

ENERGROUP HOLDINGS CORP  
Form 10-K/A  
May 06, 2009

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

---

FORM 10-K/A  
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2008

- 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, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act: None  
Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.001 per share  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark whether the registrant is required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Edgar Filing: ENERGROUP HOLDINGS CORP - Form 10-K/A

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

---

Indicate by check mark whether the registrant is a large accelerated filer, 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 defined in Rule 12b-2 of the Act). Yes  No

As of March 11, 2009, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$25.84 million based on a closing price of \$4.00 per share of common stock as reported on the Over-the Counter Bulletin Board on such date. On December 31, 2008, we had 21,136,391 shares of our common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

EXPLANATORY NOTE

This Annual Report on Form 10-K/A is being filed as Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2008, which was originally filed with the Securities and Exchange Commission on March 31, 2009. We are amending Part II, Item 8 Financial Statements and Supplementary Data :

- to revise the disclosure in Note 2 to our financial statements with respect to our showcase store arrangements; and
- to revise the disclosure in Note 15 to our financial statements to include the measures of profit or loss for the segments that are evaluated by our chief operating decision maker.

Except as specifically referenced herein, this Amendment No. 1 to Annual Report on Form 10-K/A does not reflect any event occurring subsequent to March 31, 2009, the filing date of the original report.

ENERGROUP HOLDINGS CORPORATION

FORM 10-K/A

For the Year Ended December 31, 2008

TABLE OF CONTENTS

PART II

Item 8. Financial Statements and Supplementary Data

Signatures

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Energroupholdings Corporation  
Audited Consolidated Financial Statements  
December 31, 2008, 2007 and 2006  
(Stated in U.S. Dollars)

Energroupholdings Corporation

Contents	Pages
Report of Registered Public Accounting Firm	F-1
Consolidated Balance Sheets	F-2—F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Changes in Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6 — F-7
Notes to Consolidated Financial Statements	F-8 — F-31

Board of Directors and Stockholders  
Energroup Holdings Corporation

Report of Registered Independent Public Accounting Firm

We have audited the accompanying consolidated balance sheets of Energroup Holdings Corporation as of December 31, 2008, 2007, and 2006 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Energroup Holdings Corporation as of December 31, 2008, 2007, and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

South San Francisco, California

January 23, 2009

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

Energroup Holdings Corporation  
Consolidated Balance Sheets  
At December 31, 2008, 2007, and 2006  
(Stated in US Dollars)

	Notes	At December 31, 2008	At December 31, 2007	At December 31, 2006
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	2(D)	\$ 5,695,798	\$ 14,031,851	\$ 3,075,787
Restricted Cash	3	2,177,091	4,250,000	-
Accounts Receivable	2(E),4	18,661,065	622,433	1,798,397
Other Receivable		2,162,412	1,068,939	679,019
Related Party Receivable	5	10,919,777	3,964,357	13,148,788
Inventory	2(F),6	6,051,109	2,916,016	2,385,447
Advance to Suppliers	2(G)	1,453,861	267,807	1,110,449
Prepaid Expenses		62,734	46,401	90,913
Prepaid Taxes		334,413	185,319	-
Deferred Tax Asset	2(Q)	643,609	613,844	574,316
<b>Total Current Assets</b>		<b>48,161,869</b>	<b>27,966,967</b>	<b>22,863,116</b>
<b>Non-Current Assets</b>				
Property, Plant & Equipment, net	2(H),7	25,794,151	24,836,496	20,875,462
Land Use Rights, net	2(I),8	13,430,435	12,855,980	8,911,119
Construction in Progress	2(J)	3,262,146	927,866	4,165,407
Other Assets		34,807	32,619	30,519
<b>Total Assets</b>		<b>\$ 90,683,408</b>	<b>\$ 66,619,928</b>	<b>\$ 56,845,623</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Bank Loans	9(A)	\$ 6,419,422	\$ 7,383,095	\$ 6,971,538
Accounts Payable		7,695,208	3,779,274	4,207,992
Taxes Payable		2,341,971	1,677,194	2,259,465
Other Payable		2,318,142	1,471,381	1,362,607
Accrued Liabilities		1,724,266	3,347,013	912,707
Customer Deposits	2(L)	3,258,752	24,161	1,049,212
Related Party Payable		-	-	-
<b>Total Current Liabilities</b>		<b>23,757,761</b>	<b>17,682,118</b>	<b>16,763,521</b>
<b>Long Term Liabilities</b>				
Bank Loans	9(B)	-	-	17,908,539
<b>Total Liabilities</b>		<b>\$ 23,757,761</b>	<b>\$ 17,682,118</b>	<b>\$ 34,672,060</b>

See Notes to Financial Statements and Accountant's Report





Energroup Holdings Corporation  
Consolidated Balance Sheets  
At December 31, 2008, 2007, and 2006  
(Stated in US Dollars)

