

ENERGROUP HOLDINGS CORP
Form 10-Q
May 15, 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 March 31, 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

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

Large Accelerated filer Accelerated Filer Non-Accelerated Filer 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 March 31, 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

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 | | Additional Paid in Capital | Statutory Reserve | Retained Earnings | Accumulated Comprehensive | |
|---|-----------------------|-----------|----------------------------------|----------------------|----------------------|------------------------------|---------------|
| | Shares Outstanding | Amount | | | | 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 |

| | At March 31, 2009 | At December 31, 2008 | Accumulated Totals |
|---|-------------------------|----------------------------|-----------------------|
| Comprehensive Income | | | |
| 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

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

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 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.

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.

Energroupholdings 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.

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Energroupholdings 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.

Energroupholdings 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.

Energroupholdings 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.

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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: -

| Rate | Taxable Income | | |
|------|----------------|--------------|----------------|
| | 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 Energroupholdings 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.

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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."

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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 |

| | At March 31, 2009 | At December 31, 2008 |
|-------------------------|-------------------------|----------------------------|
| Allowance for Bad Debts | | |
| 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.

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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 Energroupholdings or Energroupholdings’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 | |

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| 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 |
| | | | | Group loaned funds to WFOE (incl. funds transferred from Meat for US RTO. |
| U WFOE | Loan Payable to | Dalian Chuming Group Co. | 12,182,217 | |
| | 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 | |

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- 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.

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- 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

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| | 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 |

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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).

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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.

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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.

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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 March 31, 2009 | Meat Company | Food Company | Sales Company | WFOE, PSI, & Eliminations | Total |
|---|-----------------|-----------------|------------------|---------------------------------|---------------|
| Sales | \$ 39,423,641 | \$ 5,387,671 | \$ 12,366,527 | \$ (16,283,916) | \$ 40,893,923 |
| Cost of Sales | (34,409,997) | 3,968,091 | (13,075,296) | (16,283,916) | (35,169,469) |
| Gross Profit | 5,013,643 | 1,419,580 | (708,769) | - | 5,724,454 |
| Operating (Loss)/Profit | 4,763,599 | 1,244,811 | (1,586,117) | (121,911) | 4,300,382 |
| Other Income (Expense) | (24,620) | (63,141) | (18,676) | (3,501,716) | (3,608,153) |
| Earnings before Tax | 4,738,979 | 1,181,670 | (1,604,793) | (3,623,628) | 692,229 |
| (Income Tax Expense) | - | (280,208) | - | - | (280,208) |
| Extraordinary Expense | - | - | - | - | - |
| Net Income | \$ 4,738,979 | \$ 901,462 | \$ (1,604,793) | \$ (3,623,628) | \$ 412,021 |

Eliminated Intercompany Sales of Products Sold

| Sold From: | Sold To: | Amount |
|--------------|---------------|---------------|
| Food Company | Sales Company | \$ 2,741,755 |
| Meat Company | Sales Company | 1,953,126 |
| Meat Company | Food Company | 11,589,035 |
| | | \$ 16,283,916 |

| Financial Position At March 31, 2009 | Meat Company | Food Company | Sales Company | WFOE, PSI, & Eliminations | Total |
|--|-----------------|-----------------|------------------|---------------------------------|---------------|
| Current Assets | \$ 82,456,443 | \$ 24,561,336 | \$ 42,244,075 | \$ (97,644,208) | \$ 51,617,647 |
| Non Current Assets | 25,728,775 | 19,356,004 | 302,866 | 1,090 | 45,388,734 |
| Total Assets | \$ 108,185,218 | \$ 43,917,340 | 42,546,941 | (97,643,118) | 97,006,381 |
| Current Liabilities | 48,331,659 | 37,107,715 | 47,752,659 | (107,026,530) | 26,165,504 |
| Total Liabilities | 48,331,659 | 37,107,715 | 47,752,659 | (107,026,530) | 26,165,504 |
| Net Assets | 59,853,559 | 6,809,625 | (5,205,718) | 9,383,412 | 70,840,877 |

| | | | | | |
|-----------------------------------|----------------|---------------|---------------|-----------------|---------------|
| Total Liabilities & Net Assets | \$ 108,185,218 | \$ 43,917,340 | \$ 42,546,941 | \$ (97,643,118) | \$ 97,006,381 |
|-----------------------------------|----------------|---------------|---------------|-----------------|---------------|

