaneous Receipts		44,606		24,269
Cash Sourced/(Used) in Operating Activities		(2,451,554)		(20,079,493)
Cash Flows from Investing Activities				
Escrowed Funds from Private Placement Placed in Restricted Cash		2,607		2,092,169
Payments for Purchases of Equipment & Construction of Plant		(3,481,309)		(1,623,365)
Payments for Purchases of Land Use Rights		(18,100)		(261,294)
Payments for Deposits		(43)		(1,356)
Cash Sourced/(Used) in Investing Activities		(3,496,845)		206,154
Cash Flows from Financing Activities				
Financing Transaction - Proceeds Allocated to Accrued Liabilities for Liquidated Damages		-		1,700,000
Proceeds from Bank Borrowings		4,390,442		18,223,009
Repayment of Bank Loans		-		(10,724,727)
Cash Sourced/(Used) in Financing Activities		4,390,442		9,198,282
Net Increase/(Decrease) in Cash & Cash Equivalents for the Period		(1,557,957)		(10,675,057)
Effect of Currency Translation		1,057		3,682,295
Cash & Cash Equivalents at Beginning of Period		5,695,798		14,031,851
Cash & Cash Equivalents at End of Period	$	4,138,898	$	7,039,089
Non-Cash Financing Activity:				
Release of shares held in escrow	$	3,502,152	$	-

See Notes to Financial Statements and Accountant’s Report

7

Energroup Holdings Corporation
Reconciliation of Net Income to Cash Provided/(Used) in Operating Activities
For the three months ended March 31, 2009 and 2008
(Stated in US Dollars)

	For three Months ended March 31, 2009	For three Months ended March 31, 2008
Net Income	$ 412,021	$ 4,241,217
Adjustments to Reconcile Net Income to Net Cash Provided by Cash Activities:		
Non Cash Expense Recorded for the Release of Escrowed Shares	3,502,152	-
Liquidated Damages Included in Accrued Liabilities	-	(1,700,000)
Amortization	67,102	(208,889)
Depreciation	565,157	667,821
Provision for Bad Debt	(99)	3,522
Decrease/(Increase) in Accounts Receivable	2,071,840	(2,385,252)
Decrease/(Increase) in Other Receivable	10,494	(569,194)
Decrease/(Increase) in Related Party Receivable	(6,927,188)	(11,542,409)
Decrease/(Increase) in Inventory	157,249	(1,549,996)
Decrease/(Increase) in Advance to Suppliers	(120,446)	(7,556,671)
Decrease/(Increase) in Prepaid Taxes	127,788	(88,049)
Decrease/(Increase) in Prepaid Expenses	(334,114)	28,530
Decrease/(Increase) in Deferred Tax Benefit	(809)	(25,516)
Increase/(Decrease) in Accounts Payable	(3,779,839)	(119,434)
Increase/(Decrease) in Taxes Payable	784,896	420,563
Increase/(Decrease) in Other Payable	(188,377)	(12,455)
Increase/(Decrease) in Accrued Liabilities	883,429	258,839
Increase/(Decrease) in Customer Advances	317,190	57,880
Total of all adjustments	(2,863,575)	(24,320,710)
Net Cash Provided by/(Used in) Operating Activities	$ (2,451,554)	$ (20,079,493)

See Notes to Financial Statements and Accountant’s Report

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

1. The Company and Principal Business Activities

Energroup Holdings Corporation (the "Company") (OTCBB: ENHD) is a holding company incorporated in the state of Nevada in the United States of America whose primary business operations are conducted through its three operating subsidiaries: (1) Dalian Chuming Processed Foods Company Ltd., ("Food Company") (2) Dalian Chuming Slaughter and Packaging Pork Company Ltd. ("Meat Company"), and (3) Dalian Chuming Sales Company Ltd. ("Sales Company"), which are incorporated in the People's Republic of China ("PRC"). The Company is headquartered in the City of Dalian, Liaoning Province of China.

The three operating subsidiaries were spun-off constituents of the former parent company, Dalian Chuming Group Co. Ltd ("Group"). The Company indirectly holds the three operating subsidiary companies through its wholly owned intermediary subsidiaries: (A) Precious Sheen Investments Limited ("PSI"), a British Virgin Islands corporation, and (B) Dalian Chuming Precious Sheen Investments Consulting Co., Ltd., ("Chuming"), a wholly foreign owned enterprise incorporated in the PRC.

The Company's primary business activities are the production and packing of fresh pork and also production of processed meat products for distribution and sale to clients throughout the PRC and Russia.

