

ENERGROUP HOLDINGS CORP
Form 10-Q
August 14, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

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 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.)

Yes No

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

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

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

As of June 30, 2009, the Registrant had 21,136,392 shares of Common Stock outstanding.

ENERGROUP HOLDINGS CORPORATION

FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

1

Energroupholdings Corporation

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To: Board of Directors and Stockholders
Energroup Holdings Corporation

Report of Registered Independent Public Accounting Firm

We have reviewed the accompanying interim consolidated Balance Sheets of Energroup Holdings Corporation (the "Company") as of June 30, 2009 and December 31, 2008, and the related statements of income, stockholders' equity, and cash flows for the three-month and six-month periods ended June 30, 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
July 17, 2009

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

Energroup Holdings Corporation
Consolidated Balance Sheets
As of June 30, 2009 and December 31, 2008
(Stated in US Dollars)

	Note	At June 30, 2009	At December 31, 2008
ASSETS			
Current Assets			
Cash		\$ 22,946,069	\$ 5,695,798
Restricted Cash	2(D),3	2,175,127	2,177,091
Accounts Receivable	2(E),4	14,567,491	18,661,065
Other Receivable		1,175,840	2,162,412
Related Party Receivable	5	12,292,485	10,919,777
Inventory	2(F),6	5,108,055	6,051,109
Purchase Deposit	2(G)	1,596,497	1,453,861
Prepaid Expenses		30,422	62,734
Prepaid Taxes		366,399	334,413
Deferred Tax Asset		644,492	643,609
Total Current Assets		60,902,877	48,161,869
Non-Current Assets			
Property, Plant & Equipment, net	2(H),7	24,782,354	25,794,151
Land Use Rights, net	2(I),8	13,317,115	13,430,435
Construction in Progress	2(J)	6,638,758	3,262,146
Other Assets		-	34,807
TOTAL ASSETS		\$ 105,641,105	\$ 90,683,408
LIABILITIES			
Current Liabilities			
Bank Loans & Notes	9	\$ 10,811,127	\$ 6,419,422
Accounts Payable		4,016,253	7,695,208
Accrued Liabilities		2,311,431	1,724,266
Taxes Payable		4,259,519	2,341,971
Other Payable		2,454,734	2,318,142
Customer Deposits	2(L)	3,974,547	3,258,752
Total Current Liabilities		27,827,610	23,757,761
TOTAL LIABILITIES		\$ 27,827,610	\$ 23,757,761

See Accompanying Notes to the Consolidated Financial Statements

Energroup Holdings Corporation
 Consolidated Balance Sheets
 As of June 30, 2009 and December 31, 2008
 (Stated in US Dollars)

	Note	At June 30, 2009	At December 31, 2008
STOCKHOLDERS' EQUITY			
Preferred Stock - \$0.001 par value 10,000,000 shares authorized; 0 shares issued & outstanding at June 30, 2009 and December 31, 2008, respectively.		\$ -	\$ -
Common Stock \$0.001 par value 21,739,130 shares authorized; 21,136,392 shares issued & outstanding at June 30, 2009 and December 31, 2008, respectively.		21,137	21,137
Additional Paid in Capital		34,280,564	26,062,337
Statutory Reserve	2(M),11	2,077,488	2,077,488
Retained Earnings		36,242,323	35,275,457
Accumulated Other Comprehensive Income	2(N)	5,191,984	3,489,228
TOTAL STOCKHOLDERS' EQUITY		77,813,495	66,925,647
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 105,641,105	\$ 90,683,408

See Accompanying Notes to the Consolidated Financial Statements

Energroup Holdings Corporation
Consolidated Statements of Income
For the three and six months ended June 30, 2009 and 2008
(Stated in US Dollars)

