

ENERGROUP HOLDINGS CORP
Form 10-Q
November 19, 2008

**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 September 30, 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)

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 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

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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 September 30, 2008, the Registrant had 21,136,391 shares of Common Stock outstanding.

ENERGROUP HOLDINGS CORPORATION
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Energrou Holdings Corporation
Consolidated Balance Sheets
As of September 30, 2008 and December 31, 2007
(Stated in US Dollars)

	Note	At September 30, 2008	At December 31, 2007
ASSETS			
Cash		\$ 11,672,377	\$ 14,031,851
Restricted Cash	3	2,234,387	4,250,000
Accounts Receivable	4	25,429,400	622,433
Other Receivable		1,888,165	1,068,939
Related Party Receivable	5	6,244,256	3,964,357
Inventory	6	6,483,137	2,916,016
Purchase Deposit		1,410,121	267,807
Prepaid Expenses		50,328	46,401
Prepaid Taxes		1,224,020	185,419
Deferred Tax Asset		654,946	613,844
Total current assets		57,291,137	27,966,967
Property, Plant & Equipment, net	7	25,450,634	24,836,496
Land Use Rights, net	8	13,500,699	12,855,980
Construction in Progress		1,019,169	927,866
Other Assets		93,154	32,619
TOTAL ASSETS		\$ 97,354,793	\$ 66,619,928
LIABILITIES			
Bank Loans & Notes	9	\$ 6,418,579	\$ 7,383,095
Accounts Payable		14,276,813	3,779,274
Taxes Payable		2,749,160	1,677,194
Other Payable		3,477,954	1,471,381
Accrued Liabilities		3,894,780	3,347,013
Customer Deposits		2,872,226	24,161
Total current liabilities		33,689,511	17,682,118
TOTAL LIABILITIES		\$ 33,689,511	\$ 17,682,118

See Accompanying Notes to the Financial Statements and Accountant's Report

Energroupholdings Corporation
Consolidated Balance Sheets
As of September 30, 2008 and December 31, 2007
(Stated in US Dollars)

	Note	At September 30, 2008	At December 31, 2007
<u>STOCKHOLDERS' EQUITY</u>			
Preferred Stock - \$0.001 par value 10,000,000 shares authorized; 0 shares issued & outstanding at September 30, 2008 and December 31, 2007, respectively.		-	-
Common Stock \$0.001 par value 21,739,130 shares authorized; 21,136,392 shares issued & outstanding at September 30, 2008 and December 31, 2007, respectively.	10	\$ 21,136	\$ 21,136
Additional Paid in Capital		15,440,043	15,440,043
Statutory Reserve	11	1,729,863	751,444
Retained Earnings		42,962,290	29,764,236
Accumulated Other Comprehensive Income		3,511,950	2,960,951
TOTAL STOCKHOLDERS' EQUITY		62,665,282	48,937,810
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 97,354,793	\$ 66,619,928

See Accompanying Notes to the Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Statements of Income
for the three and nine months ended September 30, 2008 and 2007
(Stated in US Dollars)