Corporate Reorganization

PRC law currently has limits on foreign ownership of certain companies. To enable Chuming to raise equity capital from investors outside of China, it established an offshore holding company by incorporating Precious Sheen Investments Limited in the British Virgin Islands in May 2007. On September 26, 2007, Chuming entered into share transfer agreements with Dalian Chuming Group Co., Ltd., under which Dalian Chuming Group Co., Ltd. agreed to transfer ownership of three operating subsidiaries (collectively known as "Chuming Operating Subsidiaries") to Chuming. On October 23, 2007, Chuming completed all required registrations to complete the share transfer, and became the 100% owner of the Chuming Operating Subsidiaries. On November 14, 2007 the Dalian Commerce Bureau approved the transfer of Dalian Chuming Group Co., Ltd's 68% interest in Chuming to PSI, and upon this transfer, Chuming became a wholly foreign owned enterprise, with PSI as the 100% owner of Chuming (including its subsidiaries). On December 13, 2007, the PRC government authorities issued Chuming a business license formally recognizing it as a wholly foreign owned enterprise, of which PSI is the sole shareholder.

The following is a description of the Chuming Operating Subsidiaries: -

A. Dalian Chuming Slaughter and Packaging Pork Company Ltd., whose primary business activity is acquiring, slaughtering, and packaging of pork and cattle;

B. Dalian Chuming Processed Foods Company Ltd., whose primary business activity is the processing of raw and cooked meat products; and

C. Dalian Chuming Sales Company Ltd., which is responsible for Chuming's sales, marketing, and distribution operations.

Share Exchange Transaction

On December 31, 2007, the Company acquired all of the outstanding shares of PSI in exchange for the issuance of 16,850,000 restricted shares of our common stock to the shareholders of PSI, which represented approximately 97.55% of the then-issued and outstanding common stock of the Company (excluding the shares issued in the Financing). As a result of that transaction, PSI became our wholly owned subsidiary and we acquired the business and operations of the three operation subsidiaries.

The share exchange transaction has been accounted for as a recapitalization of PSI where the Company (the legal acquirer) is considered the accounting acquiree and PSI (the legal acquiree) is considered the accounting acquirer. As a result of this transaction, the Company is deemed to be a continuation of the business of PSI.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

Accordingly, the financial data included in the accompanying consolidated financial statements for all periods prior to December 31, 2007 is that of the accounting acquirer (PSI). The historical stockholders' equity of the accounting acquirer prior to the share exchange has been retroactively restated as if the share exchange transaction occurred as of the beginning of the first period presented.

2. Summary of Significant Accounting Policies

(A) Method of Accounting

The Company maintains its general ledger and journals with the accrual method accounting for financial reporting purposes. The financial statements and notes are representations of management. Accounting policies adopted by the Company conform to generally accepted accounting principles in the United States of America and have been consistently applied in the presentation of financial statements, which are compiled on the accrual basis of accounting.

(B) Principles of Consolidation

The consolidated financial statements, which include the Company and its subsidiaries, are compiled in accordance with generally accepted accounting principles in the United States of America. All significant inter-company accounts and transactions have been eliminated. The consolidated financial statements include 100% of assets, liabilities, and net income or loss of those wholly-owned subsidiaries.

The Company owned the three operating subsidiaries since its inception. The Company also owns two intermediary holdings companies. As of March 31, 2009, the detailed identities of the consolidating subsidiaries are as follows: -

Name of Company	Place of Incorporation	Attributable Equity Interest	Registered Capital
Precious Sheen Investments Limited	BVI	100%	USD 10,000
Dalian Chuming Precious Sheen Investment Consulting Co., Ltd.	PRC	100%	RMB 91,009,955
Dalian Chuming Slaughtering & Pork Packaging Co. Ltd.	PRC	100%	RMB 10,000,000
Dalian Chuming Processed Foods Co. Ltd.	PRC	100%	RMB 5,000,000
Dalian Chuming Sales Co. Ltd.	PRC	100%	RMB 5,000,000

The consolidation of these operating subsidiaries into a newly formed holding company i.e. "the Company" is permitted by United States GAAP: ARB51 paragraph 22 and 23.

(C) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ materially from these estimates.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

(D) Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid equity or debt instruments purchased with a maturity of three months or less to be cash equivalents.

(E) Accounts Receivable

The Company extends unsecured, non-interest bearing credit to its customers; accordingly, the Company carries an allowance for doubtful accounts, which is an estimate, made by management. Management makes its estimate based on prior experience rates and assessment of specific outstanding customer balances. Management may extend credit to new customers who have met the criteria of the Company's credit policy.