	Note	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
Sales	2(O)	\$ 48,137,671	\$ 43,076,524	\$ 89,031,594	\$ 86,583,622
Cost of Sales	2(P)	41,200,068	36,600,428	76,369,536	73,074,852
Gross Profit		6,937,604	6,476,097	12,662,058	13,508,771
Selling Expenses	2(Q)	(507,404)	(759,778)	(1,372,363)	(2,585,055)
General & Administrative Expenses	2(R)	(711,732)	(653,187)	(1,270,845)	(1,146,161)
Operating Income		5,718,467	5,063,132	10,018,850	9,777,555
Other Income		-	358,850	28,348	383,119
Interest Income		4,330	631,707	117,565	635,692
Other Expenses		(33,343)	(72,085)	(63,709)	(100,735)
Interest Expense		(85,376)	(300,613)	(302,595)	(607,078)
Government Subsidy Income		141,820	-	141,820	-
Release of Make Good Shares		(4,716,074)	-	(8,218,227)	-
Earnings before Tax		1,029,823	5,680,991	1,722,052	10,088,553
Income Tax	2(V),13	(474,978)	(66,023)	(755,186)	(232,368)
Net Income		\$ 554,845	\$ 5,614,968	\$ 966,866	\$ 9,856,185
Earnings Per Share	2(Y),16				
Basic		\$ 0.032	\$ 0.325	\$ 0.056	\$ 0.571
Diluted		\$ 0.026	\$ 0.265	\$ 0.046	\$ 0.465
Weighted Average Shares Outstanding					
Basic		17,272,756	17,272,756	17,272,756	17,272,756
Diluted		21,136,392	21,182,756	21,136,392	21,182,756

See Accompanying Notes to the Consolidated Financial Statements

Energroup Holdings Corporation
Consolidated Statements of Changes in Stockholders' Equity
As of June 30, 2009 and December 31, 2008
(Stated in US Dollars)

	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive 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	-	-	8,218,227	-	-	-	8,218,227
Net Income	-	-	-	-	966,866	-	966,866
Appropriations of Retained Earnings	-	-	-	-	-	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	1,702,756	1,702,756
Balance, June 30, 2009	21,136,392	\$ 21,137	\$ 34,280,564	\$ 2,077,488	\$ 36,242,323	\$ 5,191,984	\$ 77,813,495
			Note	12 months ended December 31, 2008	6 months ended June 30, 2009		Total
Comprehensive Income			2(M)				
Net Income				\$ 6,837,265	\$ 966,866	\$	7,804,131
Other Comprehensive Income							
Foreign Currency Translation Adjustment				528,277	1,702,756		2,231,033
Total Comprehensive Income				\$ 7,365,542	\$ 2,669,622	\$	10,035,165

See Accompanying Notes to the Consolidated Financial Statements

Energroup Holdings Corporation
Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2009 and 2008
(Stated in US Dollars)

	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
Cash Flow from Operating Activities				
Net Income	\$ 554,845	\$ 5,614,968	\$ 966,866	\$ 9,856,185
Non Cash Expense Recorded for the Release of Escrow Shares	4,716,074	-	8,218,227	-
Amortization	357,504	92,630	424,606	185,260
Depreciation	594,746	739,953	1,159,903	1,407,774
Decrease/(Increase) in Accounts & Other Receivables	8,552,388	(2,925,264)	3,707,436	(17,418,597)
Decrease/(Increase) in Inventory & Purchase Deposit	763,616	6,384,900	800,418	(2,721,767)
Decrease/(Increase) in Prepaid Taxes & Expenses	206,579	(64,415)	(556)	(149,450)
Increase/(Decrease) Accounts, Taxes & Other Payables	1,558,503	4,989,385	(1,624,816)	5,278,059
Increase/(Decrease) in Accrued Liabilities	(296,264)	(105,365)	587,165	153,474
Increase in Customer Deposits	398,604	1,612,260	715,795	1,670,140
Cash Sourced/(Used) in Operating Activities	17,406,597	16,339,051	14,955,043	(1,738,923)
Cash Flows from Investing Activities				
Funds Released from/(Interest Earned in) Escrow Account	(643)	(72,836)	1,964	2,019,333
Purchases of Property, Equipment, and Construction of Plants	(43,409)	(291,927)	(3,524,718)	(646,814)
Purchase of Land Use Rights	(293,186)	-	(311,286)	-
Payments/(Withdraw) of Deposits	34,852	(58,952)	34,808	(60,308)
Cash Sourced/(Used) in Investing Activities	(302,387)	(423,715)	(3,799,233)	1,312,211
Cash Flows from Financing Activities				
Proceeds from Bank Borrowings	1,263	-	4,391,705	7,605,795
Repayment of Bank Loans	-	(8,585,910)	-	(8,585,910)
Cash Sourced/(Used) in Financing Activities	1,263	(8,585,910)	4,391,705	(980,115)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Period				
	17,105,473	7,329,427	15,547,515	(1,406,826)
Effect of Currency Translation	1,701,699	(3,097,786)	1,702,756	(1,354,295)
Cash & Cash Equivalents at Beginning of Period	4,138,898	7,039,089	5,695,798	14,031,851
Cash & Cash Equivalents at End of Period	\$ 22,946,069	\$ 11,270,730	\$ 22,946,069	\$ 11,270,730
Supplementary information:				
Interest Received	\$ 4,330	\$ 631,707	\$ 117,565	\$ 635,692
Interest Paid	182,607	86,435	365,214	557,582