Stockholders' Equity	Notes	At December 31, 2008	At December 31, 2007	At December 31, 2006
Preferred Stock - \$0.001 Par Value 10,000,000 Shares Authorized; 0 Shares Issued & Outstanding at December 31, 2008, 2007, and 2006, respectively.		\$ -	\$ -	\$ -
Common Stock - \$0.001 Par Value 21,739,130 Shares Authorized; 21,136,392 Shares Issued & Outstanding at December 31, 2008 and 2007, and 17,272,756 Shares Issued & Outstanding at December 31, 2006.	10	21,137	21,137	17,273
Additional Paid in Capital		26,062,337	15,440,043	2,396,079
Statutory Reserve	2(M),11	2,077,488	751,444	751,444
Retained Earnings		35,275,457	29,764,236	18,112,089
Accumulated Other Comprehensive Income	2(N)	3,489,228	2,960,951	896,679
<b>Total Stockholders' Equity</b>		<b>66,925,647</b>	<b>48,937,811</b>	<b>22,173,564</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>		<b>\$ 90,683,408</b>	<b>\$ 66,619,928</b>	<b>\$ 56,845,623</b>

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation  
Consolidated Statements of Operations  
For the years ended December 31, 2008, 2007, and 2006  
(Stated in US Dollars)

	Note	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
Sales	2(O)	\$ 176,360,013	\$ 124,696,036	\$ 70,396,439
Cost of Sales	2(P)	149,794,249	104,378,909	57,794,853
Gross Profit		26,565,764	20,317,127	12,601,586
<b>Operating Expenses</b>				
Selling Expenses	2(Q)	5,147,366	4,672,862	1,556,805
General & Administrative Expenses	2(R)	2,675,661	1,572,836	1,334,866
Total Operating Expense		7,823,027	6,245,698	2,891,671
Operating Income/(Loss)		18,742,737	14,071,429	9,709,915
<b>Other Income (Expenses)</b>				
Other Income		5,780	114,496	-
Interest Income		284,774	-	147
Other Expenses		(100,183)	(90,508)	(126,098)
Interest Expense		(953,460)	(1,475,730)	(1,457,204)
Release of Escrowed Make Good Shares		(10,622,294)	-	-
Total Other Income (Loss) and Expense		(11,385,383)	(1,451,742)	(1,583,155)
Earnings before Tax		7,357,354	12,619,687	8,126,760
(Income Tax Expense)/Deferred Tax Benefit	2(V),13	(520,089)	(967,540)	1,611
Net Income		\$ 6,837,265	\$ 11,652,147	\$ 8,128,371
<b>Earnings Per Share</b>				
	2(Z),16			
- Basic		\$ 0.40	\$ 0.87	\$ 0.61
- Diluted		\$ 0.32	\$ 0.67	\$ 0.47
<b>Weighted Average Shares Outstanding</b>				
- Basic		17,272,756	13,409,120	13,409,120
- Diluted		21,182,756	17,272,756	17,272,756
<b>Comprehensive Income</b>				
		For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
Net Income		\$ 6,837,265	\$ 11,652,147	\$ 8,128,371
Other Comprehensive Income:				Accumulated Totals
				26,617,783

Foreign Currency Translation Adjustment	528,277	2,064,272	610,696	3,203,245
	\$ 7,365,542	\$ 13,716,419	\$ 8,739,067	\$ 29,821,028

See Notes to Financial Statements and Accountant's Report

F-4

---

Energroup Holdings Corporation  
Consolidated Statements of Changes in Stockholders' Equity  
For the years ended December 31, 2008, 2007, and 2006  
(Stated in US Dollars)

	Common		Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Comprehensive	
	Shares Outstanding	Amount				Other Income	Total
Balance, January 1, 2006	17,272,756	\$ 17,273	\$ 2,396,079	\$ 72,508	\$ 10,662,654	\$ 285,983	\$ 13,434,497
Net Income					8,128,371		8,128,371
Appropriations of Retained Earnings				678,936	(678,936)		-
Foreign Currency Translation Adjustment						610,696	610,696
Balance, December 31, 2006	17,272,756	\$ 17,273	\$ 2,396,079	\$ 751,444	\$ 18,112,089	\$ 896,679	\$ 22,173,564
Balance, January 1, 2007	17,272,756	\$ 17,273	\$ 2,396,079	\$ 751,444	\$ 18,112,089	\$ 896,679	\$ 22,173,564
Issuance of Common Stock & Warrants	3,863,636	3,864	13,043,964				13,047,828
Net Income					11,652,147		11,652,147
Appropriations of Retained Earnings				-	-		-
Foreign Currency Translation Adjustment						2,064,272	2,064,272
Balance, December 31, 2007	21,136,392	\$ 21,137	\$ 15,440,043	\$ 751,444	\$ 29,764,236	\$ 2,960,951	\$ 48,937,811
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)		-

Earnings								
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

See Notes to Financial Statements and Accountant's Report

F-5

---

Energroup Holdings Corporation  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2008, 2007, and 2006  
(Stated in US Dollars)