(F) Inventory Carrying Value

Inventory, consisting of raw materials in the form of livestock, work in progress, and finished products, is stated at the lower of cost or market value. Finished products are comprised of direct materials, direct labor and an appropriate proportion of overhead. Periodic evaluation is made by management to identify if inventory needs to be written down because of damage, or spoilage. Cost is computed using the weighted average method.

(G) Purchase Deposit

Purchase deposit represents the cash paid in advance for purchasing raw materials. The purchase deposit is interest free and unsecured.

(H) Property, Plant, and Equipment

Property, Plant, and Equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized.

Property and equipment are depreciated using the straight-line method over their estimated useful life with a 5% salvage value. Their useful lives are as follows: -

Fixed Asset Classification	Useful Life
Land Improvements	10 years
Buildings	20 years
Building Improvements	10 years
Manufacturing Machinery & Equipment	10 years
Office Equipment	5 years
Furniture & Fixtures	5 years
Vehicles	5 years

(I) Land Use Rights

Land Use Rights are stated at cost less accumulated amortization. Amortization is provided over its useful life, using the straight-line method. The useful life of the land use right is 50 years.

(J) Construction in Progress

Construction in progress represents the direct costs of design, acquisition, and construction of buildings, building improvements, and land improvements. These costs are capitalized in the Construction-in-Progress account until substantially all activities necessary to prepare the assets for their intended use are completed. At such point, the Construction-in-Progress account is closed and the capitalized costs are transferred to their appropriate asset classification. No depreciation is provided until the assets are completed and ready for their intended use.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

(K) Accounting for Impairment of Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future cash flows, undiscounted and without interest charges, of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to estimate future cash flows and the fair value of long-lived assets.

(L) Customer Deposits

Customer Deposits represents money the Company has received in advance for purchases of pork and pork products. The Company considers customer deposits as a liability until products have been shipped and revenue is earned.

The Company collects a damage deposit (as a deterrent) recorded in Other Payable from showcase store operators as a means of enforcing proper use of the Company's trademarks. These are not fees, but deposits that are carried as current liabilities until and unless an operator violates the Company's policies (e.g. misuse of Company brand names, or sale of substandard or counterfeit products, or unacceptably poor customer service), or if the proprietor ceases to operate the showcase store. If no violations have been committed by the showcase store operator, the deposit is returned to the operator. The Company carries the amount of these deposits as a current liability because the Company will return the deposit immediately to the operator when the Company ceases to conduct business with the operator.

(M) Statutory Reserve

Statutory reserve refer to the amount appropriated from the net income in accordance with laws or regulations, which can be used to recover losses and increase capital, as approved, and, are to be used to expand production or operations. PRC laws prescribe that an enterprise operating at a profit, must appropriate, on an annual basis, from its earnings, an amount to the statutory reserve to be used for future company development. Such an appropriation is made until the reserve reaches a maximum equalling 50% of the enterprise's capital.

(N) Other Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company's current component of other comprehensive income is the foreign currency translation adjustment.

(O) Recognition of Revenue

Revenue from the sale of pork products, etc., is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

12

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

The Company supplies pork products, equipment, uniforms, and technical support to the proprietors of showcase stores, who are granted the right to use the Company's trademarks to sell pork products. Start-up fees relating to uniforms are immaterial and are charged to the showcase store operators merely to recoup setup costs. Any funds collected from store operators in conjunction with initial startup and operation is minimal and immaterial. The Company does not charge any fees for providing equipment to the showcase stores. The Company provides equipment at its own cost, and the Company owns all such equipment. Considering the foregoing, the Company takes the position that any amount it receives from the store operators is not material in accordance with Rule 5-03.1 of Regulation S-X. In addition, since the Company does not receive any material franchise fee revenue, SFAS 45 is not applicable.

(P) Cost of Sales

The Company's cost of sales is comprised of raw materials, factory worker salaries and related benefits, machinery supplies, maintenance supplies, depreciation, utilities, inbound freight, purchasing and receiving costs, inspection and warehousing costs

(Q) Selling Expense

Selling expenses are comprised of outbound freight, salary for the sales force, client entertainment, commissions, depreciation, advertising, and travel and lodging expenses.

(R) General & Administrative

General and administrative costs include executive compensation, quality control, and general overhead such as the finance department, administrative staff, and depreciation and amortization expense.

(S) Shipping and handling

All shipping and handling are expensed as incurred and are included as a component of cost of sales.