Income Tax Paid	-	-	-	-
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See Accompanying Notes to the Consolidated Financial Statements

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of June 30, 2009 and December 31, 2008

1. The Company and Principal Business Activities

Energroupholdings 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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of June 30, 2009 and December 31, 2008

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.

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 June 30, 2009, the detailed identities of the consolidating subsidiaries are as follows: -

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of June 30, 2009 and December 31, 2008

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.

(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.

Energrou Holdings Corporation
 Notes to Consolidated Financial Statements
 As of June 30, 2009 and December 31, 2008

(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.

(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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of June 30, 2009 and December 31, 2008

(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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of June 30, 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.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of June 30, 2009 and December 31, 2008

(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.

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.
- 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.

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(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.

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	6/30/2009	12/31/2008	6/30/2008
Period end RMB : US\$ exchange rate	6.8448	6.8542	6.8718
Average period RMB : US\$ exchange rate	6.8432	6.9623	7.0726

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.

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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."

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 June 30, 2009, 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.

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4. Accounts Receivable

Accounts Receivable at June 30, 2009 and December 31, 2008 consisted of the following: -

	At June 30, 2009	At December 31, 2008
Accounts Receivable – Trade	\$ 14,714,638	\$ 18,849,560
Less: Allowance for Doubtful Accounts	(147,147)	(188,495)
Net Accounts Receivable	\$ 14,567,491	\$ 18,661,065

	At June 30, 2009	At December 31, 2008
Allowance for Bad Debts		
Beginning Balance	\$ (188,495)	\$ (84,723)
Allowance Provided	-	\$ (103,772)
Reverse	41,348	-
Ending Balance	\$ (147,174)	\$ (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 June 30, 2009, the Company has not had any receivables that were unrecoverable.

Accounts receivable aging analysis at June 30, 2009: -

1-30 Days	\$ 13,307,409
30-60 Days	332,151
61-90 Days	72,601
91-120 Days	5,581
121-365 Days	696,499
Over 365 Days	153,250
Total	\$ 14,567,491

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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 \$12,292,485 at June 30, 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.,	235,016	Food Co. sold cooked food to Mingxing dating back to 1/2007.
		Subtotal of Related Party Sales		\$ 235,016	
B	Food	Loan Receivable from	Dalian Huayu Seafood Co., Ltd.	283,427	Huayu borrowed loan from Food Co. back to 11/2008
C	Meat	Loan Receivable from	Dalian Chuming Industrial Development Co., Ltd.	20,804,891	Meat Co. paid bank loan principal and interest on behalf of Industrial Co. dating back to 4/2009
D	Meat	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.	139,161	Meat Co. paid utility fees for Fodder Co. dating back to 7/2008.
E	Meat	Loan Receivable from	Dalian Chuming Stockbreeding Combo Development Co., Ltd.	3,218,164	Prepayment to Stockbreeding Combo for Purchase of hogs dating back to 7/2008.
F	Meat	Loan Receivable from	Dalian Chuming Group Co., Ltd.	9,838,657	Meat Co. advanced payments to Group for the purchase of hogs dating back to 4/2009
G	Food	Loan Receivable from	Dalian Chuming Industrial	10,948,559	Food Co. paid bank loan principal and interest on

Development Co.,
Ltd.