	Note	3 months ended September 30, 2008	3 months ended September 30, 2007	9 months ended September 30, 2008	9 months ended September 30, 2007
Sales		\$ 53,725,596	\$ 35,160,526	\$ 140,309,218	\$ 89,718,841
Cost of Sales		47,254,631	29,430,153	120,329,483	74,966,451
Gross Profit		6,470,965	5,730,373	19,979,735	14,752,390
Selling Expenses	12	878,893	1,597,626	3,463,947	3,397,046
General & Administrative Expenses		734,976	459,975	1,881,138	1,147,488
Operating Income		4,857,096	3,672,772	14,634,650	10,207,856
Other Income		1,036,941	806	1,420,060	7,810
Interest Income		(356,596)	-	279,097	-
Other Expenses		(413,264)	(40,524)	(514,000)	(78,354)
Interest Expense		(587,118)	(378,580)	(1,194,197)	(1,089,221)
Earnings before Tax		4,537,058	3,254,474	14,625,611	9,048,091
Income Tax	13	(216,770)	(749,504)	(449,138)	(749,504)
Net Income		\$ 4,320,288	\$ 2,504,970	\$ 14,176,473	\$ 8,298,587
Earnings Per Share	16				
Basic		\$ 0.25	\$ 0.19	\$ 0.82	\$ 0.62
Diluted		\$ 0.20	\$ 0.15	\$ 0.67	\$ 0.48
Weighted Average Shares Outstanding					
Basic		17,272,756	13,409,120	17,272,756	13,409,120
Diluted		21,182,756	17,272,756	21,182,756	17,272,756
		3 months ended September 30, 2008	3 months ended September 30, 2007	9 months ended September 30, 2008	9 months ended September 30, 2007
<u>Comprehensive Income</u>					
Net Income		\$ 4,320,288	\$ 2,504,970	\$ 14,176,473	\$ 8,298,587
Other Comprehensive Income					
Foreign Currency Translation Adjustment		(911,156)	927,231	550,999	1,174,740
Total Comprehensive Income		\$ 3,409,132	\$ 3,432,201	\$ 14,727,472	\$ 9,473,327

See Accompanying Notes to the Financial Statements and Accountant's Report

Energrou Holdings Corporation
Consolidated Statements of Changes in Stockholders' Equity
for the nine months ended September 30, 2008 and the year ended December 31, 2007
(Stated in US Dollars)

	Common Stock		Common Stock	Statutory	Retained	Accumulated	
	Shares	Amount	Additional	Reserve	Earnings	Other	Total
	Outstanding		Paid in			Comprehensive	
			Capital			Income	
Balance, January 1, 2007	17,272,756	\$ 17,273	\$ 2,396,079	\$ 751,444	\$ 18,112,089	\$ 896,679	\$ 22,173,563
Issuance of Common Stock & Warrants	3,863,636	3,863	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	\$ 21,136	\$ 15,440,043	\$ 751,444	\$ 29,764,236	\$ 2,960,951	\$ 48,937,810
Balance, January 1, 2008	21,136,392	\$ 21,136	\$ 5,440,043	\$ 751,444	\$ 29,764,236	\$ 2,960,951	\$ 48,937,810
Issuance of Common Stock & Warrants							
Net Income					14,176,473		14,176,473
Appropriations of Retained Earnings				978,419	(978,419)		-
Foreign Currency Translation Adjustment						550,999	550,999
Balance, September 30, 2008	21,136,392	\$ 21,136	\$ 15,440,043	\$ 1,729,863	\$ 42,962,289	\$ 3,511,950	\$ 63,665,282

See Accompanying Notes to the Financial Statements and Accountant's Report

Energrou Holdings Corporation
Consolidated Statements of Cash Flows
for the three and nine months ended September 30, 2008 and 2007
(Stated in US Dollars)