(T) Advertising Expense

Costs related to advertising and promotion expenditures are expensed as incurred during the year. Advertising costs are charged to selling expense.

(U) Retirement Benefits

Retirement benefits in the form of contributions under defined contribution retirement plans to the relevant authorities are charged to the statement of operations as incurred.

(V) Income Taxes

The Company uses the accrual method of accounting to determine and report its taxable reduction of income taxes for the year in which they are available. The Company has implemented Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Income tax liabilities computed according to the United States and

People's Republic of China (PRC) tax laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

In respect of the Company's subsidiaries domiciled and operated in China:

§ Chuming and Chuming Operating Subsidiaries are located in the PRC and PSI is located in the British Virgin Islands; all of these entities are subject to the relevant tax laws and regulations of the PRC and British Virgin Islands in which the related entity domiciled. The maximum tax rates of the subsidiaries pursuant to the countries in which they domicile are: -

Subsidiary	Country of Domicile	Income Tax Rate
Chuming and Chuming Subsidiaries	PRC	25.00%
PSI	British Virgin Islands	0.00%

§ Effective January 1, 2008, PRC government implements a new 25% tax rate across the board for all enterprises regardless of whether domestic or foreign enterprise without any tax holiday which is defined as "two-year exemption followed by three-year half exemption" hitherto enjoyed by tax payers. As a result of the new tax law of a standard 25% tax rate, tax holidays terminated as of December 31, 2007. However, PRC government has established a set of transition rules to allow enterprises already started tax holidays before January 1, 2008, to continue enjoying the tax holidays until being fully utilized.

§ The Company is subject to United States Tax according to Internal Revenue Code Sections 951 and 957. Corporate income tax is imposed on progressive rates in the range of: -

	Taxable Income		
Rate	Over	But Not Over	Of Amount Over
15%	0	50,000	0
25%	50,000	75,000	50,000
34%	75,000	100,000	75,000
39%	100,000	335,000	100,000
34%	335,000	10,000,000	335,000
35%	10,000,000	15,000,000	10,000,000
38%	15,000,000	18,333,333	15,000,000
35%	18,333,333	-	-

Since Energroup Holdings Corporation is primarily a holding company without any business activities in the United States, the Company shall not be subject to income tax.

(W) Economic and Political Risks

The Company's operations are conducted in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

(X) Foreign Currency Translation

The Company maintains its financial statements in the functional currency. The functional currency of the Company is the Renminbi (RMB). Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

For financial reporting purposes, the financial statements of the Company which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

Exchange Rates	3/31/2009	12/31/2008
Period end RMB : US$ exchange rate	6.8456	6.85420
Average period RMB : US$ exchange rate	6.8466	6.96225

RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US$ at the rates used in translation.

(Y) Earnings Per Share

The Company computes earnings per share ("EPS") in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per share" ("SFAS No. 128"), and SEC Staff Accounting Bulletin No. 98 ("SAB 98"). SFAS No. 128 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., contingent shares, convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.)

(Z) Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 161 requires entities to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). Statement 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles."

15

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

In May 2008, the FASB issued FSP Accounting Principles Board ("APB") 14-1 "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis.

The Company is currently evaluating the potential impact, if any, of the adoption of the above recent accounting pronouncements on its consolidated results of operations and financial condition.

3. Restricted Cash

The restricted cash reflects funds received from the financing transaction described in Note 18 that is held in an escrow with US Bank in the United States. These funds are restricted until the Company has fulfilled the following criteria: (1) the hiring of a Chief Financial Officer that meets the approval of the investors, at such point the Company will release $1.5 million from restriction, the Company must satisfy this requirement within 90 days of the closing of the financing transaction, (2) the Company appoints a Board of Directors that has majority of independent members, at such point $2.0 million will be released from restriction, and (3) appoint a successor auditor, at which point $500,000 will be released from restriction. There is $250,000 in the escrow account that has already been earmarked for investor relations purposes.

At December 31, 2008, the Company has yet to fulfill requirement (3). The Company has requested bids for consideration from auditing firms that were on an approved list submitted by, Pinnacle Fund, whom was the lead investor in the Company's financing transaction in December 2007, detailed in Note 18 – Financing Transaction.