	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
<b>Cash Flow from Operating Activities</b>			
Cash Received from Customers	\$ 153,507,080	\$ 112,741,680	\$ 59,979,793
Cash Paid to Suppliers & Employees	(155,266,953)	(108,527,656)	(65,116,627)
Interest Received	284,774	-	147
Interest Paid (net of amount capitalized)	(1,763,404)	(1,247,575)	(1,580,310)
Income Tax Paid	-	(1,007,067)	(400,065)
Miscellaneous Receipts	5,780	9,182	-
Cash Sourced/(Used) in Operating Activities	(3,232,723)	1,968,564	(7,117,062)
<b>Cash Flows from Investing Activities</b>			
Escrowed Funds from Private Placement Placed in Restricted Cash	2,072,909	(4,250,000)	-
Payments for Purchases of Equipment & Construction of Plant	(5,832,731)	(2,882,433)	(1,655,077)
Payments for Purchases of Land Use Rights	-	(4,198,178)	(265,509)
Payments for Deposits	-	(2,100)	-
Cash Sourced/(Used) in Investing Activities	(3,759,822)	(11,333,712)	(1,920,586)
<b>Cash Flows from Financing Activities</b>			
Financing Transaction - Proceeds Allocated to Accrued Liabilities for Liquidated Damages	-	1,700,000	-
Financing Transaction - Proceeds of Issuance of Common Stock & Warrants	-	13,047,828	-
Proceeds from Bank Borrowings	9,264,246	5,725,377	1,753,971
Repayment of Bank Loans	(10,700,664)	(2,217,265)	-
Cash Sourced/(Used) in Financing Activities	(1,436,417)	18,255,939	1,753,971
Net Increase/(Decrease) in Cash & Cash Equivalents for the Year	(8,428,962)	8,891,791	(7,283,677)
Effect of Currency Translation	92,910	2,064,273	180,050
Cash & Cash Equivalents at Beginning of Year	14,031,851	3,075,787	10,179,414
Cash & Cash Equivalents at End of Year	\$ 5,695,798	\$ 14,031,851	\$ 3,075,787
<b>Non-Cash Financing Activity:</b>			
Extinguishment of Debt by Setoff Against Related Party Receivables	\$ -	\$ 21,005,094	\$ -

Release of shares held in escrow	\$ 10,622,294	\$ -	\$ -
----------------------------------	---------------	------	------

See Notes to Financial Statements and Accountant's Report

F-6

---



Energroup Holdings Corporation  
Reconciliation of Net Income to Cash Provided/(Used) in Operating Activities  
For the years ended December 31, 2008, 2007, and 2006  
(Stated in US Dollars)

	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
Net Income	\$ 6,837,265	\$ 11,652,147	\$ 8,128,371
Adjustments to Reconcile Net Income to Net Cash Provided by Cash Activities:			
Non Cash Expense Recorded for the Release of Escrowed Shares	10,622,294	-	-
Extinguishment of Debt by Setting Off Against Related Party Receivable	-	(21,005,094)	-
Liquidated Damages Included in Accrued Liabilities	-	(1,700,000)	-
Amortization	331,468	253,317	160,782
Depreciation	2,540,797	2,158,940	1,651,055
Provision for Bad Debt	103,773	5,456	-
Decrease/(Increase) in Accounts Receivable	(18,142,404)	1,170,508	1,523,176
Decrease/(Increase) in Other Receivable	(1,093,473)	(389,920)	353,046
Decrease/(Increase) in Related Party Receivable	(6,955,420)	9,184,432	(12,877,984)
Decrease/(Increase) in Inventory	(3,135,093)	(530,569)	546,573
Decrease/(Increase) in Advance to Suppliers	(1,186,054)	842,641	(374,793)
Decrease/(Increase) in Prepaid Taxes	(149,096)	(185,317)	-
Decrease/(Increase) in Prepaid Expenses	(16,333)	44,512	(40,297)
Decrease/(Increase) in Deferred Tax Benefit	(29,764)	(39,528)	(401,674)
Increase/(Decrease) in Accounts Payable	3,915,934	(428,718)	(3,611,921)
Increase/(Decrease) in Taxes Payable	664,777	(582,271)	1,371,696
Increase/(Decrease) in Other Payable	846,762	108,773	482,075
Increase/(Decrease) in Related Party Payable	-	-	(4,506,002)
Increase/(Decrease) in Accrued Liabilities	(1,622,747)	2,434,306	(106,278)
Increase/(Decrease) in Customer Advances	3,234,591	(1,025,051)	585,113
Total of all adjustments	(10,069,987)	(9,683,583)	(15,245,431)
Net Cash Provided by/(Used in) Operating Activities	\$ (3,232,723)	\$ 1,968,564	\$ (7,117,062)

See Notes to Financial Statements and Accountant's Report

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

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.

F-8

---

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

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

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

## 2. Summary of Significant Accounting Policies

### (A) Method of Accounting

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

### (B) Principles of Consolidation

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

The Company owned the three operating subsidiaries since its inception. The Company also owns two intermediary holdings companies. As of December 31, 2008, 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 29,400,682
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.

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

(C) Use of Estimates

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

(D) Cash Equivalents

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

(E) Accounts Receivable

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

(F) Inventory Carrying Value

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

(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:



Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

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

(I) Land Use Rights

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

(J) Construction in Progress

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

(K) Accounting for Impairment of Assets

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

(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.

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

(M) Statutory Reserve

Statutory reserves 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 equaling 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.

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.

F-12

---

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

(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.

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 Operating 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 15% 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: -

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

Rate	Over	Taxable Income 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	-	-

Based on the consolidated net income for the year ended December 31, 2008, 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.

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	12/31/2008	12/31/2007	12/31/2006
Period end RMB : US\$ exchange rate	6.85420	7.3141	7.8175
Average period RMB : US\$ exchange rate	6.96225	7.6172	7.9819

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.

F-14

---

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

(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."