	3 months ended September 30, 2008	3 months ended September 30, 2007	9 months ended September 30, 2008	9 months ended September 30, 2007
Cash Flow from Operating Activities				
Net Income	\$ 4,320,288	\$ 2,504,970	\$ 14,176,473	\$ 8,298,587
Amortization	74,052	32,949	259,312	97,479
Depreciation	576,203	450,002	1,983,977	1,370,225
(Increase)/Decrease in Accounts & Other Receivables	(10,487,495)	1,636,735	(27,906,092)	(11,484,507)
(Increase)/Decrease in Inventory & Purchase Deposits	(1,987,668)	195,202	(4,709,434)	1,136,515
(Increase) in Prepaid Taxes & Expenses	(934,281)	28,544	(1,083,731)	(50,535)
Increase/(Decrease) in Accounts, Taxes & Other Payables	8,298,021	(8,424,131)	13,576,079	1,424,545
Increase/(Decrease) in Accrued Liabilities	394,292	232,734	547,767	546,095
Increase in Customer Deposits	1,177,925	2,216,740	2,848,064	2,196,553
Cash Sourced/(Used) in Operating Activities	1,431,337	(1,126,255)	(307,586)	3,534,957
Cash Flows from Investing Activities				
Funds released from/(interest earned in) Escrow Account	(3,720)	-	2,015,613	-
Purchases of Plant & Equipment	(2,042,604)	(148,353)	(2,689,418)	(847,063)
Purchase of Land Use Rights	(904,031)	2,705	(904,031)	(3,330,801)
Payments for Deposits	(227)	-	(60,535)	-
Cash Sourced/(Used) in Investing Activities	(2,950,582)	(145,648)	(1,638,371)	(4,177,864)
Cash Flows from Financing Activities				
Proceeds from Bank Borrowings	15,004,489	1,219,923	6,418,579	1,219,923
Repayment of Bank Loans	(14,988,890)	(9,140)	(7,383,095)	(1,302,803)
Cash Sourced/(Used) in Financing Activities	15,599	1,210,783	(964,516)	(82,880)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Year				
	(1,503,647)	(61,120)	(2,910,473)	(725,787)
Effect of Currency Translation	1,905,294	38,869	550,999	107,434
Cash & Cash Equivalents at Beginning of Year	11,270,730	2,479,685	14,031,851	3,075,787

Cash & Cash Equivalents at End of Year	\$	11,672,377	\$	2,457,434	\$	11,672,377	\$	2,457,434
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Supplementary information:

Interest Received	-	-	279,097	-
Interest Paid	230,522	378,580	1,194,197	1,089,221
Income Tax Paid	216,770	749,504	449,138	749,504

See Accompanying Notes to the Financial Statements and Accountant's Report

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Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of September 30, 2008 and December 31, 2007
and for the three and nine months ended September 30, 2008, and 2007

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.

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Energrouph Holdings Corporation
Notes to Consolidated Financial Statements
As of September 30, 2008 and December 31, 2007
and for the three and nine months ended September 30, 2008, and 2007

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 September 30, 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.

(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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of September 30, 2008 and December 31, 2007
and for the three and nine months ended September 30, 2008, and 2007

(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
	10
Land Improvements	years
	20
Buildings	years
	10
Building Improvements	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.

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Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of September 30, 2008 and December 31, 2007
and for the three and nine months ended September 30, 2008, and 2007

(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.

(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 September 30, 2008 and December 31, 2007
and for the three and nine months ended September 30, 2008, and 2007

(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 accounts for income tax using an asset and liability approach and allows for recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future realization is uncertain.

(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.

Energrouph Holdings Corporation
Notes to Consolidated Financial Statements
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(X) *Foreign Currency Translation*

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

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

<i>Exchange Rates</i>	<i>9/30/2008</i>	<i>12/31/2007</i>	<i>9/30/2007</i>
Period end RMB : US\$ exchange rate	6.855100	7.314100	7.517600
Average period RMB : US\$ exchange rate	6.998860	7.617200	7.675760

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.

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

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

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

3. Restricted Cash

The restricted cash reflects funds received from the financing transaction described in *Note 18 – Financing Transaction* 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 ("CFO") that meets the approval of the investors, at such point the Company will release \$1.5 million from restriction (less applicable penalties), the Company agreed to 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. A total of \$250,000 was placed in the escrow account earmarked for investor relations purposes.

At September 30, 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 September 30, 2008 and December 31, 2007 consisted of the following:

	September 30, 2008	December 31, 2007
Accounts Receivable – Trade	\$ 25,686,263	\$ 707,156
Less: Allowance for Doubtful Accounts	(256,863)	(84,723)
Net Accounts Receivable	\$ 25,429,400	\$ 622,433

<i>Allowance for Bad Debts</i>	September 30, 2008	December 31, 2007
Beginning Balance	\$ 90,176	\$ 79,267
Allowance Provided	166,687	5,456
Charged Against Allowance	-	-

Ending Balance	\$	256,863	\$	84,723
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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.