4. Accounts Receivable

Accounts Receivable at March 31, 2009 and December 31, 2008 consisted of the following: -

	At March 31, 2009	At December 31, 2008
Accounts Receivable – Trade	$ 16,777,721	$ 18,849,560
Less: Allowance for Doubtful Accounts	(188,397)	(188,495)
Net Accounts Receivable	$ 16,589,324	$ 18,661,065

Allowance for Bad Debts	At March 31, 2009	At December 31, 2008
Beginning Balance	$ (188,495)	$ (84,723)
Allowance Provided	-	$ (103,772)
Reverse	98	-
Ending Balance	$ (188,397)	$ (188,495)

During the second quarter of the 2008 fiscal year, management revised the Company’s credit policy. Based on management’s review, the Company began extending more favorable credit terms to its top tier customers. Those customers that qualified as top tier were extended approximately 45 to 60 days of credit. The Company previously extended one to two days of credit. As of March 31, 2009, the Company has not had any receivables that were unrecoverable.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

Accounts receivable aging analysis

As of March 31, 2009

1-30 Days	30-60 Days	61-90 Days	91-120 Days	121-365 Days	Over 365 Days	Total
11,081,468	4,488,286	652,698	179,636	170,629	16,607	16,589,324

5. Related Party Receivable

In the normal course of business which includes the purchases of hogs and other raw materials, sale of pork and pork products, the Company conducts transactions with the following related parties: Dalian Chuming Group Co., Ltd ("Group") and the Group subsidiaries, that are not consolidated into Energroup Holdings or Energroup's subsidiary, Dalian Chuming Precious Sheen Investments Consulting Co. Ltd. (Chuming): (1) Dalian Chuming Industrial Development Co., Ltd., ("Industrial Development Co.") (2) Dalian Chuming Trading Co., Ltd, ("Trading Co.") (3) Dalian Mingxing Livestock Product Co. Ltd., ("Mingxing") (4) Dalian Chuming Stockbreeding Combo Development Co., Ltd., ("Combo Development Co.") (5) Dalian Chuming Fodder Co., Ltd. ("Fodder Co."), and (6) Dalian Chuming Biological Technology Co., Ltd., ("Biological Co.") and (7) Dalian Huayu Seafood Food Co., Ltd. ("Huayu"). The Company and the aforementioned related parties share common beneficial ownership. All transactions with related parties are generally performed at arm's length.

In the event that the Company has both receivables from, and payables to the Group it will, in accordance with FIN 39, setoff the balances in order to arrive at a single balance that is either due from, or due to the Group. The Company's net receivable balance of $17,846,965 at March 31, 2009 is shown in the following table.

Ref.	Subsidiary Due to:	Nature of Balance	Related Party		Balance	Description of Transaction
A	Food	Sale of Products resulting in Trade Receivable from	Dalian Mingxing Livestock Product Co. Ltd.,		234,989	Food Co. sold cooked food to Mingxing dating back to 1/2007.
		Subtotal of Related Party Sales		$	234,989	
B	Food	Loan Receivable from	Dalian Huayu Seafood Co., Ltd.		7,303,962	Huayu borrowed loan from Food Co. back to 11/2008
C	Food	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.		3,651,980	Mingxing borrowed loan from Fodder Co. back to 1/2009
D	Meat	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.		90,296	Meat Co. paid utility fees for Fodder Co. dating back to 7/2008.
E	Meat	Loan Receivable from	Dalian Chuming Stockbreeding Combo		8,854,015	Prepayment to Group for Purchase

			Development Co., Ltd.			of hogs dating back to 7/2008.
F	Meat	Loan Receivable from	Dalian Chuming Group Co., Ltd.		55,714	Meat Co. purchased office supplies on behalf of the Group dating back to 11/2005
G	Food	Loan Receivable from	Dalian Chuming Industrial Development Co., Ltd.		2,921,585	Food Co. paid bank loan principal and interest on behalf of Industrial Co. dating back to 1/2008
H	Sales	Loan Receivable from	Dalian Huayu Seafood Co., Ltd.		1,553,791	Sales Co. paid Huayu to help it buy materials dating back to 9/2008.
I	Sales	Loan Receivable from	Dalian Chuming Group Co., Ltd.		9,840,256	Sales Co. paid the Group to help it buy materials dating back to 7/2008.
J	Sales	Loan Receivable from	Dalian Chuming Stockbreeding Combo Development Co., Ltd.		13,750,237	Sales Co. paid for Stockbreeding to buy hogs from farmer dating back 7/2008
K	Sales	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.		8,172,818	Sales Co. paid for feeding materials on behalf of Fodder dating back to 9/2008.
		Subtotal of Loans to Related Parties		$	56,194,654	
		Gross Related Party Receivable		$	56,429,643	