behalf of Industrial Co.
dating back to 1/2008

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H	Sales	Loan Receivable from	Dalian Huayu Seafood Co., Ltd.	2,613,571	Sales Co. paid Huayu to help it buy materials dating back to 9/2008.
I	Sales	Loan Receivable from	Dalian Chuming Group Co., Ltd.	8,621,598	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.	20,354,486	Sales Co. paid for Stockbreeding to buy hogs from farmer dating back 7/2008
K	Sales	Loan Receivable from	Dalian Chuming Industrial Development Co., Ltd.	5,587,869	Sales Co. paid the Industrial Co. to help it buy materials dating back to 5/2009
Subtotal of Loans to Related Parties				\$ 82,410,383	
Gross Related Party Receivable				\$ 82,645,399	
	Subsidiary Due from:	Nature of Balance	Related Party	Balance	Description of Transaction
L	Meat	Purchase of Raw Materials resulting in Trade Payable to	Dalian Mingxing Livestock Product Co. Ltd.,	609,697	Mingxing 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.	8,295,662	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	2,866,472	Advance from Huaya for the purchase of product dating back to 12/2007.
Subtotal of Purchases from Related Parties				\$ 11,771,831	
O	Food	Loan Payable to	Dalian Chuming Group Co., Ltd.	4,804,074	Food borrowed from Group to purchase materials dating back to 4/2009.
P	Meat	Loan Payable to	Dalian Chuming Fodder Co., Ltd.	6,462,323	Group advanced payments for Meat Co. for the purchase of hogs dating back to 6/2009
Q	Meat	Loan Payable to		11,687,705	

Dalian Chuming
Group Co., Ltd.

Group loaned to Meat Co.
dating back to 4/2009

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R	Sales	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,	906,073	Sales Co. collected bank loans on behalf of Mingxing dating back to 8/2008
S	Meat	Loan Payable to	Dalian Chuming Industrial Development Co., Ltd.	18,916,658	Industrial Co. lent funds to Meat Co. for necessary operation activities dating 4/2009
T	Food	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,	2,149	Food Co. borrowed funds from Mingxing for operations purpose dating back to 12/2008
U	WFOE	Loan Payable to	Dalian Chuming Group Co.	12,183,641	Group loaned funds to WFOE (incl. funds transferred from Meat for US RTO).
V	Sales	Loan Payable to	Dalian Chuming Fodder Co., Ltd.	2,864,606	Fodder Co. bought materials on behalf of Sales Co. dating back to 4/2009
W	Food	Loan Payable to	Dalian Chuming Stockbreeding Combo Development Co., Ltd.	753,854	Stockbreeding bought raw materials on behalf of Food Co. dating back to 4/2009
Subtotal of Loans from Related Parties				\$ 58,581,083	
Gross Related Party Payable				\$ 70,352,914	
Setoff Related Party Receivable (Receivables have been set-off against payables)				\$ 12,292,485	

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 238 thousand (RMB 1.9 million) to Huayu in November 2008.

C. Meat Co. paid loans of USD 20.8 million (RMB 142 million) for Industrial Co.

D. The Meat Co. paid USD 139 thousand (RMB 952 thousand) utility fees for Fodder Co.

E. The prepayment of USD 3.2 million (RMB 22 million) from Meat Co. to the Stockbreeding Combo was for the purchase of hogs.

F. The balance of USD 9.8 million (RMB 67 million) was hog payment made by Meat Co. to the Group.

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- G. The balance of USD 10.9 million (RMB 74.9 million) which Food Co., paid bank loan principal and interest on behalf of Industrial Co. was still outstanding as of June 30, 2009
- H. The Sales Co. paid USD 2.6 million (RMB 17.8 million) in advance to Huayu Co. for the purchase of raw materials.
- I. The balance of USD 8.6 million (RMB 59 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 20 million (RMB 140 million) to local farmers for the purchase of hogs.
- K. The receivable of USD 5.6 million (RMB 39 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 3 million (RMB 20 million) was paid for bank loan principal and interest.
- L. The balance of USD 609 thousand (RMB 4.2 million) payment owed by the Meat Co. to the Group was for the purchase of raw materials.
- M. The Group sold the hogs to Meat Co. for 8.2 million (RMB 55 million).
- N. The USD 2.8 million (RMB 19 million) deposits owed to Huayu was still outstanding at June 30, 2009.
- O. Food Co. borrowed USD 4.8 million (RMB 33 million) from Group to purchase materials.
- P. Group paid USD 6.4 million (RMB 43 million) for Meat Co. to purchase hogs.
- Q. The balance owed of USD 11.6 million (RMB 80 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 18.9 million (RMB 133 million) operation funds from Group.
- T. Food Co. borrowed USD 2 thousand (RMB 14 thousand) 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.
- V. Fodder Co. bought USD 2.9 million (RMB 20 million) materials on behalf of Sales Co.
- W. Stockbreeding Co. bought raw materials for Food Co. dating back to 4/2009.