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 a receivable due from, or a payable due to the Group. The Company's net receivable balance of \$6,244,246 at September 30, 2008 is shown in the following table. The table is followed by a description of how the receivable balance changed during the three month period ended September 30, 2008.

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 Company, Ltd	\$ 88,178	Food Company sold cooked food to Huayu dating back to 1/2007.
Subtotal of Related Party Sales				\$ 88,178	
B	Sales Company	Loan Receivable from	Dalian Mingxing Livestock Product Co. Ltd.	\$ 75,856	Sales Company bought equipment on behalf of Mingxing dating back to 7/2008.
C	Meat Company	Loan Receivable from	Dalian Chuming Group Co., Ltd.	6,759,432	Meat Company paid bank loan principal for Group and made

					advancement for purchase of hogs dating back to 12/2004.
D	Meat Company	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.	15,243	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.	3,101,522	Prepayment to Group for Purchase of hogs dating back to 7/2008.
F	Meat Company	Loan Receivable from	Dalian Chuming Group Co., Ltd.	68,432	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.	12,559,385	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 Chuming Group Co., Ltd.	1,362,236	Sales Company paid the Group to help it buy materials dating back to 7/2008.
I	Sales Company	Loan Receivable from	Dalian Chuming Stockbreeding Combo Development Co., Ltd.	7,279,252	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.	2,198,363	Sales Company paid for feeding materials on behalf of Fodder dating back to 9/2008.
Subtotal of Loans to Related Parties				\$ 33,419,721	
Gross Related Party Receivable				\$ 33,507,899	

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Ref	Subsidiary Due from:	Nature of Balance	Related Party	Balance	Description of Transaction
K	Meat Company	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Group Co., Ltd.	\$ 4,913,179	Purchase of hogs from Group dating back to 12/1/2004.
L	Meat Company	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Group Co., Ltd.	2,917,535	Purchase of hogs from Group dating back to 7/2008.
M	Food Company	Purchase of Raw Materials resulting in Trade Payable to	Dalian Huayu Seafood Food Co., Ltd	3,643,817	Advance from Huayu for the purchase of product dating back to 12/2007.
Subtotal of Purchases from Related Parties				\$ 11,474,531	
N	Food Company	Loan Payable to	Dalian Chuming Group Co., Ltd.	\$ 1,796,205	Group paid for salaries and other G&A expenses on behalf of Food Company dating back to 1/2004.
O	Meat Company	Loan Payable to	Dalian Chuming Stockbreeding Combo Development Co., Ltd.	1,579,846	Meat Company collected bank loans for Stockbreeding Co. dating back to 7/2008
P	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.
Q	Meat Company	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,	393,868	Meat Company collected bank loans on behalf of Mingxing dating back to 8/2008
R	Chuming WFOE	Loan Payable to	Dalian Chuming Group Co.	11,979,877	Group loaned funds to WFOE (incl. funds transferred from

S	Sales Company	Loan Payable to	Dalian Huayu Seafood Co., Ltd.	32,850	Meat Company for US RTO. Sales Company collected sales revenue on behalf of Huayu dating back to 7/2008
Subtotal of Loans from Related Parties				\$ 15,789,123	
Gross Related Party Payable				\$ 27,263,654	
Setoff Related Party Receivable (Receivables have been setoff against payables)				\$ 6,244,246	