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

	Subsidiary Due from:	Nature of Balance	Related Party		Balance	Description of Transaction
L	Meat	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Group Co., Ltd.		1,112,987	Group purchased raw materials for Meat Co. dating back to 12/1/2004.
M	Meat	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Group Co., Ltd.		3,752,393	Purchase of hogs from Group dating back to 7/2008.
N	Food	Purchase of Raw Materials resulting in Trade Payable to	Dalian Huayu Seafood Food Co., Ltd		4,180,850	Advance from Huaya for the purchase of product dating back to 12/2007.
		Subtotal of Purchases from Related Parties		$	9,046,230	
O	Food	Loan Payable to	Dalian Chuming Group Co., Ltd.		604,074	Group paid for salaries and other G&A expenses on behalf of Food dating back to 1/2004.
P	Meat	Loan Payable to	Dalian Chuming Fodder Co., Ltd.		609,438	Fodder paid G&A expense for Meat Co. dating back to 1/2009
Q	Meat	Loan Payable to	Dalian Chuming Group Co., Ltd.		12,493,512	Group made the hog purchase payment for Meat Co. dating back to 12/2008
R	Sales	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,		914,182	Sales Co. collected bank loans on behalf of Mingxing dating back to 8/2008
S	Meat	Loan Payable to	Dalian Huayu Seafood Food Co., Ltd		542,419	Huayu lent funds to Meat Co. for necessary operation activities dating 12/2008
T	Food	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,		2,190,606	Food Co. borrowed funds from Mingxing for

						operations purpose dating back to 12/2008
U	WFOE	Loan Payable to	Dalian Chuming Group Co.		12,182,217	Group loaned funds to WFOE (incl. funds transferred from Meat for US RTO.
		Subtotal of Loans from Related Parties		$	29,536,448	
		Gross Related Party Payable		$	38,582,678	
	Setoff Related Party Receivable (Receivables have been setoff against payables)			$	17,846,965	

18

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

A. The Food Co. sold USD 235 thousand (RMB 1.6 million) cooked food to Mingxing Co. on credit. This transaction had impact on statement of income. By applying 17% valued added tax, the Food Co., generated USD 200 thousand (RMB 1.4 million) sales revenue.

B. Food Co. issued loans of USD 7.3 million (RMB 50 million) to Huayu in November 2008.

C. Food Co. issued loans of USD 3.6 million (RMB 25 million) to Fodder in January 2009.

D. The Meat Co. paid USD 90 thousand (RMB 618 thousand) utility fees for Fodder Co.

E. The prepayment of USD 8.8 (RMB 60.6 million) from Meat Co. to the Group was for the purchase of hogs.

F. The balance of USD 55 thousand (RMB 381,401 thousand) office supplies payment made by Meat Co. for the Group was still outstanding as of March 31, 2009

G. The balance of USD 2.9 million (RMB 20 million) which Food Co., paid bank loan principal and interest on behalf of Industrial Co. was still outstanding as of March 31, 2009

H. The Sales Co. paid USD 1.5 million (RMB10.6 million) in advance to Huayu Co. for the purchase of raw materials.

I. The balance of USD 9.8 million (RMB 67 million) receivable from Group to Sales Co. was payment made by Sales Co. for the Group to buy materials.

J. Sales Co. help the Group to pay USD 13.7 million (RMB 94.1 million) to local farmers for the purchase of hogs.

K. The receivable of USD 8.1 million (RMB55.9 million) due from Fodder Co. to Sales Co. consisted of following transactions: USD 2.6 million (RMB 17.7 million) was paid to buy feeding materials and USD 5.6 million (RMB 38.2 million) was paid for bank loan principal and interest.

L. The balance of USD 1.1 million (RMB 7.6 million) payment owed by the Company to the Group was for the purchase of raw materials.

M. The Group sold the hogs to Meat Co. for 3.7 million (RMB 25.7 million).

N. The USD 4.2 million (RMB 28.6 million) deposits owed to Huayu was still outstanding at March 31, 2009.

O. The Group has paid USD 604 thousand (RMB 4.1 million) salaries and general administrative expense on behalf of Food Co.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

P. Fodder paid USD 609 thousand (RMB 4.2 million) salaries on behalf of Meat Co. in January 2009.

Q. The balance owed of USD 12.5 million (RMB 85.5 million) by Meat Co. to Group was for the purchase of hogs.

R. Sales Co. collected bank loans on behalf of Mingxing dating back to 8/2008

S. Meat Co. borrowed USD 542 thousand (RMB 3.7 million) operation funds from Huayu in December 2008.

T. Food Co. borrowed USD 2.2 million (RMB 15 million) from Mingxing in December 2008.

U. The outstanding payable balance of USD 12.2 million (RMB 83.2 million) due to the Group has been transferred to the books of Chuming.