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 are held in an escrow with US Bank in the United States. These funds are restricted until fulfillment of the following criteria: (1) the hiring of a Chief Financial Officer that meets the approval of the investors within 90 days of the closing (subsequently extended to 120 days), at such point the Company will release \$1.5 million from restriction, (2) appointment of 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 not fulfilled requirement (3), and did not fulfill requirement (1). 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 December 31, consisted of the following:

F-15

---

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

	At December 31, 2008	At December 31, 2007	At December 31, 2006
Accounts Receivable – Trade	18,849,560	\$ 707,156	\$ 1,877,664
Less: Allowance for Doubtful Accounts	(188,495)	(84,723)	(79,267)
Net Accounts Receivable	18,661,065	\$ 622,433	\$ 1,798,397

	At December 31, 2008	At December 31, 2007	At December 31, 2006
Allowance for Bad Debts			
Beginning Balance	\$ (84,723)	\$ (79,267)	\$ (76,754)
Allowance Provided	\$ (103,772)	(5,456)	(2,513)
Charged Against Allowance	-	-	-
Ending Balance	\$ (188,495)	\$ (84,723)	\$ (79,267)

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 December 31, 2008, the Company has not had any receivables that were unrecoverable.

Accounts Receivable Aging Analysis  
At December 31, 2008

0-30 Days	31-60 Days	61-90 Days	91-120 Days	Total Outstanding
\$ 10,478,579	\$ 1,627,515	\$ 168,045	\$ 6,575,420	\$ 18,849,560

#### 5. Related Party Receivable

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

In the event that the Company has both receivables from, and payables to the Group it will, in accordance with FIN 39, setoff the balances in order to arrive at a single balance that is either due from, or due to the Group. The Company's net receivable balance of \$10,919,777 at December 31, 2008 is shown in the following table.



Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

Ref.	Subsidiary Due to:	Nature of Balance	Related Party	Balance	Description of Transaction
A	Food Company	Sale of Products resulting in Trade Receivable from	Dalian Huayu Seafood Food Co., Ltd.	234,699	Food Company sold cooked food to Huayu dating back to 1/2007.
		Subtotal of Related Party Sales		\$ 234,699	
B	Food Company	Loan Receivable from	Dalian Huayu Seafood Co., Ltd.	2,917,918	Huayu borrowed loan from Food Company back to 11/2008
C	Food Company	Loan Receivable from	Dalian Mingxing Livestock Product Co. Ltd.,	4,376,878	Mingxing borrowed loan from Food Company back to 12/2008
D	Meat Company	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.	34,714	Meat Company paid utility fees for Fodder Co. dating back to 7/2008.
E	Meat Company	Loan Receivable from	Dalian Chuming Stockbreeding Combo Development Co., Ltd.	3,445,292	Prepayment to Group for Purchase of hogs dating back to 7/2008.
F	Meat Company	Loan Receivable from	Dalian Chuming Group Co., Ltd.	68,211	Meat Company purchased office supplies on behalf of the Group dating back to 11/2005
G	Food Company	Loan Receivable from	Dalian Chuming Group Co., Ltd.	1,458,959	Food Company paid bank loan principal and interest on behalf of Industrial Co. dating back to 1/2008
H	Sales Company	Loan Receivable from	Dalian Huayu Seafood Co., Ltd.	1,562,263	Sales Company paid Huayu to help it buy materials dating back to 9/2008.
I	Sales Company	Loan Receivable from	Dalian Chuming Group Co., Ltd.	5,212,167	Sales Company paid the Group to help it buy materials dating

					back to 7/2008.
			Dalian Chuming Stockbreeding Combo Development Co., Ltd.	19,568,483	Sales Company paid for Stockbreeding to buy hogs from farmer dating back 7/2008
J	Sales Company	Loan Receivable from			
			Dalian Chuming Fodder Co., Ltd.	2,509,410	Sales Company paid for feeding materials on behalf of Fodder dating back to 9/2008.
K	Sales Company	Loan Receivable from			
		Subtotal of Loans to Related Parties		\$ 41,154,295	
		Gross Related Party Receivable		\$ 41,388,994	

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

Subsidiary Due from:	Nature of Balance	Related Party	Balance	Description of Transaction	
L	Meat Company	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Group Co., Ltd.	5,396,217	Purchase of hogs from Group dating back to 12/1/2004.
M	Meat Company	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Group Co., Ltd.	7,365,945	Purchase of hogs from Group dating back to 7/2008.
N	Food Company	Purchase of Raw Materials resulting in Trade Payable to	Dalian Huayu Seafood Food Co., Ltd	2,621,251	Advance from Huayu for the purchase of product dating back to 12/2007.
Subtotal of Purchases from Related Parties			\$	15,383,413	
O	Food Company	Loan Payable to	Dalian Chuming Group Co., Ltd.	950,134	Group paid for salaries and other G&A expenses on behalf of Food dating back to 1/2004.
P	Meat Company	Loan Payable to	Dalian Chuming Stockbreeding Combo Development Co., Ltd.	123,210	Meat Company collected bank loans for Stockbreeding Co. dating back to 7/2008
Q	Meat Company	Loan Payable to	Dalian Chuming Industrial Development Co., Ltd.	6,477	Industrial Development paid salaries on behalf of Meat Company dating back to 1/2005.
R	Meat Company	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,	393,919	Meat Company collected bank loans on behalf of Mingxing dating back to 8/2008
S	Meat Company	Loan Payable to	Dalian Huayu Seafood Food Co., Ltd	541,738	Huayu lent funds to Meat Company for necessary operation activities dating 12/2008
T	Sales Company	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,	986,256	Sales Company 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.	12,084,070	
		Subtotal of Loans from Related Parties		\$ 15,085,804	
		Gross Related Party Payable		\$ 30,469,217	
		Setoff Related Party Receivable (Receivables have been setoff against payables)		\$ 10,919,777	