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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 \$12,292,485 net receivable owed by the Group to the Company, \$4,382,889 has been securitized by bank drafts issued by the bank on behalf of Chuming Stockbreeding Combo. Development Co., Ltd. of the Group to the Company. These notes are collateralized by deposits at the bank by Chuming Stockbreeding Combo. The drafts can be endorsed and discounted to the bank for cash; however the Company currently intends to hold these drafts until maturity.

6.	Inventory	
	At	At
	June 30,	December 31,
	2009	2008
Raw Materials	\$ 690,718	\$ 867,549
Work in Progress	15,795	241,738
Finished Goods	4,401,542	4,941,822
	\$ 5,108,055	\$ 6,051,109

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7. Property, Plant & Equipment

At June 30, 2009:	Cost	Accumulated Depreciation	Net
Buildings	\$ 21,623,071	\$ 3,789,303	\$ 17,833,767
Manufacturing Equipment	9,879,240	3,726,939	6,152,302
Office Equipment	286,100	218,239	67,862
Vehicles	959,502	609,628	349,874
Furniture & Fixture	699,539	320,989	378,550
	\$ 33,447,452	\$ 8,665,098	\$ 24,782,354

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

Depreciation expense for the six months ended June 30, 2009 was 1,159,903.

8. Land Use Right

The Company had the following intangible assets outstanding at June 30, 2009 and December 31, 2008, respectively:-

	At June 30, 2009	At December 31, 2008
Land Use Rights, at Cost	\$ 14,718,789	\$ 14,407,503
Less: Accumulated Amortization	(1,401,674)	(977,068)
	\$ 13,317,115	\$ 13,430,435

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9. Bank Loans

At June 30, 2009, the Company had the following short-term loans outstanding:-

Bank	Interest Rate	Due Date	Amount
Bank of China	6.1586%	10/26/2009	\$ 4,382,889
Bank of Huaxie	6.372%	3/3/2010	4,382,889
Bank of China	7.326%	10/17/2009	2,045,349
			\$ 10,811,127

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).

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	\$ 21,236,600	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	\$ 34,280,564	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.

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	At June 30, 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 \$48,374 and \$50,313 for the six months ended June 30, 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 June 30, 2009.

The Company's operating subsidiary, Food, has made provision for income taxes for the six months ended June 30, 2009 of \$755,186.

The Company's operating subsidiary, Sales, has not made provision for income tax in 2009 as it has incurred operating losses during the six months period.

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

i.	2008	Tax expense	(520,089)
ii.	2007	Tax expense	(967,539)
iii.	2006	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.

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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 June 30, 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 June 30, 2009, the Company expects minimum quantities of hogs detailed in the following table:-

Year	Hogs	Price Per Hog	Amount
2009 (July to December)	522,794	\$ 187.13	\$ 97,830,441
2010	800,000	\$ 205.84	164,674,737
			\$ 262,505,178

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.

Below is a presentation of the Company's results of operations and financial position for its operating subsidiaries at June 30, 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).

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Results of Operations For the period ended June 30, 2009	Meat Company	Food Company	Sales Company	WFOE, PSI, & Eliminations	Total
Sales	\$ 84,722,300	\$ 12,730,112	\$ 21,340,072	\$ (29,760,890)	\$ 89,031,594
Cost of Sales	73,893,709	9,174,006	23,062,712	(29,760,890)	76,369,536
Gross Profit	10,828,591	3,556,107	(1,722,640)	-	12,662,058
Operating Expense	(538,643)	(455,499)	(1,413,639)	(235,427)	(2,643,208)
Operating (Loss)/Profit	10,289,947	3,100,608	(3,136,279)	(235,427)	10,018,850
Other Income (Expense)	24,948	(74,089)	(30,528)	(8,217,128)	(8,296,798)
Earnings before Tax	10,314,895	3,026,519	(3,166,807)	(8,452,555)	1,722,052
(Income Tax Expense)	-	(755,186)	-	-	(755,186)
Net Income	\$ 10,314,895	\$ 2,271,333	\$ (3,166,807)	\$ (8,452,555)	\$ 966,866