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

| Results of Operations For the period ended March 31, 2008 | Meat Company | Food Company | Sales Company | WFOE, PSI, & Eliminations | Total |
|---|-----------------|-----------------|------------------|---------------------------------|---------------|
| Sales | \$ 41,207,696 | \$ 4,744,501 | \$ 8,259,335 | \$ (10,704,434) | \$ 43,507,098 |
| Cost of Sales | (35,775,600) | (3,311,044) | (8,092,214) | 10,704,434 | (36,474,424) |
| Gross Profit | 5,432,096 | 1,433,457 | 167,121 | - | 7,032,674 |
| Operating (Loss)/Profit | (1,239,863) | (588,697) | (434,210) | (55,481) | (2,318,251) |
| Other Income (Expense) | 4,192,233 | 844,760 | (267,089) | (55,481) | 4,714,423 |
| Earnings before Tax | (112,149) | (179,382) | (17,845) | 2,515 | (306,861) |
| (Income Tax Expense) | 4,080,084 | 665,378 | (284,934) | (52,966) | 4,407,562 |
| Extraordinary Expense | - | (166,345) | - | - | (166,345) |
| Net Income | \$ 4,080,084 | \$ 499,033 | \$ (284,934) | \$ (52,966) | \$ 4,241,217 |

Eliminated Intercompany Sales of Products Sold

| Sold From: | Sold To: | Amount |
|--------------|---------------|---------------|
| Food Company | Sales Company | \$ 1,330,545 |
| Meat Company | Sales Company | \$ 6,663,303 |
| Meat Company | Food Company | \$ 2,710,586 |
| | | \$ 10,704,434 |

| 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 | (3,596,176) | 9,576,462 | 66,925,647 |
| Total Liabilities & Net Assets | \$ 97,337,879 | \$ 40,697,155 | \$ 42,151,770 | \$ (89,503,396) | \$ 90,683,408 |

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

16. Earnings Per Share

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

| | For three months ended March 31, 2009 | For three months ended March 31, 2008 |
|--|--|--|
| Net Income (A) | \$ 412,021 | \$ 4,241,217 |
| 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) | \$ 0.024 | \$ 0.25 |
| - Diluted (A)/(C) | \$ 0.019 | \$ 0.20 |
| 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.

18. Financing Transaction

On December 31, 2007, the Company, a Nevada corporation ("Energroupholdings" 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 Energroupholdings, 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”).

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

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

Under the Exchange Agreement, Energroupholdings 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 Energroupholdings 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 Energroupholdings were issued to reflect this reverse take-over transaction.

Concurrently with the Exchange Agreement, Energroupholdings also entered into a Securities Purchase Agreement (the "Purchase Agreement") pursuant to which Energroupholdings 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 March 31, 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 |
| ii. | Common shares issued under securities purchase agreement | 3,863,636 |
| iii. | Common shares issuable upon exercise of placement agent warrants | - |
| | | 21,136,392 |

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 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.

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

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 three months ended March 31, 2009, the Company expects that 482,955 shares will be released and have recorded the expense of \$3,502,152. The impact on earnings per share, on a basic and diluted basis, was \$0.20 and \$0.17, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF 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 Holdings 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%) in the first 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 March 31, 2009, we had 697 employees, of whom 376 were operating personnel, 234 were sales personnel, 35 were research and development personnel and 52 were administrative personnel.

Dalian Precious Sheen Investments Consulting Co., Ltd., or Chuming WFOE, is our holding company established in China for our three PRC operating subsidiaries, collectively referred to elsewhere in this report as the “Chuming Operating Subsidiaries”:

1. Dalian Chuming Slaughter and Packaging Pork Company Ltd. (“Meat Company”), whose primary business activity is acquiring, slaughtering and packaging of pork and cattle;
2. Dalian Chuming Processed Foods Company Ltd. (“Food Company”), whose primary business activity is the processing of raw and cooked meat products; and
3. Dalian Chuming Sales Company Ltd. (“Sales Company”), which is responsible for our sales, marketing and distribution operations.

The Chuming Operating Subsidiaries are spin-off constituents of a former parent company, Dalian Chuming Group Co., Ltd., or the “Group.” Our primary business activities are the production and packing of fresh pork and production of processed meat products for distribution and sale to clients throughout the PRC. Chuming WFOE was incorporated in China as wholly foreign owned enterprise on in December 2007. Chuming WFOE is 100% owned by Precious Sheen Investments Limited (“PSI”), a holding company established in the British Virgin Islands in May 2007.

Pork is widely regarded as China’s most important source of meat and is consumed at a much higher rate than other categories of meat. Accordingly to a U.S. Department of Agriculture report, China, which is the largest pork-consuming nation in the world, consumed a total of 42.7 million metric tons in 2007, and the preliminary estimate for 2008 is 44.9 million metric tons. We believe that increasing levels of consumption of pork products in China is linked to the rapid development of the Chinese economy, urbanization and strong income growth.

Aside from increasing aggregate consumption, based on management’s research, pork consumption patterns in recent years have shown two main characteristics. The first is that per capita pork is consumed at higher rates in the urban areas of China as opposed to rural areas, although the rate of growth in these urban consumption rates is relatively slight. The second is that consumers’ consumption preferences appear to have shifted from frozen meat to fresh meat, and from fat meat to lean meat, with a tendency toward high quality cuts. Management believes these trends continue to be very favorable to our business which is based on mechanized meat processing and sales to urban consumers.