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- A. The Food Company, sold approximately USD 88 thousand (RMB 6 thousand) cooked food to Huayu in credit in the third quarter of 2008. This transaction had impact on statement of income by applying 17% valued added tax, the Food Company, generated USD 54 thousand (RMB 0.4 million) in sales income.
- B. Sales Company bought approximately USD 75 thousand (RMB 0.5 million) equipment on behalf of Mingxing Co. in 3rd quarter.
- C. The balance of receivable owed by the Group of approximately USD 6.8 million (RMB 46.3 million) to Meat Company, was increase by USD 5.5 million (RMB 38.1 million) in the third quarter of 2008. The Meat Company, paid USD 2.7 million (RMB 18.1 million) bank loan principal for the Group in August and USD 2.8 million (RMB 20 million) in September to the Group for the purchase of hogs in advance. Simultaneously, the Group has delivered USD 2.9 million (RMB 19.5 million) in hogs in August and USD 1.4 (RMB 9.7 million) in hogs in September to Meat Company, to net against the receivables. The prepayment has not impact on the statement of income.
- D. The Meat Company paid approximately USD 15 thousand (RMB 0.1 million) utility fees for Fodder Co., in the third quarter of 2008.
- E. The prepayment of approximately USD 3.1 million (RMB 21.3 million) from Meat Company, to the Group 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 repaid USD 1.3 million (RMB 8.9 million) in hogs to Meat Company, to net against the prepayment in the third quarter of 2008.
- F. The balance of approximately USD 68 thousand (RMB 0.4 million) office supplies payment made by Meat Company, for the Group was still outstanding as of September 30, 2008.
- G. The balance of approximately USD 12.6 million (RMB 86.1 million) which Food Company, paid bank loan principal and interest on behalf of Industrial Co., was still outstanding as of September 30, 2008.

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- H. The balance of approximately USD 1.3 million (RMB 9.3 million) receivable from Group to Sales Company, was increased by USD 5.8 million (RMB 39.6 million) in the third quarter of 2008 as Sales Company paid the Group to buy materials, and the Group has since repaid USD 4.5 million (RMB 20.3 million) of this obligation.
- I. Sales Company helped the Group to pay approximately USD 7.3 million (RMB 49.9 million) to local farmers for the purchase of hogs in the third quarter of 2008 .

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- J. The receivable of approximately USD 2.2 million (RMB15 million) due from Fodder Co. to Sales Company consisted of following transactions: USD 0.5 million (RMB 3.3 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).
- K. The balance of approximately USD 4.9 million (RMB 33.7 million) owed by the Company to the Group was increased by USD 3.9 million (RMB 27.4 million), USD 5.5 million (RMB 37.7 million), and USD 5.2 million (RMB 35.1 million) in July, August, and September respectively. The Company paid USD 9.8 million (RMB 67.4 million) to settle this balance during September. The increase in the balance as a result of the purchase of hogs would impact the statements of income; however, the effect of the repayment is isolated to the Company's balance sheet.
- L. The Group sold hogs to Meat Company, and the Meat Company paid approximately USD 2.9 million (RMB 20,000,000 million) to the Group on August 12, 2008.
- M. The USD 3.6 million (RMB 24.9 million) deposit owed to Huayu was still outstanding at September 30, 2008.
- N. The Group has paid USD 1.8 million (RMB 12.3 million) in salaries and general administrative expenses on behalf of Food Company.
- O. The outstanding balance of USD 1.6 million (RMB 10.8 million) due from Meat Company to Stockbreeding Combo was due to the fact that Meat Company collected USD 52 thousand (RMB 0.4 million) in hog sales and a USD 1.5 million (RMB 10.4 million) banks loan on behalf of Stockbreeding Co., in August and September, 2008 respectively.
- P. The balance owed of USD 6 thousand (RMB 44 thousand) by Industrial Development Co. to Meat Company, was still outstanding at September 30, 2008.
- Q. The balance of USD 0.4 million (RMB 2.7 million) was due to the fact that Meat Company collected a bank loan of USD 0.43 million (RMB 2.9 million) for Mingxing Co., in August, and Meat Company repaid USD 30 thousand (RMB 0.2 million) in September.
- R. The outstanding payable balance of USD 12 million (RMB 82.1 million) due to the Group has been transferred to the books of the Company, which balance increased by approximately USD 95 thousand (RMB 0.7 million) in the 3rd quarter of 2008.

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S. Sales Company helped Huayu collect USD 33 thousand (RMB 0.2 million) seafood sales from the customers.