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

- A. The Food Company sold USD 235 thousand (RMB 1.6 million) worth of cooked food to Huayu on credit. This transaction impacted the statement of income. After applying a 17% valued added tax, the Food Company generated USD 200 thousand (RMB 1.4 million) in sales revenue from this transaction.
- B. Food Company loaned USD 2.9 million (RMB 20 million) to Huayu in November 2008.
- C. Food Company loaned USD 4.4 million (RMB 30 million) to Mingxing in December 2008.
- D. Meat Company paid USD 35 thousand (RMB 237 thousand) for utility fees on behalf of Fodder Co. in the 3rd quarter of 2008, which resulted in this receivable.
- E. The prepayment of USD 3.5 million (RMB 23.6 million) from Meat Company to the Group for hogs was increased by USD 96 thousand (RMB 0.6 million), USD 0.15 million (RMB 1 million), and USD 4.1 million (RMB 28.3 million) in July, August, and September respectively. Simultaneously, the Group paid down its balance in the amounts of USD 1.3 million (RMB 8.9 million) and USD 230 thousand (RMB 1.54 million) to Meat Company.
- F. The balance of USD 68 thousand (RMB 467 thousand) for the purchase of office supplies by Meat Company for the Group, was still outstanding as of December 31, 2008.
- G. Food Company paid certain bank loan interest and principal on behalf of Industrial Co. prior to 2008. This resulted in a receivable of USD 1.5 million (RMB 10 million) owed by Industrial Co. to the Food Company. A balance of USD 1.5 million (RMB 10 million) remained outstanding as of December 31, 2008.
- H. The Sales Company advanced USD 1.6 million (RMB10.7 million) to Huayu for the purchase of raw materials, resulting in this receivable.
- I. The Sales Company paid for the purchase of certain materials for the Group, resulting in a balance of USD 5.2 million (RMB 35.7 million) receivable from Group to Sales Company. This balance was increased by USD 5.8 million (RMB 39.6 million) and USD 3.9 million (RMB 20.6 million) in the 3rd and 4th quarters of 2008, in connection with the purchase of additional materials by Sales Company. The Group has paid down USD 4.5 million (RMB 20.3 million) of this balance, resulting in an ending balance of USD 5.2 million (RMB 35.7 million).



- J. Sales Company paid USD 19.6 million (RMB 134.1 million) to local farmers for the purchase of hogs, on behalf of the Group, which gave rise to this receivable from the Group to Sales Company.
- K. Sales Company purchase feed materials, paid construction fees, and utility costs for Fodder Co., resulting in a receivable of USD 2.5 million (RMB 17.2 million) due from Fodder Co. to Sales Company. In 2008, the following transactions affected the balance of this receivable: USD 0.8 million (RMB 5.4 million) was paid to buy feeding materials, USD 1.1 million (RMB 7.7 million) was paid for construction fees, and USD 0.6 million (RMB 4 million) for utilities.

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

- L. The Company acquired hogs from the Group, resulting in a balance payable from the Company to the Group of USD 5.4 million (RMB 36.9 million). In 2008, this balance was affected by the following transactions: increases by USD 3.9 million (RMB 27.4 million), USD 5.5 million (RMB 37.7 million), USD 5.2 million (RMB 35.1 million), and USD 480 thousand (RMB 3.3 million) in July, August, September, and December respectively. The Company paid USD 9.8 million (RMB 67.4 million) to settle this balance in September 2008. The increase in the balance as result of the purchase hogs would impact the statements of income; however, the effect of the repayment is isolated to the Company's balance sheet.
- M. The Group sold hogs to Meat Company on August 12, 2008 which were not immediately paid for, which resulted in a net payable from the Meat Company to Group in the amount of USD 7.4 million (RMB 50.5 million).
- N. The USD 2.6 million (RMB 18 million) deposit owed to Huayu was still outstanding at December 31, 2008.
- O. The Group paid USD 954 thousand (RMB 6.5 million) in salaries and general administrative expense on behalf of Food Company, resulting in this payable.
- P. The outstanding balance of USD 123 thousand (RMB 84 thousand) due from Meat Company to Combo Development Co. resulted from the fact that Meat Company collected USD 52 thousand (RMB 0.4 million) hogs sales and USD 1.5 million (RMB 10.4 million) in proceeds from a bank loan on behalf of Combo Development Co. in August and September, 2008 respectively. Simultaneously, the Meat Company repaid USD 1.5 million (RMB 10 million) to Combo Development Co.
- Q. The a balance of USD 6 thousand (RMB 44 thousand) owed by Industrial Development Co. to Meat Company was still outstanding at December 31, 2008.
- R. Meat Company collected bank loans on behalf of Mingxing dating back to August 2008.
- S. Meat Company borrowed USD 542 thousand (RMB 3.7 million) operating funds from Huayu in December 2008.
- T. Sales Company borrowed USD 986 thousand (RMB 6.7 million) from Mingxing in December 2008.

- U. The outstanding payable balance of USD 12.1 million (RMB 83.2 million) due to the Group has been transferred to the books of Chuming, i.e., WFOE owes Chuming the amount stated above. This balance was increased by USD 250 thousand (RMB 1.7 million) in the fourth quarter of 2008.

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 an 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.