Our total sales volume was 18,512 tons in the first quarter of 2009, 18,007 tons in the fourth quarter of 2008, and 17,513 tons for the first quarter of 2008.

Due to a shortage in supply, live hog prices rose significantly in 2008. Retail pork prices are an important component of China’s Consumer Price Index (CPI), a key inflation indicator. In order to moderate increases in the CPI and maintain the living standard of its lower-income population, the Chinese government (as it pertains to the pork industry) has implemented a number of policies to encourage pork production. These policies have now taken effect, and as a result, the price of pork to consumers has stabilized temporarily at lower levels. We expect pork prices to continue to remain stable, or perhaps trend lower, potentially through the first quarter of 2010.

In China, the pork processing industry remains fragmented, and we believe, inefficient. As smaller players experience pressure from margin compression and stricter government regulations, we believe scaled pork processors, like ourselves, will be positioned to make acquisitions on favorable terms in order to capture market share, gain scale, secure raw material, and access more customers. We expect that the combined factors of stricter hygiene regulations, increasing competition from well-financed players, and struggling meat suppliers, will induce industry consolidation in the coming years. We believe we are in a strong position to continue to take advantage of the Chinese government’s support for leading pork producers, these market consolidation trends, and the emerging hog supply situation. Management believes that this is a long-term trend.

Given the current competitive market conditions, we constantly strive to impose strict quality control in our products and utilize state-of-art slaughtering and cutting lines (which are imported from Stork Co. of the Netherlands), to ensure our product quality, increase awareness of our brand and develop customer loyalty. Our research suggests that consumers in China are increasingly conscious of food safety and nutrition, and they using their purchasing power to demand safer and higher quality food products for their families.

We place a very high priority on food safety and integrity. For the feeds which are used for our hogs, we control and monitor our feed sources by acquiring feeds only from qualified suppliers who are licensed in the nation or the province, and then carry out comprehensive tests to ensure quality. All of our production lines have also passed the Hazard Analysis and Critical Control Point (HACCP) test, which is certified by Moody International Certification Ltd. Management anticipates that companies such as ours, with quality meat processing and modern logistics systems, will benefit as they capture market share and build consumer brand loyalty.

Management believes that we need to broaden our geographic sales network and diversify our customer base. Currently our distribution network is principally located in Liaoning Province, especially Dalian city. We have however expanded our sales network for processed food products to almost all large and medium cities in northeast China. In the near future we need to further extend this network and penetrate all the northeast provinces of China with all our products. A broader customer base can not only mitigate our reliance on certain big customers, but also bring us more opportunities. We believe a broader market for our products can increase demand for our products, reduce our vulnerability to market changes, and provide additional areas of growth in the future.

Our top five customers accounted for 37.2% for our total sales for the quarter ended March 31, 2009. We plan to position our business to diversify our customer base, which is expected to lower this percentage gradually in the future.

Management presently anticipates continued growth in volume of sales. Nevertheless, our ability to meet increased customer demand and maintain profitability will however continue to depend on factors such as our production capacity, availability of working capital, input costs, as well as the other factors described throughout this report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our management's discussion and analysis of our financial condition and results of operations are based on our combined financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our combined financial statements included in this report, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis:

Method of Accounting

We maintain our 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 us 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.

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.

Our founders have directly or indirectly owned the three operating subsidiaries since their inception. We also own two intermediary holding 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.

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.

Accounts Receivable

We extend unsecured, non-interest bearing credit to our customers; accordingly, we carry 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 our revised credit policy.

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.

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 |
|-------------------------------------|-------------|
| | 10 |
| Land Improvements | years |
| | 20 |
| Buildings | years |
| Building Improvements | 10 years |
| Manufacturing Machinery & Equipment | 10 years |
| | 5 |
| Office Equipment | years |
| | 5 |
| Furniture & Fixtures | years |
| | 5 |
| Vehicles | years |

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.

Customer Deposits

Customer Deposits represents money we have received in advance for purchases of pork and pork products. We consider customer deposits as a liability until products have been shipped and revenue is earned. We collect a damage deposit (as a deterrent) recorded on other payable from showcase store operators as a means of enforcing the proper use of our trademark. We carry the amount of these deposits as a current liability because we will return the deposit to the operator when we cease to conduct business with the operator.

Statutory Reserve

Statutory reserve refers 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 equaling 50% of the enterprise's registered capital.

Earnings Per Share

We compute 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.