The related party receivable balance detailed above, and the related transactions that comprise that balance were integral and material to the Company’s operations. The Company was reliant on transactions with the above related parties in order to conduct its business normally. The Company acknowledges that it has the responsibility to comply with paragraph c of SFAS 57 which calls for the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period. The Company’s accounting system in the past was manual and accordingly is not able to, from a cost benefit perspective, summarize and provide further detail on the related party transactions. Also, the Company’s current accounting department does not have sufficient staff in order to perform and exercise to further detail the related party payables and receivables beyond what has been provided above; however the Company is taking steps to update its accounting systems and methods to provide fuller detail regarding these transactions for future periods. The Company does represent that the balances disclosed above are both accurate and reliable within acceptable thresholds of materiality.

The Company’s related party receivables and payables in the period presented were in the form of either short-term loans bearing no interest, or trade payables and receivables relating to the purchase of raw materials, supplies or products for which payment was due within a short period of time. Management believes that the net receivables from related parties are fully recoverable.

Of the $17,846,965 net receivable owed by the Group to the Company, $15,338,320 has been securitized by bank drafts issued by the bank on behalf of subsidiaries of the Group to the Company. These notes are collateralized by deposits at the bank by those particular subsidiaries of the Group. The drafts can be endorsed and discounted to the bank for cash; however the Company currently intends to hold these drafts until maturity. The following table summarizes the amounts of each draft.

Subsidiary of the Group	Amount
Huayu	$ 7,303,962
Group	5,843,169
Mingxing	2,191,189
	$ 15,338,320

6. Inventory

	At March 31, 2009	At December 31, 2008
Raw Materials	$ 737,975	$ 867,549
Work in Progress	169,102	241,738
Finished Goods	4,986,783	4,941,822
	$ 5,893,860	$ 6,051,109

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

7. Property, Plant & Equipment

At March 31, 2009:	Cost	Accumulated Depreciation	Net
Buildings	$ 21,591,328	$ (3,507,576)	$ 18,083,752
Manufacturing Equipment	9,872,093	(3,491,884)	6,380,209
Office Equipment	246,058	(162,942)	83,117
Vehicles	948,345	(563,707)	384,639
Furniture & Fixture	749,915	(344,244)	405,672
	$ 33,407,740	$ (8,070,352)	$ 25,337,388

At December 31, 2008:	Cost	Accumulated Depreciation	Net
Buildings	$ 21,604,325	$ (3,607,219)	$ 17,997,105
Manufacturing Equipment	10,061,608	(3,132,725)	6,928,883
Office Equipment	195,577	(150,670)	44,907
Vehicles	913,816	(477,265)	436,551
Furniture & Fixture	524,020	(137,315)	386,705
	$ 33,299,346	$ (7,505,196)	$ 25,794,151

8. Land Use Right

The Company had the following intangible assets outstanding at March 31, 2009 and December 31, 2008, respectively:

	At March 31, 2009	At December 31, 2008
Land Use Rights, at Cost	$ 14,425,602	$ 14,407,503
Less: Accumulated Amortization	(1,044,169)	(977,068)
	$ 13,381,433	$ 13,430,435

9. Bank Loans

(A) Short Term Bank Loans

At March 31, 2009, the Company had the following short term loans outstanding:

Bank	Interest Rate	Due Date	Amount
Bank of China	6.1586%	10/26/2009	$ 4,382,377
Bank of Huaxie	6.372%	3/3/2010	4,382,377
Bank of China	7.326%	10/17/2009	2,045,109
			$ 10,809,863

The loan provided by the Bank of China is secured by the Meat Company's land use rights, which have been appraised at a fair market value of $5,605,611 (RMB 41,000,000).

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

10. Capitalization

As a result of a reverse-merger on December 31, 2007 that was consummated via a share exchange, and a concurrent equity financing, in the form of a private placement by issuing common stock to ten accredited investors, the Company's capitalization is now reflected by the table shown below:

Name of Shareholder	Number of Shares	Common Stock Capital	Additional Paid in Capital	Equity %
Operating Companies Founders	14,688,948	$ 14,689	$ 2,396,079	69.50%
PRE-RTO Shell Shareholders	422,756	423	-	2.00%
Advisors & Consultants	2,161,052	2,161	-	10.22%
Private Investors	3,863,636	3,864	13,043,964	18.28%
	21,136,392	$ 21,137	$ 15,440,043	100.00%

11. Commitments of Statutory Reserve

In compliance with PRC laws, the Company is required to appropriate a portion of its net income to its statutory reserve up to a maximum of 50% of an enterprise's registered capital in the PRC. The Company had future unfunded commitments, as provided below.