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 quarters was manually based and accordingly was not able to, from a functional and cost benefit perspective, effectively summarize and provide any greater 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 has been 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.

6.	<u>Inventory</u>			
		September 30, 2008	December 31, 2007	
	Raw Materials	\$ 1,023,583	\$ 1,039,440	
	Work in Progress	555,754	547,888	
	Finished Goods	4,903,800	1,328,688	
		\$ 6,483,137	\$ 2,916,016	

7. Property, Plant & Equipment

At September 30, 2008		Accumulated	
	Cost	Depreciation	Net
Buildings	\$ 20,750,029	\$ 3,360,259	\$ 17,389,769
Manufacturing Equipment	10,018,494	2,876,366	7,142,128
Office Equipment	192,840	134,239	58,601
Vehicles	913,696	452,657	461,039
Furniture & Fixture	523,951	124,855	399,097
	\$ 32,399,010	\$ 6,948,376	\$ 25,450,634

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

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8. Land Use Right

The Company had the following intangible assets outstanding at September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Land Use Rights, at Cost	\$ 14,405,611	\$ 13,501,580
Less: Accumulated Amortization	(904,912)	(645,600)
	\$ 13,500,699	\$ 12,855,980

9. Bank Loans(A) *Short Term Bank Loans*

At September 30, 2008, the Company had the following short term loans outstanding: -

Borrower: Operating Subsidiary	Bank	Interest Rate	Due Date	Amount
Meat Company	Bank of China	8.217%	12/18/2008	\$ 4,376,304
Food Company	Bank of China	8.019%	11/17/2008	2,042,275
				\$ 6,418,579

The loans provided by the Bank of China of have been secured by the Company's land use rights, and guaranteed by the Dalian Chuming Group Co., Ltd.

10. Capitalization

As a result of the reverse take-over (RTO) transaction on December 31, 2007, including an exchange of shares and issuance of common stock to private investors pursuant to the equity financing plan, the total capitalization as of September 30, 2008 is depicted in the following table.

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	3,863	13,043,964	18.28%
	21,136,392	\$ 21,136	\$ 15,440,043	100.00%

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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.

	September 30, 2008	December 31, 2007
PRC Registered Capital	\$ 15,787,633	\$ 3,642,866
- Statutory Reserve Ceiling based on 50% of Registered Capital	7,893,816	1,821,433
<u>Less:</u> - Retained Earnings appropriated to Statutory Reserve	1,729,863	751,444
Reserve Commitment Outstanding	\$ 6,163,953	\$ 1,069,989

12.

Advertising Costs

Advertising expenses were \$1,546,948 and \$50,313 for the nine months ended September 30, 2008 and 2007, respectively.

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13. Income Taxes

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

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 the nine months ended September 30, 2008 and 2007.

Food Company has provided provisions for income taxes for the nine months ended September 30, 2008 and 2007 of \$232,368 and \$967,539 respectively.

Sales Company has not provided provisions for income taxes for the nine months ended September 30, 2008 and 2007

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

- i. September 30, 2008 Tax expense \$ 449,138
- ii. September 30, 2007 Tax expense \$ 749,504

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. The Company has not repatriated foreign source income. 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 should be expected to continue benefiting from a tax holiday.

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14. Commitments & Contingencies

(A) *Capital 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 September 30, 2008.

(B) *Executive Compensation*

There were no severance packages to any key management personnel that have resigned their positions. The Company has the right to terminate employment for cause at any time.

(C) *Hog Purchase Agreement*

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 September 30, 2008, the Company expects to purchase minimum quantities of hogs detailed in the following table from the Group:

Year	Hogs	Price Per Hog	Amount
2008	130,000	\$ 211.01	\$ 27,431,300
2009	800,000	\$ 232.21	185,768,000
2010	800,000	\$ 255.44	204,352,000
			\$ 417,551,300

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

(D) *Pledged Assets*

Prior to the financing transaction described in Note 18 undertaken by the Company at December 31, 2007, the Company owed the Group approximately \$20,000,000 (RMB 160,000,000). The Group, in turn, borrowed these funds from the China National Development Bank. These funds were guaranteed by a bond issued by China Export and Credit Insurance Corporation ("Bond Issuer"). The Company pledged land use rights and real property to the Bond Issuer in order to secure the bond.