Recent Accounting Pronouncements

See Note 2(Z) to the consolidated financial statements included in Item 1 of this Quarterly Report of Form 10-Q for discussions on recently issued accounting announcements. We are currently evaluating the potential impact, if any, of the adoption of the above recent accounting pronouncements on our consolidated results of operations and financial condition.

RESULTS OF OPERATIONS

Comparison of Three Months Ended March 31, 2009 and March 31, 2008.

The following table sets forth the results of our operations for the periods indicated as a percentage of net sales:

| | March 31, 2009 | % of Sales | March 31, 2008 | % of Sales |
|---------------|-------------------|---------------|-------------------|---------------|
| Sales | \$ 40,893,923 | 100.00% | \$ 43,507,098 | 100.00% |
| Cost of Sales | (35,169,469) | 86.00% | (36,474,424) | 83.84% |

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| | | | | |
|--|-------------|--------|--------------|--------|
| Gross Profit | 5,724,454 | 14.00% | 7,032,674 | 16.16% |
| Selling Expenses | 864,959 | 2.12% | 1,825,277 | 4.20% |
| General & Administrative Expenses | 559,113 | 1.37% | 492,973 | 1.13% |
| Total Operating Expense | 1,424,072 | 3.48% | 2,318,250 | 5.33% |
| Operating Income / (Loss) | 4,300,382 | 10.52% | 4,714,423 | 10.84% |
| Other Income (Expense) | (3,608,153) | 8.82% | (306,465) | 0.70% |
| Earnings Before Tax | 692,229 | 1.69% | 4,407,562 | 10.13% |
| (Income Tax Expense) / Deferred Tax Benefit | (280,208) | 0.69% | (166,345) | 0.38% |
| Net Income | \$ 412,021 | 1.00% | \$ 4,241,217 | 9.75% |
| Earnings Per Share | | | | |
| 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 | |

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Sales. Our sales include revenues from sales of our fresh pork, frozen pork, and processed food products. During the quarter ended March 31, 2009, we had sales of \$40,893,923 as compared to sales of \$43,507,098 for the quarter ended March 31, 2008, a decrease of approximately 6%. Our sales for our various product categories in the first quarter of 2009 are summarized as follows:

| Sales by product category, in dollars: | First Quarter 2009 (amount) | % of Total Sales | First Quarter 2008 (amount) | % of Total Sales | % of increase from 2008 to 2009 |
|--|--------------------------------|------------------|--------------------------------|------------------|---------------------------------|
| Fresh Pork | \$ 31,550,154 | 77.15% | \$ 36,384,986 | 83.63% | -13.29% |
| Frozen Pork | 3,956,106 | 9.67% | 2,358,085 | 5.42% | 67.78% |
| Processed Food Products | 5,387,663 | 13.17% | 4,764,027 | 10.95% | 13.09% |
| Total Sales | \$ 40,893,293 | 100% | 43,507,098 | 100% | -6.01% |

| Sales by product category, by weight of product (metric tons): | First Quarter 2009 (Weight in tons) | % of Total Sales | First Quarter 2008 (Weight in tons) | % of Total Sales | % of change from 2008 to 2009 |
|--|--|------------------|--|------------------|-------------------------------|
| Fresh Pork | 14,245 | 76.95% | 13,997 | 79.92% | 1.77% |
| Frozen Pork | 2,581 | 13.94% | 1,086 | 6.20% | 137.66% |
| Processed Food Products | 1,686 | 9.11% | 2430 | 13.88% | -30.62% |
| Total Sales | 18,512 | 100% | 17,513 | 100% | 5.70% |

In the first quarter of 2009, we raised our average per-kilogram sale price for processed food products and decreased our average per-kilogram sale prices for fresh pork and frozen pork to our customers. These changes were inline with changes in the market price for these products. In the first quarter of 2009, our sales volume of fresh pork and frozen pork (by weight) increased, with the frozen pork category experiencing the highest growth in sales volume both by weight and in terms of sales revenue. We also increased our sales of fresh pork by weight, in the first quarter of 2009 as compared with the same period in the prior year. Our sales revenue for fresh pork decreased due to a reduction in the average per-kilogram price. For processed food products, our sales by weight decreased by 30.62%, but because of higher per-kilogram prices, our sales revenue for this product category increased by 13.09%. Management attributes the increases in sales revenue in our product categories to the continuing strength in consumer demand for our products in the periods presented.