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

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 \$10,919,777 net receivable owed by the Group to the Company, the entire amount 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	\$ 2,917,919
Mingxing	4,376,878
Combo Development	2,188,439
Group	1,436,540
	\$ 10,919,777

#### 6. Inventory

	At December 31, 2008	At December 31, 2007	At December 31, 2006
Raw Materials	\$ 867,549	\$ 1,039,440	\$ 875,223
Work in Progress	241,738	547,889	365,961
Finished Goods	4,941,822	1,328,688	1,144,263
	\$ 6,051,109	\$ 2,916,016	\$ 2,385,447

#### 7. Property, Plant & Equipment

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	(137,317)	386,704
	\$ 33,299,346	\$ (7,505,196)	\$ 25,794,151

At December 31, 2007:	Cost	Accumulated Depreciation	Net
Buildings	\$ 19,910,391	\$ (2,522,257)	\$ 17,388,134
Manufacturing Equipment	9,066,948	(2,041,694)	7,025,254
Office Equipment	122,124	(60,298)	61,826

Edgar Filing: ENERGROUP HOLDINGS CORP - Form 10-K/A

Vehicles	652,231	(321,138)	331,093
Furniture & Fixture	49,204	(19,015)	30,189
	\$ 29,800,898	\$ (4,964,402)	\$ 24,836,496

F-21

---

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

At December 31, 2006:	Cost	Accumulated Depreciation	Net
Buildings	\$ 14,663,106	\$ (1,174,049)	\$ 13,489,057
Manufacturing Equipment	8,346,776	(1,403,176)	6,943,600
Office Equipment	68,198	(14,165)	54,033
Vehicles	572,290	(203,600)	368,690
Furniture & Fixture	30,550	(10,468)	20,082
	\$ 23,680,920	\$ (2,805,458)	\$ 20,875,462

#### 8. Land Use Right

The Company had the following intangible assets outstanding at December 31:

	At December 31, 2008	At December 31, 2007	At December 31, 2006
Land Use Rights, at Cost	\$ 14,407,503	\$ 13,501,580	\$ 9,303,402
Less: Accumulated Amortization	(977,068)	(645,600)	(392,283)
	\$ 13,430,435	\$ 12,855,980	\$ 8,911,119

#### 9. Bank Loans

##### (A) Short Term Bank Loans

At December 31, 2008 the Company had the following short term loans outstanding:

Bank	Interest Rate	Due Date	Amount
Bank of China	6.1586%	10/26/2009	\$ 4,376,878
Bank of China	7.3260%	10/17/2009	2,042,543
			\$ 6,419,422

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). Also, the Shanghai Pudong Development Bank loan has been guaranteed by the Dalian Chuming Group Co., Ltd.

##### (B) Bank Loan through Group

The Company obtained a loan of \$20,466,901 (RMB 160,000,000) from the Group; which in turn, obtained these funds in a joint loan commitment from both China Development Bank and Shenzhen Development Bank ("Banks") via a collateralized loan. The Group collateralized the loan by purchasing a bond from China Export and Credit Insurance Corporation ("Bond Issuer"). The bond guarantees to the Banks the entire principal and accrued interest of the loan. The cost of the bond is RMB 1,000,000 annually, or in USD: \$120,668, 121,902, and 125,284 for the years 2004, 2005, and 2006, respectively, which was paid by the Company. The loan carries a fixed interest of 5.76% per annum. The Company pledged both land use rights and buildings to the Bond Issuer. The Company pursued a loan from the Group as the financing solution of choice because the Company's tangible assets, at the time of origination,

were insufficient to collateralize the loan. Additionally, the Company lacked the favorable credit history to directly establish credit facility with the bank.

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

At December 31, 2007, the Company repaid its debt, in its entirety to the Group by setting off receivables owed by the Group to the Company. The Company repaid the loan in order to meet the requirements of the equity financing transaction detailed in Note 18. The balances are now owed by the Group to the Banks, and liability for paying the bonding insurance annually lies with the Group. The pledged collateral of land use rights and buildings made to the Bond Issuer still underlie the loan currently owed by the Group, and as such, the Company's assets, namely the buildings and land use rights are at risk if the Group were to default on this loan.

#### 10. Capitalization

As a result of a reverse-acquisition 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 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 December 31, 2008	At December 31, 2007	At December 31, 2006
PRC Registered Capital	15,566,849	3,642,866	2,413,352
- Statutory Reserve Ceiling based on 50% of Registered Capital	7,783,424	1,821,433	1,206,676
Less: - Retained Earnings appropriated to Statutory Reserve	(2,077,488)	(751,444)	(751,444)
Reserve Commitment Outstanding	\$ 5,705,936	\$ 1,069,989	\$ 455,232

#### 12. Advertising Costs



Advertising expenses were \$2,629,853, \$3,611,666, and \$869 for the years ended December 31, 2008, 2007, and 2006, respectively.

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

13. Income Taxes

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

The operating subsidiary, Meat Company, 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 years 2008, 2007, and 2006.

The Company's operating subsidiary, Food Company, has provided provisions for income taxes in years 2008, 2007, and 2006, of \$508,844, \$967,539, and \$400,605, respectively.

The Company's operating subsidiary, Sales Company, has not provided provisions for income taxes in years 2008, 2007, and 2006 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 Company, and Sales Company are subject to the 25% income tax rate beginning January 1, 2008. Based on current PRC legislation, Meat Company 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 December 31, 2008.