As per the terms of the agreement under the financing transaction detailed in Note 18, the funds owed to the Group by the Company were set off against receivables owed by the Group to the Company. Although the Company no longer owes funds to the Group regarding this loan, the Group still has an outstanding balance with the China National Development Bank. Accordingly, 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.

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15. Operating Segments

The Company individually tracks the performance of its three operating subsidiaries Meat Company, Food Company, Sales Company, and the ultimately holding parent 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.

Below is a presentation of the Company's Statement of Income and Balance Sheet for its operating subsidiaries at, and for the nine months ended September 30, 2008. 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 nine months ended September 30, 2008	Meat Company	Food Company	Sales Company	Chuming WFOE, PSI, & Eliminations	Total
Sales	\$ 128,208,596	\$ 16,185,747	\$ 62,110,427	\$ (66,195,551)	\$ 140,309,218
Cost of Sales	111,689,686	13,481,540	61,353,808	(66,195,551)	120,329,483
Gross Profit	16,518,909	2,704,207	756,618	-	19,979,735
Operating Expense	1,943,752	973,602	2,124,161	303,569	5,345,085
Operating (Loss)/Profit	14,575,157	1,730,605	(1,367,543)	(303,569)	14,634,650
Other Income (Expense)	690,654	(505,527)	124,584	(318,751)	(9,040)
Earnings before Tax	15,265,811	1,225,078	(1,242,959)	(622,320)	14,625,611
Tax	214,321	234,817	-	-	449,138
Net Income	\$ 15,051,491	\$ 990,261	\$ (1,242,959)	\$ (622,320)	\$ 14,176,473

Eliminated Intercompany Sales of Products Sold

Sold From:	Sold To:	Amount
Food Company	Sales Company	\$ 10,914,340
Meat Company	Sales Company	44,347,880
Meat Company	Food Company	10,933,331
		\$ 66,195,551

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Financial Position at September 30, 2008	Meat Company	Food Company	Sales Company	Chuming WFOE, PSI, & Eliminations	Total
Current Assets	\$ 74,843,828	\$ 28,297,353	\$ 33,956,051	\$ (79,806,095)	\$ 57,291,137
Non Current Assets	22,912,019	16,743,108	350,179	58,351	40,063,657
Total Assets	97,755,847	45,040,461	34,306,230	(79,747,745)	97,354,793
Current Liabilities	46,801,246	39,586,300	36,637,780	(89,335,814)	33,689,511
Total Liabilities	46,801,246	39,586,300	36,637,780	(89,335,814)	33,689,511
Net Assets	50,954,601	5,454,161	(2,331,550)	9,987,570	63,665,282
Total Liabilities & Net Assets	\$ 97,755,847	\$ 45,040,461	\$ 34,306,230	\$ (79,747,745)	\$ 97,354,793

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16. Earnings Per Share

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

	3 months ended September 30, 2008	3 months ended September 30, 2007	9 months ended September 30, 2008	9 months ended September 30, 2007
Net Income	\$ 4,320,288	\$ 2,504,970	\$ 14,176,473	\$ 8,298,587
Original Shares	13,409,120	13,409,120	13,409,120	13,409,120
Addition to Common Stock from Offering on December 31, 2007	3,863,636	-	3,863,636	-
Basic Weighted Average Shares Outstanding	17,272,756	13,409,120	17,272,756	13,409,120
Addition to Common Stock if Contingent Shares Held in Escrow Were Released	3,863,636	3,863,636	3,863,636	3,863,636
Addition to Common Stock if Warrants Were Exercised	46,364	-	46,364	-
Diluted Weighted Average Shares Outstanding	21,182,756	2,504,970	21,182,756	17,272,756
Earnings Per Share				
Basic	\$ 0.25	\$ 0.19	\$ 0.82	\$ 0.62
Diluted	\$ 0.20	\$ 0.15	\$ 0.67	\$ 0.48
Weighted Average Shares Outstanding				
Basic	17,272,756	13,409,120	17,272,756	13,409,120
Diluted	21,182,756	17,272,756	21,182,756	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.