The following table shows the change in the average price per kilogram for our product to consumers in the quarter ending March 31, 2009, as compared to the same quarter last year:

| | Average Per-Kilogram Price to Customers (in \$US) | | | |
|-------------------------|---|-----------------------|----------|-----------------|
| | First Quarter of 2009 | First Quarter of 2008 | % change | Change in Price |
| Fresh Pork | \$ 2.21 | \$ 2.59 | -14.76% | \$ -0.38 |
| Frozen Pork | \$ 1.53 | \$ 2.17 | -29.49% | \$ -0.64 |
| Processed Food Products | \$ 3.20 | \$ 1.96 | 63.27% | \$ 1.24 |

Although we also sell our products through sales agents, our principal sales channels consist of Chuming-branded showcase stores, supermarkets and restaurants and canteens. The following table summarizes the changes in the number of participants within these sales channels:

| As of March 31, | Sales Channels | | |
|-----------------|--------------------|--------------|--------------------------------|
| | Showcase Stores | Supermarkets | Restaurants and Canteens |
| 2008 | 635 | 122 | 3,191 |
| 2009 | 873 | 345 | 4,726 |

As shown in the table above, as of March 31, 2009, as compared to March 31, 2008, we significantly increased the number of participants in all three of these sales channels. We believe the sales from supermarkets and hypermarkets are likely to continue to yield higher profit margins. Their orders tend to be large and stable in quantity, and they usually have better credit. The increase in the number of these participants has resulted in increased sales volume.

Cost of Sales. Cost of sales for the first quarter of 2009 decreased by \$1,304,955 or approximately 3.58%, from \$36,474,424 for the three months ended March 31, 2008 to \$35,169,469 for the three months ended March 31, 2009. The decrease was principally attributable to the decrease in the average cost of live pigs in the first quarter of 2009 as compared to the same period in the prior year. Our cost of sales for our various product categories in the first quarter of each of 2009 and 2008 is summarized and shown as a percentage of overall cost of sales in the following chart:

| Product Category | Cost of Sales First Quarter 2009 | % of Overall Cost of Sales | Cost of Sales First Quarter 2008 | % of Overall Cost of Sales | % of increase from 2008 to 2009 |
|----------------------------|--|-------------------------------------|--|-------------------------------------|---------------------------------------|
| Fresh Pork | \$ 27,779,537 | 78.99% | \$ 31,371,652 | 86.01% | -11.45% |
| Frozen Pork | 3,426,644 | 9.74% | 1,794,542 | 4.92% | 90.95% |
| Processed Food Products | 3,963,288 | 11.27% | 3,308,230 | 9.07% | 19.80% |
| Total Cost of Sales | \$ 35,169,469 | 100% | \$ 36,474,424 | 100% | -3.58% |

The following table shows our cost of sales in the first quarter of each of 2009 and 2008 as a percentage of sales within each product group.

| Product Category: | Cost of Sales First Quarter 2009 | % of Product Group Sales | Cost of Sales First Quarter 2008 | % of Product Group Sales | % Change Product Group Sales |
|----------------------------|--|-----------------------------|--|-----------------------------|------------------------------------|
| Fresh Pork | \$ 27,779,537 | 88.05% | \$ 31,371,652 | 86.22% | -1.83% |
| Frozen Pork | 3,426,644 | 86.62% | 1,794,542 | 76.10% | 10.52% |
| Processed Food Products | 3,963,288 | 73.56% | 3,308,230 | 69.44% | 4.12% |
| Total Cost of Sales | \$ 35,169,469 | 86.00% | \$ 36,474,424 | 83.84% | 2.16% |

Our cost of sales of fresh pork products decreased by 11.45% and by 1.83% as a percentage of sales of fresh pork products, in each case as compared to the first quarter of 2008. This change resulted principally from a decrease in the average cost of our live pigs of US\$0.39 from US\$2.29 per kilogram in the first quarter of 2008 to US\$1.90 per kilogram in the first quarter of 2009. Our cost of sales of frozen pork products increased by 90.95% and by 10.52% as a percentage of sales of frozen pork products, in each case as compared to the first quarter of 2008, because production and sales of this product increased over the respective periods. During the first quarter of 2009, the cost of sales of processed food products increased by 19.80% and 4.12% as a percentage of sales of processed food products,

in each case as compared to the same period last year. A contributing factor to this increase was the higher transportation and delivery cost associated with an expanded sales range of this product period over period.

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The following table shows the estimated average per-kilogram price we paid for live pigs in 2008 and 2007:

| | Average Unit Price Per Kilogram in 2008 (in \$US) | Average Unit Price Per Kilogram in 2007 (in \$US) | Price Increase (in \$US) | % Increase from 2007 to 2008 |
|--------------------------|---|---|-----------------------------|------------------------------------|
| First Quarter | 2.2936 | 1.0579 | 1.1357 | 107.35% |
| Second Quarter | 2.2578 | 1.3535 | 0.9043 | 66.81% |
| Third Quarter | 2.2513 | 1.8104 | 0.4409 | 24.35% |
| Fourth Quarter | 2.105 | 1.8656 | 0.2394 | 12.83% |
| Average for Year to Date | 2.2676 | 1.5219 | 0.7457 | 49.00% |

The most rapid increase in live pig prices occurred in the third and fourth quarters of 2007, for the highest grades of live pigs. However, live pig prices dropped from their highs in the second quarter of 2008 and have been stable since the third quarter of 2008. We believe that live pig prices will continue to remain stable, or perhaps trend lower, potentially through the first quarter of 2010. We believe this trend of lower, stable prices to be temporary.