Eliminated Intercompany Sales of Products Sold

Sold From:	Sold To:	Amount
Food Company	Sales Company	\$ 3,852,759
Meat Company	Sales Company	19,209,953
Meat Company	Food Company	6,698,178
		\$ 29,760,890

Financial Position At June 30, 2009	Meat Company	Food Company	Sales Company	WFOE, PSI, & Eliminations	Total
Current Assets	\$ 116,451,431	\$ 32,351,523	\$ 42,938,287	\$ (130,838,363)	\$ 60,902,877
Non Current Assets	25,407,925	19,052,099	277,864	340	44,738,228
Total Assets	141,859,356	51,403,621	43,216,151	(130,838,023)	105,641,105
Current Liabilities	76,426,537	43,224,097	49,983,332	(141,806,355)	27,827,610
Total Liabilities	76,426,537	43,224,097	49,983,332	(141,806,355)	27,827,610
Net Assets	65,432,819	8,179,525	(6,767,181)	10,968,332	77,813,495
Total Liabilities & Net Assets	\$ 141,859,356	\$ 51,403,621	\$ 43,216,151	\$ (130,838,023)	\$ 105,641,105

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Results of Operations For the period ended June 30, 2008	Meat Company	Food Company	Sales Company	WFOE, PSI, & Eliminations	Total
Sales	\$ 86,094,320	\$ 10,710,188	\$ 32,809,947	\$ (43,030,832)	\$ 86,583,622
Cost of Sales	75,193,539	8,612,897	32,299,248	(43,030,832)	73,074,852
Gross Profit	10,900,781	2,097,291	510,699	-	13,508,771
Operating Expense	(1,561,818)	(809,103)	(1,243,301)	(116,994)	(3,731,216)
Operating (Loss)/Profit	9,338,963	1,288,188	(732,602)	(116,994)	9,777,555
Other Income (Expense)	601,323	(494,618)	124,143	80,150	310,998
Earnings before Tax	9,940,286	793,570	-608,460	-36,843	10,088,553
(Income Tax Expense)	-	232,368	-	-	232,368
Net Income	\$ 9,940,286	\$ 561,202	\$ (608,460)	\$ (36,843)	\$ 9,856,185

Eliminated Intercompany Sales of Products Sold

Sold From:	Sold To:	Amount
Food Company	Sales Company	\$ 7,133,567
Meat Company	Sales Company	28,633,827
Meat Company	Food Company	7,263,438
		\$ 43,030,832

Financial Position At December 31, 2008	Meat Company	Food Company	Sales Company	WFOE, PSI, & Eliminations	Total
Current Assets	\$ 74,713,237	\$ 21,126,826	\$ 41,826,291	\$ (89,504,485)	\$ 48,161,869
Non Current Assets	22,624,642	19,570,329	325,480	1,088	42,521,539
Total Assets	97,337,879	40,697,155	42,151,771	(89,503,397)	90,683,408
Current Liabilities	42,293,137	34,796,536	45,747,946	(99,079,858)	23,757,761
Total Liabilities	42,293,137	34,796,536	45,747,946	(99,079,858)	23,757,761
Net Assets	55,044,742	5,900,619	(3,596,175)	9,576,462	66,925,647
Total Liabilities & Net Assets	\$ 97,337,879	\$ 40,697,155	\$ 42,151,771	\$ (89,503,396)	\$ 90,683,408

Energroup Holdings Corporation
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16. Earnings Per Share

Components of basic and diluted earnings per share were as follows: -

	For six months ended June 30, 2009	For six months ended June 30, 2008
Net Income (A)	\$ 966,866	\$ 9,856,185
Basic Weighted Average Shares Outstanding (B)	17,272,756	17,272,756
Dilutive Shares:		
- Addition to Common Stock from Exercise of Placement Warrants	-	46,364
- Addition to Common Stock from Contingent Shares Held in Escrow (Please refer to Note 18)	3,863,636	3,863,636
Diluted Weighted Average Shares Outstanding: (C)	21,136,392	21,182,756
Earnings Per Share:		
- Basic (A)/(B)	\$ 0.056	\$ 0.571
- Diluted (A)/(C)	\$ 0.046	\$ 0.465
Weighted Average Shares Outstanding:		
- Basic	17,272,756	17,272,756
- Diluted	21,136,392	21,182,756

17. Concentration of Risk

(A) Demand risk

The Company had concentrations of risk in demand for its products because its sales were made to a small number of customers.