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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 Dalian Precious Sheen Investments Consulting Co., Ltd., a wholly foreign owned enterprise in the People’s Republic of China (“Chuming”). Chuming is a holding company for the following three operating subsidiaries: (i) Dalian Chuming Slaughter and Packaging Pork Company Ltd., (ii) Dalian Chuming Processed Foods Company Ltd., and (iii) Dalian Chuming Sales Company Ltd., each of which is a limited liability company headquartered in, and organized under the laws of, China (collectively, the “Chuming Operating Subsidiaries”).

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 September 30, 2008, 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	3,863,635
iii. Common shares issuable upon exercise	386,364

of placement agent
warrants

21,522,755

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Concurrent with the Company's financing transaction, the Company agreed to register for resale the common shares that were sold under the securities purchase agreement. Pursuant to filing a Form S-1 registration statement with the U.S. Securities and Exchange Commission, the Company entered into a Registration Rights Agreement with its 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 to the Company's additional paid in capital.

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

In accordance with Topic 5:T of the Staff Accounting Bulletins (SAB 79), the Company expects to record a compensatory expense for the shares upon their release from escrow. Whether the shares are released to the accredited investors or released to Mr. Shi the Company will record an expense with a corresponding credit to the Company's contributed paid in capital.

19. Appointment of Chief Financial Officer

Effective September 18, 2008, the Company hired Mr. Yizhao Zhang to be the Chief Financial Officer. Mr. Zhang's annual salary is \$180,000. Mr. Zhang is eligible to participate in equity or non-equity bonus programs, to be determined by the Board. In connection with Mr. Zhang's hiring, the Company had fulfilled the second criteria discussed in *Note 3 – Restricted Cash*, which relates to the financing transaction discussed in *Note 18 – Financing Transaction*. Although the criteria was fulfilled, the hiring of the new Chief Financial Officer was late, and therefore, the Company has accrued a liability of \$399,500 against its third quarter earnings for liquidated damages.

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 1.35%) in the third quarter of 2008.

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 September 30, 2008, we had 595 employees, of whom 423 were operating personnel, 106 were sales personnel, 4 were research and development personnel and 62 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’s parent company is 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. China, which is the largest pork-consuming nation in the world, consumed a total of 52 million metric tons in 2006, over half of the global consumption. Despite a decline in 2007 due to the blue ear disease, or Porcine Reproductive and Respiratory Syndrome (PRRS), China’s pork production is expected to recover to 48 million metric tons in 2008, according to a forecast from the United States Department of Agriculture Foreign Agriculture Service (USDA FAS) in Beijing. 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.

During the third quarter, Beijing hosted the 29th Olympic Games. China’s state-owned electrical power grid had to cut the power supply to some provinces to ensure sufficient electricity supply to Beijing during the games. This resulted in occasional interruptions in production in our factories, due to intermittent power failures. Nevertheless, we managed to increase our production of various pork products. We increased total production to a company record high 23,490 tons in the third quarter of 2008, as we produced 19,044 tons in the second quarter of 2008, and 16,892 tons for the third quarter of 2007. Fresh pork sales and production have been growing at a faster rate than frozen pork in terms of our revenue and production volume during the past several quarters.

Due to a shortage in supply, live hog prices rose significantly in 2007. 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 are now beginning to take effect, and as a result, the price of pork to consumers has stabilized during the past several months. In the near future, we expect pork prices to continue to stabilize, or even begin to decline.