Gross Profit. Gross profit was \$5,724,454 for the three months ended March 31, 2009 as compared to \$7,032,674 for the same period in 2008, representing a decrease of \$1,308,220, or approximately 18.60%. Management attributes the decrease in gross profit to lower pricing to customers of our fresh and frozen pork products. We were able to partially offset this effect through the lower cost of live pigs, increased sales volume of frozen pork products, and increased pricing on processed pork products. Our gross profit as a percentage of sales was 14.00% in the first quarter of 2009 as compared to 16.16% for the same period in 2008.

The following table presents our gross profit for the three months ended March 31, 2009 and 2008. The table below also shows the percentage of gross profit for each of our product groups, as a percentage of sales for that product group.

| Product Group | Gross Profit | | Gross Profit | | % of increase from First Quarter of 2008 to First Quarter of 2009 |
|-------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|--|
| | First Quarter of 2009 | % of Product Group Sales | First Quarter of 2008 | % of Product Group Sales | |
| Fresh Pork | \$ 3,770,617 | 11.95% | \$ 5,036,292 | 13.84% | -25.13% |
| Frozen Pork | 529,462 | 13.38% | 556,052 | 23.58% | -4.78% |
| Processed Food Products | 1,424,375 | 26.44% | 1,440,330 | 30.23% | -1.11% |
| Total Gross Profit | \$ 5,724,454 | 14.00% | \$ 7,032,674 | 16.16% | -18.60% |

In the first quarter of 2009, the gross profit of each of the fresh pork and frozen pork segments fell by 25.13% and 4.78% respectively as compared to the same period last year principally due to lower average-per-kilogram prices to customers which offset sales volume increases in each segment. The processed food products segment continued to yield period over period a gross profit amount that was the highest among all the product groups as a percentage of product group sales. Because of the high margins and increased prices to consumers of this product, we were able to maintain a stable amount of gross profit in dollar terms for this product period over period despite a decrease in sales volume.

Selling Expenses. Selling expenses totaled \$864,959 for the three months ended March 31, 2009, as compared to \$1,825,277 for the same period in 2008, a decrease of \$960,318 or 52.61%. This decrease is due to a reduction in our advertising expenses. We continued to increase sales made through sales agents, who assumed certain marketing expenses in selling our fresh pork products.

General and Administrative Expenses. General and administrative expenses totaled \$559,113 for the three months ended March 31, 2009 as compared to \$492,974 for the same period in 2008, an increase of \$66,139 or 13.42%. This change is primarily attributable to increased outside legal fees and audit fees, and increased staff.

Other income (Expense). Our other income (expense) consists of interest income, other expenses, and interest expense. In the first quarter of 2009, we had total other expenses of \$106,001, excluding a compensatory expense arising from the expected release of 482,955 of our shares from an escrow arrangement entered into as part of a private equity financing consummated by us in December 2007. See Note 18 of the consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q. Excluding this compensatory expense, our total other expenses in the first quarter of 2009 decreased by \$200,860, or 64.46% as compared to the same period in 2008. This decrease in total other expenses is primarily attributable to a decrease in interest expense on bank indebtedness and the receipt of a subsidy from the Dalian government during the period of \$62,659.

Net Income. Excluding a compensatory expense relating to release of the shares from the escrow arrangement described above, net income for the three months ended March 31, 2009 was \$3,914,173 as compared to \$4,241,217 for the same period in 2008, a decrease of \$327,044 or 7.71%. This decrease in net income is attributable to the factors described above, but also generally from the decrease in sales price per unit of fresh pork and frozen pork products as compared to the same period in 2008. Sales volume of these products actually increased period over period.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Three Months Ended March 31, 2009

As of March 31, 2009, we had cash and cash equivalents of \$4,138,898, other current assets of \$47,478,749 and current liabilities of \$26,165,504. At March 31, 2008, we had \$7,039,089 in cash and cash equivalents. We presently finance our operations primarily with cash flows from our operations, and we anticipate that this will continue to be our primary source of funds to finance our short-term cash needs. If we require additional capital to expand or enhance our existing facilities, we will consider debt or equity offerings or institutional borrowings as potential means of financing.

Net cash used in operating activities was \$2,451,554 for the three months ended March 31, 2009, while net cash flow used from operating activities was \$20,079,493 in the same period of 2008. This is primarily attributable to the fact that of 2008, in order to expand our sales, we began offering payment terms to accommodate our best customers. Beginning in the first quarter of 2008, we revised our customer credit policy and began offering extended payment terms to some of our quality long term clients with good credit (up to two months), where previously we required payment within 1-2 days of delivery of goods. This practice caused a decrease in, and some delay in collection of, our incoming cash.