(B) Supply Risk

The Company is subject to concentration of supply shortage risk because it purchases its materials for resale from a few select vendors. The Company's availability of supply is correlated with the few select vendors' ability to meet the market demand. In 2007, the entire industry in the PRC faced a shortage in the supply of hogs.

Energroup Holdings Corporation
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18. Financing Transaction

On December 31, 2007, the Company, a Nevada corporation (“Energroup” or the “Company”), acquired Precious Sheen Investments Ltd. (“PSI”) in a reverse take-over transaction, by executing a Share Exchange Agreement (“Exchange Agreement”) by and among Energroup, PSI, and all of the shareholders of PSI’s issued and outstanding share capital (the “PSI Shareholders”). PSI owned 100% of the equity in Chuming WFOE. Chuming WFOE is a holding company for the following three operating subsidiaries: (i) Meat Company, (ii) Food Company, and (iii) Sales Company, each of which is a limited liability company headquartered in, and organized under the laws of, China (also referred to elsewhere as the “Chuming Operating Subsidiaries”).

As a result of the reverse take-over transaction, PSI’s Shareholders became Energroup’s controlling shareholders and PSI became Energroup’s wholly-owned subsidiary. As a result of PSI becoming Energroup’s wholly-owned subsidiary, Energroup acquired the business and operations of Chuming and the Chuming Operating Subsidiaries.

Under the Exchange Agreement, Energroup completed the acquisition of all of the issued and outstanding shares of PSI through the issuance of 16,850,000 restricted shares of common stock of Energroup to PSI’s Shareholders. Immediately prior to the Exchange Agreement transaction, the Company had 422,756 shares of common stock issued and outstanding. Immediately after the issuance of the shares to PSI’s Shareholders, the Company had 17,272,756 shares of common stock issued and outstanding. The 422,756 shares of PSI were cancelled and 17,272,756 shares of Energroup were issued to reflect this reverse take-over transaction.

Concurrently with the Exchange Agreement, Energroup also entered into a Securities Purchase Agreement (the “Purchase Agreement”) pursuant to which Energroup agreed to issue and sell 3,863,635 shares of its common stock to ten accredited investors for an aggregate purchase price of \$17,000,000 or \$4.40 per share (the “Financing”). The closing of the Financing coincided with the Closing of the reverse take-over transaction.

In connection with the sales of securities to accredited investors under the securities purchase agreement, Hunter Wise Financial Group, LLC (the “Placement Agent”), was compensated with a commission of \$1,190,000 which is equal to 7.00% of the aggregate purchase price and a warrant to purchase the 386,364 shares of the Company’s common stock at an exercise price of \$4.40 per share. At December 31, 2007, the Company had adequate authorized capital to issue common shares upon the exercise of the warrant.

At June 30, 2009, the total number of shares outstanding, on a fully diluted basis, is shown in the following table:

i.	Common shares outstanding prior to offering of securities	17,272,756
	Common shares issued under securities purchase	
ii.	agreement	3,863,636
	Common shares issuable upon exercise of placement	
iii.	agent warrants	-
		21,136,392

Energrou Holdings Corporation
Notes to Consolidated Financial Statements
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Concurrent with the Company's financing transaction, the Company agreed to register for resale the common shares that were sold under the securities purchase agreement. Pursuant to filing a Form S-1 registration statement with the U.S. Securities and Exchange Commission, the Company entered into a Registration Rights Agreement with the Investors. The agreement calls for liquidated damages to be paid by the Company, if in the event the registration statement is not declared effective within 135 days of the closing of the financing transaction. The liquidated damages will be 1% of the total financing amount in cash per month for each month after the 135 days period. The agreement states a maximum penalty of \$1.70 million or 10% of the financing amount. At December 31, 2007, the Company accounted for the liability under the registration rights agreement in accordance with FASB Staff Position No. EITF 00-19-2 Accounting for Registration Payment Arrangements. Under such accounting treatment, the liquidated damages are accounted for as a reduction of the proceeds. In asserting the most conservative position, the Company has accrued the maximum liability of \$1.7 million and is carrying that balance in the accrued liabilities account. In the event that the registration becomes effective in a timeframe that is earlier than February 15, 2009, the portion that is not legally owed, or in the event that investors waive any liquidating damages, the accrual will be reversed and the funds will be added back to the Company's additional paid in capital.