On December 19, 2007, the Company entered into a hog purchase agreement whereby the Group will provide at fair market price a minimum number of hogs to the Company. At December 31, 2008, the Company expects minimum quantities of hogs detailed in the following table:

Year	Hogs	Price Per Hog	Amount
2009	800,000	\$ 187.13	\$ 149,704,306
2010	800,000	\$ 205.84	164,674,737
			\$ 314,379,043

F-24

---

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

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

#### 15. Operating Segments

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

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

Below is a presentation of the Company's results of operations and financial position for its operating subsidiaries at December 31, 2008, 2007, and 2006 and for the years 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 year ended December 31, 2008	Meat Company	Food Company	Sales Company	Chuming WFOE, PSI, & Eliminations	Total
Sales	\$ 165,540,800	\$ 20,275,953	\$ 82,629,122	\$ (92,085,862)	\$ 176,360,013
Cost of Sales	143,467,926	17,018,115	81,394,069	(92,085,862)	149,794,249
Gross Profit	22,072,873	3,257,837	1,235,054	-	26,565,764
Operating (Loss)/Profit	19,835,123	2,038,279	(2,475,995)	(654,670)	18,742,737
Other Income (Expense)	(684,408)	(95,144)	(6,952)	(10,598,879)	(11,385,383)
Earnings/(Loss) before Tax	19,150,715	1,943,135	(2,482,947)	(11,253,549)	7,357,354
(Income Tax Expense)	-	(508,844)	(11,246)	-	(520,089)
Net Income/(Loss)	19,150,715	1,434,292	(2,494,193)	(11,253,549)	6,837,265

Eliminated Intercompany Sales of Products Sold during  
Year ended December 31, 2008

Sold From:	Sold To:	Amount
	Sales	
Food Company	Company	\$ 15,614,380

Meat Company	Sales Company	66,171,117
Meat Company	Food Company	10,300,365
		\$ 92,085,862

F-25

---

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

Results of Operations For the year ended December 31, 2007	Meat Company	Food Company	Sales Company	Chuming WFOE, PSI, & Eliminations	Total
Sales	\$ 113,777,514	\$ 18,224,294	\$ 26,110,284	\$ (33,416,057)	\$ 124,696,035
Cost of Sales	99,779,158	12,672,576	25,343,231	(33,416,057)	104,378,908
Gross Profit	13,998,356	5,551,718	767,053	-	20,317,127
Operating (Loss)/Profit	10,842,549	3,624,143	(368,002)	(27,261)	14,071,429
Other Income (Expense)	(691,006)	(712,807)	(47,929)	-	(1,451,742)
Earnings/(Loss) before Tax	10,151,543	2,911,336	(415,931)	(27,261)	12,619,687
(Income Tax Expense)/Credit	-	967,539	-	-	967,539
Net Income/(Loss)	\$ 10,151,543	\$ 1,943,797	\$ (415,931)	\$ (27,261)	\$ 11,652,147

Eliminated Intercompany Sales of Products Sold during  
Year ended December 31, 2007

Sold From:	Sold To:	Amount
	Sales	
Food Company	Company	\$ 4,221,813
	Sales	
Meat Company	Company	20,435,143
	Food	
Meat Company	Company	8,759,101
		\$ 33,416,057

Results of Operations For the year ended December 31, 2006	Meat Company	Food Company	Sales Company	Chuming WFOE, PSI, & Eliminations	Total
Sales	\$ 64,169,418	\$ 7,351,567	\$ 17,277,285	\$ (18,401,830)	\$ 70,396,439
Cost of Sales	54,146,375	4,855,542	16,923,680	(18,130,743)	57,794,853
Gross Profit	10,023,044	2,496,025	353,605	(271,087)	12,601,586
Operating (Loss)/Profit	9,253,704	1,930,499	(1,203,200)	(271,087)	9,709,916
Other Income (Expense)	(849,450)	(718,182)	(15,522)	-	(1,583,154)
Earnings/(Loss) before Tax	8,404,254	1,212,317	(1,218,722)	(271,087)	8,126,762

Edgar Filing: ENERGROUP HOLDINGS CORP - Form 10-K/A

(Income Tax Expense)/Credit	-	400,065	(401,674)	-	(1,609)
Net Income/(Loss)	\$ 8,404,254	\$ 812,252	\$ (817,049)	\$ (271,087)	\$ 8,128,371

F-26

---

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

Eliminated Intercompany Sales of Products Sold during  
Year ended December 31, 2006

Sold From:	Sold To:	Amount
	Sales	
Food Company	Company	\$ 3,735,082
	Sales	
Meat Company	Company	12,709,432
	Food	
Meat Company	Company	1,686,229
		\$ 18,130,743

Financial Position	Meat	Food	Sales	Chuming WFOE, PSI, & Eliminations	Total
At	Company	Company	Company		
December 31, 2008					
Current Assets	74,713,237	21,126,826	41,826,291	(89,504,485)	48,161,868
Non Current Assets	22,624,642	19,570,329	325,480	1,088	42,521,540
Total Assets	\$ 97,337,879	\$ 40,697,155	\$ 42,151,770	\$ (89,503,397)	\$ 90,683,408
Current Liabilities	42,293,137	34,796,536	45,747,946	(99,079,857)	23,757,761
Total Liabilities	42,293,137	34,796,536	45,747,946	(99,079,857)	23,757,761
Net Assets	55,044,742	5,900,619	(3,596,176)	9,576,460	66,925,647
Total Liabilities & Net Assets	\$ 97,337,879	\$ 40,697,155	\$ 42,151,770	\$ (89,503,397)	\$ 90,683,408