Net cash used in investing activities was \$3,496,845 for the three months ended March 31, 2009, compared to cash sourced from investing activities of \$206,154 in the same period of 2008. This change is primarily due to amounts used for plant improvements in the first quarter of 2009.

Net cash sourced from financing activities was \$4,390,442 for the three months ended March 31, 2008, as compared to net cash sourced from financing activities of \$9,198,282 in the same period of 2008. This decrease resulted principally from a decrease in our borrowings from banks during the first quarter of 2009 as compared to the same period of 2008.

Capital Commitments

In the first quarter of 2008, we relaxed our credit policy for certain of our major customers, permitting them up to a two-month grace period for payment for goods, where previously no such grace period was provided. Management expects that in the short term, this revised credit policy will result in an increase in accounts receivable, and a corresponding reduction in our cash position. Management does not anticipate that this change in our credit policy will result in any deficiency of working capital.

Uses of Liquidity

Our cash requirements through the end of fiscal 2009 will be primarily to fund daily operations for the growth of our business. Management will consider acquiring additional manufacturing capacity for processed foods in the future to strengthen and stabilize our manufacturing base.

Sources of Liquidity

Our primary sources of liquidity for our short-term cash needs are expected to be from cash flows generated from operations and cash and cash equivalents currently on hand. We believe that we will be able to borrow additional funds if needed.

We believe our cash flow from operations together with our cash and cash equivalents currently on hand will be sufficient to meet our needs for working capital, capital expenditure and other commitments through the end of 2009. For our long-term cash needs, we may consider a number of alternative financing opportunities, which may include debt and equity financing. No assurance can be made that such financing will be available to us, and adequate funds may not be available on terms acceptable to us. If additional funds are raised through the issuance of equity securities, dilution to existing shareholders may result. If funding is insufficient at any time in the future, we will develop or enhance our products or services and expand our business through our own cash flows from operations.

As of March 31, 2009, we had outstanding \$6,427,486 in aggregate borrowings from the Bank of China under two loans, in the principal amounts of \$4,382,377 and \$2,045,109, and on which we pay interest at rates of 6.1586% and 7.3260% per annum respectively. As of March 31, 2009, we also had outstanding one loan from the Bank of Huaxie in the principal amount of \$4,382,377 and on which we pay interest at a rate of 6.3720% per annum. As of March 31, 2009, we did not have any standby letters of credit or standby repurchase obligations.

Foreign Currency Translation Risk

Our operations are, for the most part, located in the PRC, and we earn our revenue in Chinese RMB. However, we report our financial results in U.S. Dollars using the closing rate method. As a result, fluctuations in the exchange rates between Chinese RMB and the U.S. Dollar will affect our reported financial results. The balance sheet items are translated into U.S. dollars using the exchange rates at the respective balance sheet dates. The capital and various reserves are translated at historical exchange rates prevailing at the time of the transactions while income and expenses items are translated at the average exchange rate for the period. All exchange differences are recorded within equity. The foreign currency translation adjustment for the three months ended March 31, 2009 and 2008, which was in each instance a gain, was \$1,057 and \$3,682,295, respectively.

During 2003 and 2004 the exchange rate of RMB to the dollar remained constant at 8.26 RMB to the dollar. On July 21, 2005, the Chinese government adjusted the exchange rate from 8.26 to 8.09 RMB to the dollar. In 2008, the RMB continued to appreciate against the U.S. dollar. As of March 31, 2009, the market foreign exchanges rate was increased to 6.8456 RMB to one U.S. dollar. As a result, the ongoing appreciation of RMB to U.S. dollar negatively impacted our gross margins for the three months ended March 31, 2009.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of March 31, 2009, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

| | Total | Payments Due by Period | | | |
|--------------------------------|----------------|------------------------|----------------|--------------|--------------|
| | | Less than 1 Year | 1-3 Years | 3-5 Years | 5 Years + |
| Contractual Obligations: | | | | | |
| Bank Indebtedness | \$ 10,809,863 | \$ 10,809,863 | \$ — | \$ — | \$ — |
| Other Indebtedness | \$ — | \$ — | \$ — | \$ — | \$ — |
| Capital Lease Obligations | \$ — | \$ — | \$ — | \$ — | \$ — |
| Operating Leases | \$ — | \$ — | \$ — | \$ — | \$ — |
| Purchase Obligations | \$ 287,833,972 | \$ 123,159,235 | \$ 164,674,737 | \$ — | \$ — |
| Total Contractual Obligations: | \$ 298,643,835 | \$ 133,969,098 | \$ 164,674,737 | \$ — | \$ — |

As indicated in the table, as of March 31, 2009 we had \$287,833,972 in purchase obligations, which relates to our agreement for the purchase and sale of hogs. 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 the Company's expectations in regards to inflation, and the rising costs of inputs in breeding livestock.