In connection with a make good agreement related to the financing transaction on December 31, 2007, the Company's Chairman and CEO, Mr. Shi Huashan placed in escrow 3,863,636 shares, which were beneficially owned by him. These shares are to be released back to him if the Company meets the following earnings targets of \$15.9 million, and \$20.9 million in after-tax net income for the years ended December 31, 2008, and 2009 respectively. In the event that the Company does not meet the aforementioned financial targets, the escrowed shares will be released, on a pro-rata basis, to the investors in the financing transaction. In accordance with SFAS 128, Earnings per Share, for the sake of calculating the Company's earnings per share, the Company has accounted for the 3,863,636 escrowed shares as contingently issuable shares as such they are not included in the weighted average basic shares outstanding but are included in the weighted average diluted shares outstanding. Please refer to Note 16.

In accordance with Topic 5.T of the Staff Accounting Bulletins (SAB 79), the Company expects to record a compensatory expense for the shares upon their release from escrow. Whether the shares are released to the accredited investors or released to Mr. Shi the Company will record an expense with a corresponding credit to the Company's contributed paid in capital. The Company anticipates that compensatory expense to be recognized in future operating periods could be in a range between \$17.0 million to \$29.2 million. The Company approximates this range based on the per share offering price of \$4.40 at December 31, 2007 and a potential future stock price of \$7.57 based on a \$20.0 million net income (short of the target of \$20.9 million net income) with a price-to-earnings ratio of 8.0, which is comparable to the valuation used in the offering at December 31, 2007.

For the year ended December 31, 2008, the Company recorded an expense for the expected release of shares deposited in the escrow account. The Company expects that 1,931,818 shares will be released. The amount of expense recorded was \$10,622,294. The impact on earnings per share, on a basic and diluted basis, was \$0.61 and \$0.50, respectively. Simultaneously, for the six months ended June 30, 2009, the Company expects that 965,910 shares will be released and have recorded the expense of \$8,218,227. The impact on earnings per share, on a basic and diluted basis, was \$0.48 and \$0.39, respectively.

ITEM 2.MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q and other reports filed by Registrant from time to time with the Securities and Exchange Commission (collectively the “Filings”) contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, Registrant’s management as well as estimates and assumptions made by Registrant’s management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words “anticipate”, “believe”, “estimate”, “expect”, “future”, “intend”, “plan”, or the negative of these terms and similar expressions as they relate to Registrant or Registrant’s management identify forward-looking statements. Such statements reflect the current view of Registrant with respect to future events and are subject to risks, uncertainties, assumptions, and other factors (including the risks contained in the section of this report entitled “Risk Factors”) relating to Registrant’s industry, Registrant’s operations and results of operations, and any businesses that Registrant may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although Registrant believes that the expectations reflected in the forward-looking statements are reasonable, Registrant cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Registrant does not intend to update any of the forward-looking statements to conform these statements to actual results. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this quarterly report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations, and prospects.

In this Form 10-Q, references to “we”, “our”, “us”, “our company”, “Energroup” or the “Registrant” refer to Energroup Holding Corporation, a Nevada corporation.

OVERVIEW

Headquartered in the City of Dalian, Liaoning Province of the People’s Republic of China (the “PRC” or “China”), we are a meat processing company primarily involved in the slaughtering, processing, packaging and distribution of pork and pork products. We also process and sell seafood, such as minced fillet products, which accounted for a small portion of our revenue (approximately 7.5%) in the second quarter of 2009.

We are the first pork producer in China to receive “Green Food” certification from China’s Ministry of Agriculture. Green Food is an innovative certification program unique to China that is awarded to food processors who produce using environmentally sustainable methods and meet certain high technical standards of quality control, safety, and product quality, and generate low levels of pollution. The Green Food certification is based on standards defined by the Codex Alimentarius Commission (“CAC”), a joint body of the United Nations Food and Agriculture Organization and the World Health Organization. We also received ISO 9001:2000 certification that covers our production, research and development and sales activities.

Currently we have a wholesale and retail distribution network and sell either directly or indirectly across northeast China, including supermarkets and hypermarkets.

As of June 30, 2009, we had 705 employees, of whom 374 were operating personnel, 246 were sales personnel, 36 were research and development personnel and 49 were administrative personnel.