	At March 31, 2009	At December 31, 2008
PRC Registered Capital	15,566,849	15,566,849
- Statutory Reserve Ceiling based on 50% of Registered Capital	7,783,424	7,783,424
Less: - Retained Earnings appropriated to Statutory Reserve	(2,077,488)	(2,077,488)
Reserve Commitment Outstanding	$ 5,705,936	$ 5,705,936

12. Advertising Costs

Advertising expenses were $47,124 and $542,233 for the three months ended March 31, 2009 and 2008, respectively.

13. Income Taxes

The Company's different operating subsidiaries are subject to different income tax regulations under PRC law.

The operating subsidiary, Meat, has been given special tax-free status by the PRC government because of the Company standing as leader in its industry in Dalian; therefore, no provision for income tax in the PRC was made for period ended March 31, 2009.

The Company's operating subsidiary, Food, has made provision for income taxes in year 2008 of $508,844.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

The Company's operating subsidiary, Sales, has not made provision for income tax in year 2008 as it has incurred operating losses for those respective years. The Company has determined that deferred tax assets arising from net operating losses in prior years may not realized, accordingly, the company has recognized a tax expense to the income statement in the amount of $11,246.

After adjusting for special tax-free status and net operating loss, the consolidated taxable earnings were determined, and the results were as follows: -

i.	2007	Tax expense	(520,089)
ii.	2006	Tax expense	(967,539)
iii.	2005	Tax benefit	1,609

Beginning December 31, 2007, the Company's foreign subsidiaries became subject to U.S. income tax liability; however, the tax is deferred until foreign source income is repatriated to the Company and the Company has not currently determined when foreign source income will be repatriated. Accordingly, the company has not made any provisions for U.S. income tax liability.

On March 16, 2007, the PRC government passed new tax legislation that repealed preferential tax treatment for foreign investment enterprises in the PRC and enacted new tax regulations. Under such regulations, with certain exceptions, both domestic and foreign enterprises will be taxed at a standard enterprise income tax rate of 25%. The Company's two operating subsidiaries, Food, and Sales are subject to the 25% income tax rate beginning January 1, 2008. Based on current PRC legislation, Meat should be expected to continue benefiting from a tax holiday.

14. Commitments

It is company policy to develop plant facilities based on availability of cash resources without incurring capital commitments. Therefore, the Company did not have any capital commitments existing at March 31, 2009.

On December 19, 2007, the Company entered into a hog purchase agreement whereby the Dalian Chuming Group Co., Ltd will provide at fair market price a minimum number of hogs to the Company. At March 31, 2009, the Company expects minimum quantities of hogs detailed in the following table:

Year	Hogs	Price Per Hog	Amount
2009 (April to December)	658,148	$ 187.13	$ 123,159,235
2010	800,000	$ 205.84	164,674,737
			$ 287,833,972

The Company believes that the fair market price of the hogs will increase by 10% each year. The assumption of 10% reflects that Company expectations in regards to inflation, and the rising costs of inputs in breeding livestock.

15. Operating Segments

The Company individually tracks the performance of its three operating subsidiaries Meat Company, Food Company, and Sales Company. Meat Company is primarily engaged in the slaughter and processing of pork livestock for wholesale and retail distribution. Food Company is primarily engaged in the production of pork-based food products, such as sausages and cured meats, for retail distribution. Sales Company is primarily engaged in the sale and distribution of products produced by Food Company and Meat Company.

The chief operating decision maker is the Chief Executive Officer of the Company. He evaluates each operating segment on the following measures of profit or loss: gross profit, operating income, and earnings before taxes, and net income. When he makes decisions on the strategic plans of each operating segment, he considers the foregoing measures of profit or loss and their impact on the overall performance of the Company as a whole.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

Below is a presentation of the Company's results of operations and financial position for its operating subsidiaries at March 31, 2009 and 2008 and for the periods then ended. The Company has also provided reconciling adjustments with the Company and its intermediate holding companies Dalian Chuming Precious Sheen Investments Consulting Ltd. ("Chuming WFOE") and Precious Sheen Investments Ltd (PSI).

Results of Operations For the period ended	Meat	Food	Sales	WFOE, PSI, &