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents, trade accounts receivable, accounts payable and long-term obligations. We consider investments in highly liquid instruments purchased with a remaining maturity of 90 days or less at the date of purchase to be cash equivalents. However, in order to manage the foreign exchange risks, we may engage in hedging activities to manage our financial exposure related to currency exchange fluctuation. In these hedging activities, we might use fixed-price, forward, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges, as well as long-term structured transactions when feasible.

Interest Rates. Our exposure to market risk for changes in interest rates relates primarily to our short-term investments and short-term obligations; thus, fluctuations in interest rates would not have a material impact on the fair value of these securities. At March 31, 2009, we had approximately \$4,138,898 in cash and cash equivalents. A hypothetical 10% increase or decrease in interest rates would not have a material impact on our earnings or loss, or the fair market value or cash flows of these instruments.

Foreign Exchange Rates. All of our sales and inputs are transacted in Renminbi (“RMB”). As a result, changes in the relative values of U.S. dollars and RMB affect our reported levels of revenues and profitability as the results are translated into U.S. dollars for reporting purposes. However, since we conduct our sales and purchase inputs in RMB, fluctuations in exchange rates are not expected to significantly affect our financial stability or gross and net profit margins. We do not currently expect to incur significant foreign exchange gains or losses, or gains or losses associated with any foreign operations.

Our exposure to foreign exchange risk primarily relates to currency gains or losses resulting from timing differences between the signing of sales contracts and the settling of these contracts. Furthermore, we translate monetary assets and liabilities denominated in other currencies into RMB, the functional currency of our operating business. Our results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People’s Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in our statement of stockholders’ equity. We recorded net foreign currency gains of \$1,057 and \$3,682,295 in the first quarter of 2009 and 2008, respectively. We have not used any forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future. As our sales denominated in foreign currencies, such as RMB, continue to grow, we may consider using arrangements to hedge our exposure to foreign currency exchange risk.

Our financial statements are expressed in U.S. dollars, but the functional currency of our operating subsidiaries is RMB. The value of an investment in our stock will be affected by the foreign exchange rate between U.S. dollars and RMB. A decline in the value of RMB against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the value of an investment in our company and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the price of our stock.

ITEM 4T.

CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2009, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective at the reasonable assurance level.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not aware of any material existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our current directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to us.

ITEM 1A. RISK FACTORS

The risk factors included in our annual report on Form 10-K for the fiscal year ended December 31, 2008 have not materially changed as of March 31, 2009.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are included in this report or incorporated by reference into this report:

Exhibit

Number Description

2.1 Share Exchange Agreement by and among the Energroup Holdings Corporation, PSI and PSI and Energroup Shareholders dated December 31, 2007 (1)

2.2 Articles and Plan of Merger (change in domicile from Utah to Nevada) (2)

3.1 Articles of Incorporation of Great Lakes Funding, Inc. (Utah) (1)

3.2 Bylaws of Great Lakes Funding, Inc. (1)

3.3 Articles of Amendment to Articles of Incorporation of Great Lakes Funding, Inc. (Name Change) (1)

3.4 Articles of Amendment to Articles of Incorporation of Energroup Technologies, Inc. (Reverse Split) (2)

- 3.5 Articles of Incorporation of Energroup Holdings Corporation (Nevada) (2)
- 3.6 Bylaws of Energroup Holdings Corporation (2)
- 3.7 Certificate of Amendment to Articles of Incorporation of Energroup Holdings Corporation (3)
- 4.1 Registration Rights Agreement dated December 2007 among Energroup and the investors signatory thereto (1)
- 4.2 Common Stock Purchase Warrant issued to Placement Agent (December 2007) (2)
- 31.1 Rule 13a-14(a) / 15d-14(a)(4) Certification by the Company's Chief Executive Officer.*
- 31.2 Rule 13a-14(a) / 15d-14(a)(4) Certification by the Company's Chief Financial Officer.*
- 32.1 Section 1350 Certification by the Company's Chief Executive Officer.*
- 32.2 Section 1350 Certification by the Company's Chief Financial Officer.*

* Filed herewith.

- (1) Previously filed with our Current Report on Form 8-K on January 7, 2008 and incorporated herein by reference.
- (2) Previously filed with our Current Report on Form 8-K on August 22, 2007 and incorporated herein by reference.
- (3) Previously filed with our Current Report on Form 8-K on December 14, 2007 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENERGROUP HOLDINGS CORPORATION

Dated: May 15, 2009

By: /s/ Shi Huashan
Shi Huashan
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 15, 2009

By: /s/ Wang Shu
Wang Shu
Chief Financial Officer
(Principal Financial and Accounting Officer)