Financial Position	Meat	Food	Sales	Chuming WFOE, PSI, & Eliminations	Total
At	Company	Company	Company		
December 31, 2007					
Current Assets	\$ 36,387,010	\$ 19,361,784	\$ 24,500,857	\$ (52,282,684)	\$ 27,966,967
Non Current Assets	22,256,798	16,228,202	167,961	-	38,652,961
Total Assets	\$ 58,643,808	\$ 35,589,986	\$ 24,668,818	\$ (52,282,684)	\$ 66,619,928
Current Liabilities	\$ 25,289,655	\$ 31,425,683	\$ 25,664,664	\$ (64,697,884)	\$ 17,682,118
Total Liabilities	25,289,655	31,425,683	25,664,664	(64,697,884)	17,682,118
Net Assets	33,354,152	4,164,303	(995,846)	12,415,200	48,937,810
Total Liabilities & Net Assets	\$ 58,643,808	\$ 35,589,986	\$ 24,668,818	\$ (52,282,684)	\$ 66,619,928





Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

Financial Position At December 31, 2006	Meat Company	Food Company	Sales Company	Chuming WFOE, PSI, & Eliminations	Total
Current Assets	\$ 27,676,447	\$ 18,497,318	\$ 27,870,908	\$ (51,181,557)	\$ 22,863,116
Non Current Assets	21,257,469	12,561,441	163,596	-	33,982,507
<b>Total Assets</b>	<b>\$ 48,933,916</b>	<b>\$ 31,058,759</b>	<b>\$ 28,034,504</b>	<b>\$ (51,181,557)</b>	<b>\$ 56,845,623</b>
<b>Current Liabilities</b>	<b>16,426,173</b>	<b>22,340,903</b>	<b>28,560,949</b>	<b>(50,564,504)</b>	<b>16,763,521</b>
<b>Total Liabilities</b>	<b>27,619,010</b>	<b>29,056,605</b>	<b>28,560,949</b>	<b>(50,564,504)</b>	<b>34,672,060</b>
<b>Net Assets</b>	<b>21,314,906</b>	<b>2,002,154</b>	<b>(526,445)</b>	<b>(617,053)</b>	<b>22,173,564</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 48,933,916</b>	<b>\$ 31,058,759</b>	<b>\$ 28,034,504</b>	<b>\$ (51,181,557)</b>	<b>\$ 56,845,623</b>

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

## 16. Earnings Per Share

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

	For the year ended December 31, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
Net Income (A)	\$ 6,837,265	\$ 11,652,147	\$ 8,128,371
Basic Weighted Average Shares Outstanding (B)	17,272,756	13,409,120	13,409,120
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	3,863,636
Diluted Weighted Average Shares Outstanding: (C)	21,182,756	17,272,756	17,272,756
Earnings Per Share:			
-Basic (A)/(B)	\$ 0.40	\$ .87	\$ 0.61
-Diluted (A)/(C)	\$ 0.32	\$ .67	\$ 0.47
Weighted Average Shares Outstanding:			
-Basic	17,272,756	13,409,120	13,409,120
-Diluted	21,182,756	17,272,756	17,272,756

## 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 ("Energroup" or the "Company"), acquired Precious Sheen Investments Ltd. ("PSI") in a reverse take-over transaction, by executing a Share Exchange Agreement ("Exchange Agreement") by and among Energroup, PSI, and all of the shareholders of PSI's

issued and outstanding share capital (the “PSI Shareholders”). PSI owned 100% of the equity in Chuming WFOE. Chuming WFOE is a holding company for the following three operating subsidiaries: (i) Meat Company, (ii) Food Company, and (iii) Sales Company, each of which is a limited liability company headquartered in, and organized under the laws of, China (also referred to elsewhere as the “Chuming Operating Subsidiaries”).

Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

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

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

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

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

At December 31, 2008, the total number of shares outstanding, on a fully diluted basis, is shown in the following table:

Common shares outstanding	
i. prior to offering of securities	17,272,756
Common shares issued	
ii. under securities purchase agreement	3,863,636
Common shares issuable	
iii. upon exercise of placement agent warrants	386,364
	21,522,756

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.

F-30

---

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of and for the years ended December 31, 2008, 2007, and 2006

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 from escrow. 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.

19. Change of Chief Financial Officer

The Company filed an 8-K on December 29, 2008 in connection with the change of Chief Financial Officer where Mr. Zhang Yizhao resigned his position and Ms. Wang Shu was appointed to this position that she had previously held until September 28, 2008. Mr. Zhang Yizhao's total remuneration during his term of service at the Company was approximately \$71,000 (RMB 500,000).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 6th day of May, 2009.

ENERGROUP HOLDINGS  
CORPORATION

By: /s/ Shi Huashan  
Shi Huashan  
President, Chief Executive  
Officer  
and Chairman of the Board

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

Signature	Title	Date
/s/ Shi Huashan Shi Huashan	Chief Executive Officer, President, and Director (Principal Executive Officer)	May 6, 2009
/s/ Wang Shu Wang Shu	Chief Financial Officer and Director (Principal Financial and Accounting Officer)	May 6, 2009
/s/ Wang Shuying Wang Shuying	Director	May 6, 2009
/s/ Ma Fengqin Ma Fengqin	Director	May 6, 2009

---